Heathrow (SP) Limited Regulatory Accounts

Year ended 31 December 2016

Heathrow
Making every journey better

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Introduction

Heathrow (SP) Limited (the 'Company') owns Heathrow Airport Limited ('Heathrow'), Heathrow Express Operating Company Limited ('HEx'), Heathrow Funding Limited and Heathrow (AH) Limited, which together comprise the regulated entity for the purposes of the regulatory accounts.

These regulatory accounts include the following schedules which track Heathrow's performance during 2016 against the Civil Aviation Authority's ('CAA's') regulatory determination:

- a comparison of the actual financial performance of Heathrow with the regulatory assumptions
- a record of the movement in Heathrow's regulatory asset base, calculated in accordance with the basis used to set the price control for the control period
- a record of the price control in each year
- a record of the RPI inflation indices used to convert between price bases in these statements

For the year ended 31 December 2016, the regulatory accounts have been drawn up in accordance with the requirements of condition E1 of the 'Economic regulation at Heathrow from April 2014: notice granting the licence' ('the Licence') and the CAA's Regulatory Accounting Guidelines.

For further information on the preparation of these accounts, please refer to the notes on the basis of preparation and indexation in sections 7 and 9 respectively.

Reconciliations to statutory financial reporting are in section 8.

Objectives of the Regulatory Accounts

The purpose of the regulatory accounts is to make available, in a form and to a standard satisfactory to the CAA, such audited regulatory accounting information as will, in furtherance of the requirements of the Licence:

a) enable the CAA, airlines and users of air transport services to assess on a consistent basis the financial position of Heathrow (SP) Limited and the financial performance of provision of airport operation services and associated services provided in connection with Heathrow Airport;

b) assist the CAA, airlines and users of air transport services to assess performance against the assumptions underlying the price control conditions in Conditions C1 and C2 of the Licence; and

c) inform future price control reviews.

2016 Performance Overview

Heathrow saw excellent progress in 2016 towards its vision to give passengers the best airport service in the world. There was significant momentum in all four of its priorities: making Heathrow a great place to work, transforming the service to passengers and airlines, beating the business plan over the current regulatory period and winning support for expansion. These priorities are underpinned by a simple business logic that engaged people deliver great service which in turn delivers financial returns and Heathrow's licence to grow.

Heathrow's people are measurably more engaged. In the latest internal survey 78% of colleagues rated themselves engaged – up 10 points in 4 years. And Heathrow has been recognised as one of the top 30 UK companies in an annual national survey by The Sunday Times. Engagement efforts took many forms. All managers have participated in leadership and values training. Heathrow raised over £250,000 for the Duke of Edinburgh scheme with people participating in a range of community or personal challenges such as running the runway and a mass cycle race against a plane to New York. Heathrow signed a long-term partnership with Hong Kong airport which includes long-term exchange of talented managers and in-depth peer reviews of core processes.

Heathrow is serving passengers better. Heathrow's people delivered a result of 4.19 in the global Airport Service Quality survey in Q4 2016. This was supported by record baggage performance with 986 bags for every thousand passengers travelling as intended. Punctuality of flights also improved supported by airfield improvements, close work with airlines and innovative air traffic control. Skytrax's survey of over 16 million passengers yet again rated Heathrow the best airport in Western Europe and Terminal 5 the best airport terminal in the world.

In 2016, 75.7 million passengers flew through Heathrow, this was up 1.0% on 2015. Major airlines added more seats per aircraft while also introducing cleaner, quieter and more efficient new generation aircraft such as the Boeing 787 Dreamliner and Airbus A350 to grow capacity at the airport. Airlines are also adding new destinations from Heathrow, with recent or imminent new long haul routes including Ahmedabad, Jakarta, New Orleans, Portland, Salt Lake City, San José (California), Santiago and Tehran.

The government supported expansion of Heathrow in October 2016. The decision was supported by a wide coalition built up over years. Heathrow is now working towards planning approval by 2020.

Passenger numbers in 2016 were 4% above the forecast based on the CAA decision. In financial terms, 2016 has seen a good performance. Higher airport charges revenue was driven primarily by the higher passenger numbers. Other revenue was 5% above the forecast based on the CAA decision, including a solid retail performance and good growth in car parking revenue. The favourable revenue variance was reduced by operating costs that were 4% above the forecast based on the CAA decision including expansion related costs. Expansion related costs are not included in the forecast based on the CAA decision.

Regulatory operating profit at £925m was £106m higher than the forecast based on the CAA decision. This variance was largely due to higher passenger numbers.

Heathrow's calculation of the weighted average regulatory asset base (RAB) for 2016 was £15,079m, £271m lower than the forecast based on the CAA decision due to lower capital expenditure in both 2015 and 2016. Airport charges for 2017 have been adjusted downwards, through the Development/Core Capital adjustment mechanism, to reflect these lower levels of capital expenditure.

The actual return on RAB in 2016 of 6.1% compared to 5.3% in the forecast based on the CAA decision was primarily due to the higher regulatory operating profit.

1. Performance Summary for the year ended 31 December 2016

£million (unless otherwise stated)	Section	Actual	CAA Forecast*	Variance	%
Total Passengers (thousands)	2	**75,715**	**72,700**	**3,015**	**4%**
Revenue	3				
Airport Charges		1,699	1,601	98	6%
Other Revenue		1,087	1,040	47	5%
Total Revenue		**2,786**	**2,641**	**145**	**5%**
Expenditure	4				
Operating costs		(1,138)	(1,099)	(39)	(4%)
Assumed ordinary depreciation		(723)	(723)	0	0%
Total Expenditure		**(1,861)**	**(1,822)**	**(39)**	**(2%)**
Regulatory operating profit		**925**	**819**	**106**	**13%**
Capital expenditure	5	**668**	**716**	**(48)**	**(7%)**
Opening RAB	6	**14,921**	**15,165**	**(244)**	**(2%)**
Closing RAB		**15,237**	**15,536**	**(299)**	**(2%)**
Average RAB		**15,079**	**15,350**	**(271)**	**(2%)**
Return on average RAB		**6.13%**	**5.33%**	**0.80%**	

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

The regulatory accounts of Heathrow (SP) Limited were approved by the Board of Directors on March 2017 and signed on behalf of the Board by:

Javier Echave – Director

Andrew Macmillan – Director

2. Passenger Summary

Heathrow passengers for the year ended 31 December 2016

Thousands	Actual	CAA Forecast*	Variance	(%)
Departing passengers	37,348			
Arriving passengers	38,367			
Total passengers	**75,715**	**72,700**	**3,015**	**4%**

*Passenger totals are unrounded and defined in the basis of preparation in section 7

Heathrow's passengers by geographic segment for the year ended 31 December 2016 vs. the year ended 31 December 2015

Thousands	Actual	Prior year	Variance	(%)
UK	4,650	5,144	(493)	(10%)
Europe	31,738	31,173	564	2%
North America	17,188	17,281	(93)	(1%)
Asia Pacific	10,774	10,476	299	3%
Middle East	6,975	6,417	558	9%
Africa	3,164	3,299	(135)	(4%)
Latin America	1,226	1,209	16	1%
Total passengers	**75,715**	**74,999**	**716**	**1%**

Passenger totals are unrounded and defined in the basis of preparation in section 7

Heathrow's passenger numbers for the year ended 31 December 2016 rose 1% to 75.7 million (2015: 75.0 million), with an average load factor of 76.0% (2015: 76.5%).

Intercontinental traffic was the key driver of traffic growth in 2016, increasing 1.7%, with more flights operated and more seats per flight. A380 long haul aircraft now account for up to 26 departures per day by up to nine airlines.

Intercontinental traffic growth on routes serving the Middle East increased 8.8% reflecting more flights and larger aircraft, including additional A380 services provided by Emirates, Etihad and Qatar Airways and British Airways' relaunched its Tehran service. Momentum in this region increased in the second half of the year. The rise in Asia Pacific traffic of 2.8% included substantial growth on existing routes serving Thailand, China, Vietnam and the Philippines and new services to Indonesia. In the first quarter of the year, increased services to North America supported continued traffic growth with this region although geopolitical, competition and macro-economic factors saw traffic soften as the year progressed. Latin American traffic grew 1.4% mainly reflecting modest remaining year on year benefits from Avianca's route to Colombia launched in 2014. Traffic to Africa was lower partly reflecting Virgin Atlantic's schedule changes in 2015.

European passengers increased by 1.8% although short haul traffic overall was only marginally higher year on year with growth in continental European traffic, driven by British Airways increasing seat capacity, largely offset by reduced UK traffic principally due to Virgin Little Red ending operations in 2015.

3. Revenue

Summary

For the year ended 31 December 2016, revenue at £2,786m was 5% favourable to the forecast based on the CAA decision.

£million		Actual	CAA Forecast*	Variance	(%)
Airport charges	*3.1*	**1,699**	**1,601**	**98**	**6%**
Retail (including car parking)		562	539	23	4%
Property		115	117	(2)	(2%)
Commercial Revenue	*3.2*	**677**	**656**	**21**	**3%**
Other regulated charges	*3.3*	**232**	**228**	**4**	**2%**
Rail	*3.4*	**134**	**129**	**5**	**4%**
Other	*3.5*	**44**	**27**	**17**	**63%**
Total revenue		**2,786**	**2,641**	**145**	**5%**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

3.1 Airport charges

For the year ended 31 December 2016, airport charges at £1,699m were 6% favourable to the forecast based on the CAA decision.

£million (unless otherwise stated)	Actual	CAA Forecast*	Variance	(%)
Passenger Flights				
Departing passenger charges	1,231			
Landing charges	397			
Parking charges	64			
Total Passenger Flights	**1,692**			
Total Passengers (k)	75,715			
Actual yield per passenger	£22.344	£22.118	£0.226	0%
Total Non-Passenger Flights	**7**			
Total Airport Charges	**1,699**	**1,601**	**98**	**6%**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

The £98m favourable variance was due to a number of factors, of which the most significant were the increase in passenger numbers (£66m) and differences in RPI (£16m).

Details of the maximum allowable yield and 'K' factor for 2016 can be found in Appendix A.

3.2 Retail Revenue

For the year ended 31 December 2016, gross retail income at £580m was 2% favourable to the forecast based on the CAA decision. Net retail income ('NRI') was 4% favourable with NRI per passenger flat versus the CAA forecast.

£million (unless otherwise stated)	Actual	CAA Forecast*	Variance	%
- Duty and tax-free	138	160	(22)	(14%)
- Airside specialist shops	115	109	6	6%
- Bureau de change	50	51	(1)	(2%)
- Catering	50	43	7	16%
- Other retail revenue	113	101	12	12%
Retail	**466**	**464**	2	**0%**
Car Parking	**114**	**104**	10	**10%**
Gross retail income	**580**	**568**	12	**2%**
Retail expenditure	(18)	(29)	11	**38%**
Net retail income	**562**	**539**	**23**	**4%**
Terminal Passengers (k)	**75,715**	**72,700**	**3,015**	**4%**
Net Retail income per passenger	**£7.42**	**£7.41**	**(£0.01)**	**(0%)**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

Duty and tax-free was 14% adverse as revenue was adversely impacted by weaker passenger flows in Terminal 2, compared to previous experience in Terminal 1. The CAA stretch target to Commercial Income was applied to duty and tax-free income and did not include Terminal 1 and Terminal 2 assumptions. The adverse variance was offset by the favourable specialist shops resulting from the weakening of GBP following the Brexit vote. Catering income benefited from space reconfigurations and increased utilisation. Increases in other retail revenue came from VAT refund and fast track services.

Car parking revenue was 10% favourable, due to short stay price changes that occurred earlier than expected and above passenger growth improvement.

Retail expenditure was 38% favourable, as a new contract was negotiated with APCOA for Car Park management and transfer of costs to operating costs, including bussing to Ground transport costs. Some of the saving was included in the CAA forecast but a much better final result meant a larger saving.

3.3 Other Regulated Charges Revenue

For the year ended 31 December 2016, other regulated charges (ORC) revenue at £232m was 2% favourable to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Baggage/check-in	130	122	8	7%
Fixed electrical ground power	10	10	-	(0%)
Utilities	49	55	(6)	(11%)
PRM	20	18	2	11%
Staff car parking & security documentation	17	17	0	0%
Other income	6	6	0	0%
Total	**232**	**228**	**4**	**2%**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

Baggage & Check-In

Baggage & Check-in revenue was 7% favourable as a result of the agreed recovery of additional resilience costs, gain share on savings made on the baggage contract and under recovery of £1m from 2015 Regulatory year.

Utilities

Utilities (incorporating electricity, heating, water & sewerage, gas, waste & recycling and pre-conditioned air) revenue was 11% adverse. The majority of the adverse variance is due to electricity driven by lower electricity prices and reduced consumption. Lower consumption of pre-conditioned air (PCA) also reduced revenue.

Passengers with Reduced Mobility (PRM)

PRM revenue was 11% favourable due to gain share on contract savings and higher direct cost than CAA forecast.

3.4 Rail

Rail income was 4% favourable to the forecast based on the CAA decision. This variance is driven by an increase in the level of compensation received by Heathrow Express for disruption from Crossrail works.

3.5 Other

Other income was 63% favourable driven by higher VIP, Car Rental and Telecoms income.

4. Operating Costs

Summary

For the year ended 31 December 2016, net operating costs at £1,138m were 4% adverse to the forecast based on the CAA decision.

£million		Actual	CAA Forecast*	Variance	%
Staff	4.1	(422)	(383)	(39)	(10%)
Maintenance & Equipment	4.2	(174)	(169)	(5)	(3%)
Rent & Rates	4.3	(146)	(155)	9	6%
Utilities	4.4	(75)	(117)	42	36%
Other expenditure	4.5	(321)	(275)	(46)	(17%)
Operating costs before adjustments		**(1,138)**	**(1,099)**	**(39)**	**(4%)**
Add back service quality rebates		0	0	0	
Total operating costs		**(1,138)**	**(1,099)**	**(39)**	**(4%)**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

4.1 Staff

For the year ended 31 December 2016, staff costs at £422m were 10% adverse to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Security	(142)	(134)	(8)	(6%)
Other operational	(97)	(110)	13	12%
Non operational	(112)	(78)	(34)	(44%)
Pension	(71)	(61)	(10)	(16%)
Total	**(422)**	**(383)**	**(39)**	**(10%)**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

Security costs were £8m adverse to CAA forecast, driven by 3% increase in departure passenger volume, delayed security initiatives, additional resilience related costs, impact of 2016 pay deal bonus payment, state pension change increasing NI contribution and explosive trace detection costs.

Other operational costs were £13m favourable to CAA forecast, driven by efficiency savings on consolidating airport control rooms into the Airport Operations Control Centre, restructuring of staff in Airside Management and the addition of Rail and Track Transit System to the Engineering and Heavy Rail budget centre.

Non-operational costs were £34m adverse to CAA forecast, driven by expansion costs not included in the CAA settlement, costs of change, increased activity for Talent & Development (Training) involving increased Heathrow Academy spend and introduction of new courses and an increase in pension service costs.

4.2 Maintenance and Equipment

For the year ended 31 December 2016, maintenance & equipment costs at £174m were 3% adverse to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
IT & computer services	(45)	(44)	(1)	(2%)
Maintenance	(116)	(111)	(5)	(5%)
Stores & equipment	(13)	(14)	1	7%
Total	**(174)**	**(169)**	**(5)**	**(3%)**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

The increased cost of Maintenance over the CAA forecast, £5m, has been driven by baggage operational changes involving the outsource of work to third party suppliers (£14m), offset by £9m savings driven by contract renegotiations with our key suppliers.

4.3 Rent and Rates

For the year ended 31 December 2016, rent and rates at £146m were 6% favourable to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Rent	(14)	(16)	2	13%
Rates	(132)	(139)	7	5%
Total	**(146)**	**(155)**	**9**	**6%**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

Rates costs were 5% favourable. Rent costs were favourable as office premises were vacated earlier than expected. Rates were favourable driven by lower than expected Uniform Business Rates rises (2014, 2015 & 2016), re-negotiation of 2010 Heathrow's primary rates bill and better than expected outcome from large infrastructure projects such as T3IB and T2.

4.4 Utilities

For the year ended 31 December 2016, Utilities at £75m were 36% favourable to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Electricity	(42)	(58)	16	28%
Water & sewerage	(4)	(4)	0	0%
Gas	(4)	(12)	8	67%
Waste & recycling	(6)	(6)	0	0%
Other	(19)	(37)	18	49%
Total	**(75)**	**(117)**	**42**	**36%**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

In the year ended 31 December 2016, Utilities costs were £42m favourable to CAA forecast, predominantly driven by Electricity (£16m favourable to forecast), Gas (£8m favourable to forecast) and Other costs (£18m favourable to forecast).

For Electricity, the drivers included forecast Carbon Reduction Commitment (c.£5m per annum) that, following consultation, were no longer deemed payable due to an overlap with an interchangeable EU scheme. Additionally, specific business cases - such as Energy Demand Management - created significant consumption efficiencies.

The favourable Gas variance was driven mainly by the mild weather experienced in 2016, lower than forecast utilisation of the Biomass facility and a one off EU Emissions Trading Scheme accrual release (£0.8m). Additionally, consumption in the new Terminal 2 was lower than originally assumed.

Other costs were principally Distribution Fee costs which were favourable as a result of renegotiation of the UK Power Network Service contract, for the distribution of the power supply to the airport.

4.5 Other expenditure

For the year ended 31 December 2016, other expenditure at £321m was 17% adverse to the forecast based on the CAA decision.

£million	Actual	CAA Forecast*	Variance	%
Police	(35)	(31)	(4)	(13%)
Rail	(63)	(61)	(2)	(3%)
Cleaning	(28)	(34)	6	18%
Service quality rebate	0	0	0	0%
Intra group	(15)	(2)	(13)	(86%)
PRM costs	(19)	(18)	(1)	(6%)
Other (including Air navigation service)	(161)	(129)	(32)	(25%)
Total other costs	**(321)**	**(275)**	**(46)**	**(17%)**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

Police
Police costs were £4m adverse due to the removal of certain government funding from April 2016.

Rail
Rail costs were £2m adverse due to increased staffing, maintenance and consultancy costs as a result of the Rail separation in 2015. This was partially offset by a reduction in rent due to move from Paddington to Heathrow and an additional cost share credit from Great Western Rail.

Cleaning
Cleaning costs were £6m favourable, driven mainly by contract renegotiations with our key suppliers.

Service Quality Rebate
There were no Service Quality Rebates paid for the year ended 2016.

Intra group

The adverse variance was driven by costs disallowed by the CAA and therefore not included within the forecast.

Other

There has been increased spend in the year ended December 2016 on airport operational resilience and on active engagement in the debate on runway capacity in south east England which were not included in the forecast based on the CAA decision.

4.6 Assumed Ordinary Depreciation

The depreciation allowance was determined by the CAA in the Licence covering the economic regulation at Heathrow from April 2014. This has been indexed to current year values in accordance with the methodology specified in appendix B of this document. The depreciation allowance for the year ended December 2016 in figure H.1, appendix H of the 2014 licence of £653m (2011/12 prices) has been increased by 10.8% (refer to section 9) to £723m in 2016 prices.

5. Capital Expenditure

Summary

£million	Actual	CAA Forecast*	Variance	%
Capital expenditure incurred in the year ended December 2016	668	716	(48)	(7%)
Total	**668**	**716**	**(48)**	**(7%)**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

The variance between the forecast an actual spend is mainly due to the phasing of spend across the Regulatory period and the continued robust work undertaken in advance of the Investment Decision to fully develop compelling business cases which maximise benefits.

From November 2016, Heathrow started capitalising planning costs associated with the proposed airport expansion following the statement of Government support. This expenditure totalled £5m in 2016 and is expected to be remunerated through the CAA's 'Category B' cost recovery mechanism. As a result, these costs are not included in the capital expenditure analysis in section 5.1.

5.1 Analysis of actual expenditure

Capital Programme	Detail	Total Capex (£million)
Airport resilience		**114**
B111	Enabling New Generation of Wide Body Aircraft - Airfield	56
B243	Kilo Apron Development (Core)	17
B211	Ground Movement Control System	11
B112	Airfield Efficiency and Resilience	8
B421	APOC - Integrate T2 Control Centre	7
B015	Operational Systems Critical Asset Replacement	6
B035	Aircraft De-icing Infrastructure & Process	5
Other		4
Passenger experience		**102**
B116	T3 Security Capacity	14
B045	Enhanced Terminal Facilities for Passengers	14
B041	Commercial BAU fund	12
T3 R	T3 Refurbishment & Enhancement	8
B018	T5 Security Capacity	7
B411	First Direct Access	6
B427	Security Scanner & ETD Regulation Changes	6
B092	UKBF Accommodation	6
B451	4G Cellular Estate	4
	Other	25
Baggage		**166**
B216	HBS & Asset Replacement	107
BC42	Baggage Recovery Facility	21
B238	Western Baggage Upgrade Q6	17
B051	T3IB Q5 Rollover	14
	Other	7
Asset Management		**275**
B101	Engineering Asset Replacement	139
B131	CTA & Cargo Tunnels	59
B103	IT Asset Replacement	25
B066	Energy and Utilities Management	15
B102	Rail Asset Replacement	11
B028	Metering & Energy Demand Management	8
B127	B127 Surface Water Management Infrastructure	7
	Other	11
Q6 Realisation		**5**
Terminal 2		**6**
	Total	**668**

Investment continued across the airport campus, improving the passenger experience and airport resilience, enhancing baggage resilience and working through a broad asset replacement programme. Passengers will benefit from the opening of the Terminal 3 Integrated Baggage facility and see reduced baggage disruption. Security processes have been strengthened with more body scanners installed and additional automated immigration gates. Connecting passengers in Terminal 5 will benefit from improved connections with the installation of a key escalator.

5.1 Analysis of actual expenditure *continued*

The retail proposition at Terminal 4 is in the final stages of being significantly refreshed with improved restaurants and stores. Terminal 5 has seen the development of an updated food and beverage offer.

Airfield improvements continued to meet increased A380 operations with taxiway widening and stand modification. Winter operations will benefit from improved de-icing facilities and enhanced runway landing systems should assist arrivals punctuality. The main road access tunnels to the central terminal area were substantially completed in the year and projects to reduce emissions and increase electrical efficiency were rolled out.

5.2 Development and core capital expenditure

£million	Actual	CAA Forecast*	Variance	%
Development capital expenditure which transitioned to core capital expenditure (including the spend incurred during the development stages) for the year ended December 2016	683	716	(33)	(5%)
Total	**683**	**716**	**(33)**	**(5%)**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

The average cost of capital on the £33m variance between the forecast capital expenditure and the actual amount that transitioned to core will be returned to the airlines through airport charges in 2018. Any subsequent capital expenditure that transitions to core would be recovered in later years through airport charges.

5.3 Capital Triggers

Business case	Trigger milestones	Trigger date	Actual completion date	Monthly rebate (£thousands)	Rebate paid (£thousands)
BC051 T3IB	Baggage cut-ins complete and baggage system operational	29/01/2016	06/07/2016	365.9	1,463.6

*Monthly rebate has been uplifted from 11/12 prices based upon indexation included in section 9

Monthly rebates paid for the T3IB trigger were included in the 2016 charges consultation. Subsequently, the T3IB trigger was achieved 2 months later than assumed at the time the charges for 2016 were set. The final two months rebate will be accounted for in the 2018 aeronautical charges consultation.

BC131 CTA tunnel (Main tunnel life safety systems) was due for completion on 30 December 2016. This has not been met and completion is now expected in the first half of 2017. The monthly rebate on this trigger of £91.4k will be accounted for in the 2019 aeronautical charges consultation.

5.4 Independent Funds Surveyor

The Independent Fund Surveyor (IFS) has been engaged since April 2014 and is now monitoring 16 key projects, 13 of which are now in construction. The IFS has completed close out reports on a further 3 projects. Key IFS recommendations are being addressed on two levels, by respective project teams and at portfolio level. Key portfolio issues are being managed through the IFS Working Group (Capital Portfolio Board sub-group) with a range of airline community stakeholders to progressively work through common IFS themes/recommendations to drive continuous improvement. During 2016 this group reviewed areas including project scheduling, cost estimating, benchmarking, change management, risk and lessons learnt.

6. Regulatory Asset Base (RAB)

Opening Regulatory Asset Base at 1 April 2014

£million (average 11/12 & 13/14 prices)		Increase in RPI to 31 March 2014	Adjusted RAB at 1 April 2014
Forecast RAB at 31 March 2014 in Annex H, Economic regulation at Heathrow from April 2014	13,816	7.36%	14,832
Actual capital expenditure 2013/14	1,360	1.22%	1,376
Assumed capital expenditure 2013/14	(1,293)	7.36%	(1,388)
Actual proceeds from disposal 2013/14	(4)	1.22%	(4)
Adjusted opening RAB at 1 April 2014			**14,816**

Closing Regulatory Asset Base at 31 December 2016

£million	Actual	CAA Forecast*	Variance	%
Opening RAB at 1 January 2016	**14,921**	**15,165**	**(244)**	**(2%)**
Additions in year	668	716	(48)	(7%)
Proceeds from disposals	-	-	-	0%
Assumed ordinary depreciation	(723)	(723)	-	0%
Indexation to 31 December 2016	371	378	(7)	(2%)
Closing RAB at 31 December 2016	**15,237**	**15,536**	**(299)**	**(2%)**

*CAA forecast has been uplifted from 11/12 prices based upon indexation included in section 9

7. Basis of Preparation

Summary

The Company is required to prepare regulatory accounts by condition E1 of the 'Economic regulation at Heathrow from April 2014: notice granting the licence' (the "Q6 Decision"), issued pursuant to the Civil Aviation Act 2012. The primary purpose of these accounts is to serve the process of regulation by the CAA.

The CAA requires that the regulatory accounts shall comprise a report in the format shown in sections 1 to 10 of this report and be prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

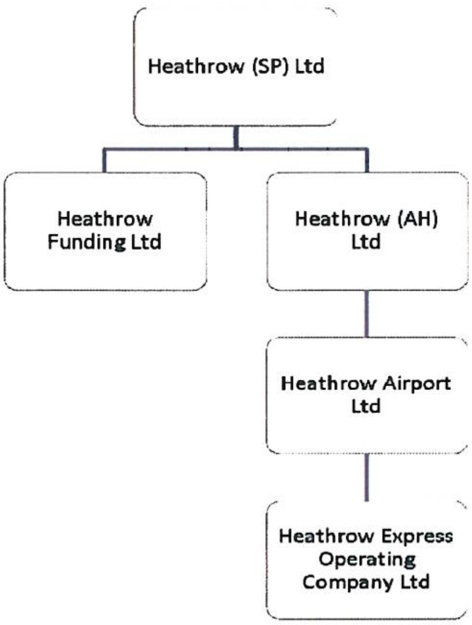
This sets out actual performance for the year under review compared with the forecasts underlying the determination of the price cap for the Company. These forecasts are set out in the CAA's Q6 Decision document, following a quinquennial review. The regulatory accounts include notes as agreed with the CAA which describe the derivation of key regulatory results and, where relevant, adjustments to the statutory and management accounts of the Company.

The Directors of the Company are responsible for preparing the annual regulatory accounts in accordance with the CAA issued Regulatory Accounting Guidelines.

The following explains the key underlying assumptions in the preparation of this report:

Data Sources

The principal sources of data used in the preparation of these accounts are the audited financial statements of Heathrow (SP) Limited for the year ended 31 December 2016. These are referred to in these regulatory accounts as 'the underlying accounts'. The underlying accounts are prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU on a consolidated basis.



Passengers

Total passenger numbers represent those passengers on all flights except cargo who physically pass through the airport's facilities. This includes transit passengers numbering 0.04m in 2016 regulatory period. It also includes passenger numbers for the following flight categories, which are included in the table in section 3 showing the breakdown of airport charges – non-scheduled passenger, air ambulance, government charter (troops and cargo), air taxi, general aviation, diplomatic and military. Terminal passenger numbers exclude those passengers in the flight categories above.

The Regulatory Asset Base ("RAB")

The CAA, in Annex K of its Q6 Decision, determined how the value of the RAB at 31 March 2014 should be calculated, and this is shown in section 6. The CAA further determined in Annex K how the value of the RAB should be rolled forward annually thereafter and this is shown in appendix C. Capital expenditure in the year has been uplifted by the increase in RPI in accordance with Annex K of the Q6 Decision. Forecast capital expenditure has likewise been uplifted by the increase in RPI, from average 2011/12 prices (as in the Q6 Decision) to average 2016 prices, in accordance with CAA guidance.

The depreciation allowance has been set for each of the regulatory periods. This is referred to in Annex H of the Q6 Decision and in this report as 'Assumed Ordinary Depreciation' as shown in section 4.The weighted average RAB is calculated using the weighting formula adopted in the Q6 Decision. This equates to the sum of the closing balance multiplied by a factor of 0.5 and the opening balance multiplied by a factor of 0.5.

Operating revenues and costs

Operating revenues and costs are taken from the underlying accounts and underlying accounting records of the Group. Adjustments have been made to align the presentation of actual results to that in the Q6 Decision. The principal adjustments are:

- retail costs, principally car park management fees, are netted off against revenue;
- other regulated charges revenue, principally utilities and check in/baggage revenue are re-categorised from other revenue lines into one category;
- pension costs reflect the Company's cash contribution;
- service quality rebates are excluded from operating costs;
- gains or losses on asset disposals are excluded from operating costs.
- an exceptional item resulting from changes to the defined benefit pension scheme is excluded.

Indexation

The forecasts have been derived by indexing forward the forecasts in the Q6 decision to 2016 prices in accordance with the CAA Q6 Decision. The appropriate RPI indices are shown in section 9. Profit and loss items have been indexed forward to 2016 using the average RPI for 2016, and the RAB using the RPI at 31 December 2016.

Forecast

The forecast contained in the regulatory accounts reflects:

- the total ORC, commercial and other revenue allowances set by the CAA, uplifted by RPI. The disaggregated revenue for these categories has been agreed with the CAA; and
- the total operating expenditure allowance set by the CAA, uplifted by RPI. The disaggregated operating expenditure has been agreed with the CAA.

8. Reconciliations

This section comprises the reconciliations of revenue, operating costs and the closing RAB to the underlying accounts.

Reconciliation of Revenue

Reconciliation to the underlying accounts	£million
Regulatory revenue	**2,786**
Add back consolidation centre costs netted off against revenue	3
Add back retail costs netted off against revenue	18
Revenue per the underlying accounts	**2,807**

Reconciliation of Operating Costs

Reconciliation to the underlying accounts	£million
Regulatory expenditure	**(1,861)**
Add back statutory depreciation	(669)
Remove assumed ordinary depreciation	723
Add back Service Quality Rebate	-
Add back retail costs netted off against revenue	(18)
Add back consolidation centre costs netted off against revenue	(3)
Remove pension cash contribution adjustment	34
Operating costs per the underlying accounts	**(1,794)**

Reconciliation of statutory non-current assets in the underlying accounts to the closing RAB at 31 December 2016

		£million
Closing RAB at 31 December 2016		**15,237**
Difference between net fixed assets and RAB at 31 March 2014	(a)	1,339
Adjusted closing RAB		**13,898**
Interest capitalised disallowed	(b)	97
Difference between net book value of disposals and proceeds	(c)	(2)
Revaluation in the underlying accounts	(d)	209
Indexation of RAB	(e)	(707)
Difference between depreciation in the underlying accounts and Assumed Ordinary Depreciation	(f)	120
Expansion capex and Provisions excluded	(g)	12
Subtotal of cumulative Q6 variance		**(271)**
Net fixed assets per the underlying accounts at 31 December 2016		**13,627**

Notes to the reconciliation of the closing RAB at 31 December 2016 to the fixed assets in the underlying accounts

These reconciling items are explained as follows:

a) Difference between net fixed assets and RAB at 31 March 2014

	£million
Cumulative borrowing costs capitalised from 1 April 1995 to 31 March 2014	(1,400)
Payments for land purchase obligations	44
Difference between the value of asset revaluations in the statutory accounts and the indexation uplifts provided in the Regulatory Accounts to 31 March 2014	3,417
Difference between depreciation in the underlying accounts and assumed ordinary depreciation	(197)
CAA disallowance for Q6 (T3IB)	(32)
A reduction in respect of a pensions holiday in Q4	(93)
Intercompany transfers primarily relating to the transfer of the partly constructed Personal Rapid Transport system from BAA Enterprises which was excluded from the RAB in Q5	(21)
An asset valuation uplift on transition to IFRS accounting standards	(360)
A reduction in respect of other valuation differences	(19)
Total	**1,339**

Notes to the reconciliation of the closing RAB at 31 December 2016 to the fixed assets in the underlying accounts *continued*

b) Borrowing costs amounting to £97m were capitalised cumulatively in Q6 to date. The roll forward calculation for the RAB specified in the CAA Licence excludes capitalised borrowing costs.

c) Statutory non-current assets are derived after deducting the net book value of assets disposed of during the year. The RAB value specified in the CAA Licence is derived by deducting the proceeds of asset disposals.

d) Investment properties and land held for development are subject to annual revaluation in the underlying accounts as well as impairment reviews. Remaining assets are held at depreciated historic cost.

e) The RAB is revalued annually by reference to RPI as specified in the CAA Licence.

f) This reflects the difference between the amount charged as depreciation in the underlying accounts and the Assumed Ordinary Depreciation allowed in the CAA Licence.

g) This comprises the capitalised expansion costs of £5m (see summary in note 5) plus a home loss provision of £7m for payments due to previous owners residential property owned by Heathrow which will be paid once planning consent is obtained.

9. Indexation

The following indices have been used for revaluing forecasts:

Indexation	
Average RPI index for the year ended 31 March 2012	237.3
Average RPI index for the 9 months ended 31 December 2014	256.8
Average RPI index for the year ended 31 December 2015	258.5
Average RPI index for the year ended 31 December 2016	263.1
RPI index at 31 December 2015	260.6
RPI index at 31 December 2016	267.1
Increase from average 2011/12 to 31 December 2016	12.54%
Increase from average 2011/12 to average 2016	10.83%
Increase from average 2016 to 31 December 2016	1.54%
Increase from 31 December 2015 to 31 December 2016	2.49%

*The indexation calculations are based on unrounded numbers.

10. Independent Report from Deloitte LLP

Independent auditors' report to the Civil Aviation Authority (the "Regulator") and the Directors of Heathrow Airport Limited and Heathrow (SP) Limited (together the "Companies")

We have audited the financial information included within the Regulatory Accounts of Heathrow (SP) Limited for the year ended 31 December 2016 on pages 6 to 21, comprising of statements 1 to 9 (the "Regulatory Accounts").

These Regulatory Accounts have been prepared in accordance with the basis of preparation and accounting policies set out within the Regulatory Accounts.

This report is made, on terms that have been agreed, solely to the Companies and the Regulator in order to meet the requirements of Condition E1of the Regulatory Licence granted to Heathrow Airport Limited under section 15 of the Civil Aviation Act 2012 ("the Regulatory Licence").

Our audit work has been undertaken so that we might state to the Companies and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist Heathrow Airport Limited to meet its obligation under Condition E1 to procure such a report and (b) to facilitate the carrying out by the Regulator its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Companies and the Regulator, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Regulator, the directors and auditors

The directors are responsible for the preparation of the Regulatory Accounts in accordance with the basis of preparation and accounting policies. Our responsibility is to audit and express an opinion on the Regulatory Accounts in accordance with International Standards on Auditing (UK and Ireland), except as stated in the 'Scope of the audit of the Regulatory Accounts' below, and having regard to the guidance contained in ICAEW Technical Release TECH 02/16AAF *Reporting to regulators on regulatory accounts.* Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Regulatory Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Accounts sufficient to give reasonable assurance that the Regulatory Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the Regulatory Accounts. In addition, we read all the financial and non-financial information presented with the regulatory accounts to identify material inconsistencies with the audited Regulatory Accounts. If we become aware of any apparent misstatements or inconsistencies, we consider the implications for our report.

We have not assessed whether the accounting policies are appropriate to the circumstances of Heathrow (SP) Limited where these are laid down by Condition E1. Where Condition E1 does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Regulatory Accounts are consistent with those used in the preparation of the statutory financial statements of the company. Furthermore, as the nature, form and content of Regulatory Accounts are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK & Ireland).

Opinion on Regulatory Accounts

In our opinion, the Regulatory Accounts for the year ended 31 December 2016 have been properly prepared in accordance with Condition E1 and the Regulatory Accounting Guidelines.

Emphasis of matter - Basis of preparation

Without modifying our opinion on the Regulatory Accounts, we draw attention to the fact that the Regulatory Accounts have been prepared in accordance with Condition E1 of the Regulatory Licence and the Regulatory Accounting Guidelines. The nature, form and content of the Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

Basis of preparation

The Regulatory Accounts are separate from the statutory financial statements of Heathrow (SP) Limited and have not been prepared under the basis of International Financial Reporting Standards ("IFRS"). Financial information other than that prepared on the basis of generally accepted financial reporting standards does not necessarily represent a true and fair view of the financial performance of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006. Reconciliations between the Regulatory Accounts and the statutory financial statements, which have been prepared under IFRS are included in Statement 8 within the Regulatory Accounts.

Opinion on other matters prescribed by Condition E

Under the terms of our contract, we have assumed responsibility to provide the following additional opinions in relation to the accounting records. In our opinion:

- proper accounting records have been kept by the Companies as required by Condition E; and
- the Regulatory Accounts are in agreement with the accounting records and returns retained for the purpose of preparing the Regulatory Accounts.

Other matters

- Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Companies for the period ended 31 December 2016 on which we report, which are prepared for a different purpose. Our audit reports in relation to the statutory financial statements of the Companies (our 'statutory audits') were made solely to the members of the Companies, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our statutory audit work was undertaken so that we might state to the members of the Companies those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
March 2016

Appendices
Appendix A

Maximum Allowable Yield

The table below shows the maximum allowable yield that Heathrow was allowed to charge in 2016:

	£
Specified yield for 2015	**22.484**
RPI movement	0.202
Value of X	-0.337
Forecast capital trigger payments	-0.023
SQR Bonus	0.000
Cumulative development capital expenditure adjustment	-0.184
Security cost pass through (S factor)	0.000
Business rate revaluation factor (BR factor)	0.000
2014 correction 'K' factor over recovery	-0.024
Forecast 2016 maximum allowable yield	**22.118**

The following factors contribute to the calculation of the 2016 maximum allowable yield:

Forecast capital trigger payments

Triggers reduce the maximum allowable charges when the airport has not achieved particular capital investment project dates. Five trigger projects were agreed with the airline community, one trigger project had a date in 2016 where the forecast completion date was beyond the trigger date. As such the 2016 maximum allowable yield was adjusted in anticipation of an expected 4 month delay.

SQR bonus

The bonus for certain service quality measures based on actual Q6 performance was not achieved for 2014 and therefore was set to zero for the purposes of the 2016 forecast maximum allowable yield.

Cumulative development capital expenditure adjustment

The forecast development capital expenditure adjustment for 2016 considered that fewer projects were transitioning from development capital to core capital than originally anticipated in the settlement, as such adjustment was made for lower cumulative capital spend to 2016 than the CAA's Q6 settlement.

Any subsequent change in actual development capex transitioning to core will be adjusted in the K factor when setting charges for 2018.

2014 correction 'K' factor over recovery

K factor analysis			
Airport charges revenue 2014	a	£thousands	1,326,000
Passengers 2014	b	thousands	57,371
Actual yield		£	23.113
Forecast to recover 2014	c	£	23.083
Interest rate	d		3.292%
Forecast passengers 2016	e	thousands	74,749
2014 correction 'K' factor = (((b*c)-a))/e)*((1+d)^2)			**-0.024**

Maximum Allowable Yield - Actual vs Forecast

£	9 mo. 2014	2015	2016	2017	2018
Forecast maximum allowable yield	23.155	22.627	22.118		
Actual yield	23.111	22.560	22.344		
Variance	(0.044)	(0.066)	0.226		
%	(0.2%)	(0.3%)	1.0%		

Appendix B

This section provides a list of CAA forecasts in 2011/12 prices for the 9 month and four years duration.

Figure B.9: CAA's Q6 passenger forecasts

Millions	9 mo. 2014	2015	2016	2017	2018	Total
Passengers	55.4	72.0	72.7	73.4	74.2	347.7

Source: CAA

Figure I.2: Net revenue requirement (passenger charges) in Q6 - 4 years 9 months duration

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
Net revenue requirement (profiled yield)	1,130	1,449	1,444	1,428	1,417	6,869

Source: CAA

Figure F.5: Forecast commercial revenue in Q6

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
Commercial Revenue	413	574	591	601	611	2,790

Source: CAA

Figure G.3: Forecast revenue from ORCs and OR's in Q6

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
ORCs	174	215	206	205	204	1,004
OR's	108	139	141	144	144	676
Total	**282**	**354**	**347**	**349**	**348**	**1,680**

Source: CAA

Figure E.5: Forecast OpEx in Q6

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
OpEx	805	1,029	993	955	948	4,730

Source: CAA

Figure C.7: CAA's decision for CapEx

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
CapEx	439	669	646	529	534	2,817

Source: CAA

Figure H.1: CAA's licence projections for HAL's RAB in Q6

£ millions	9 mo. 2014	2015	2016	2017	2018	Total
Opening RAB	13,816	13,788	13,812	13,805	13,661	13,816
Net CapEx	439	669	646	529	534	2,817
Depreciation	(467)	(645)	(653)	(672)	(676)	(3,113)
Closing RAB	13,788	13,812	13,805	13,662	13,519	13,520
Average RAB	13,802	13,800	13,808	13,733	13,590	n/a

Source: CAA

Appendix C

Rolling forward the Regulatory Asset Base

Purpose and basis of the calculation

B1 This Appendix specifies the detail of the formulae that the CAA intends to use for tracking the regulatory asset base. The purpose of this Appendix is to describe how to calculate the regulatory asset base (RAB) for Heathrow.

B2 The equations set out below are based on the projections made by the CAA in reaching its final decision on the charge conditions for the control period 1 April 2014 to 31 December 2018.

Inflation indices

B3 Each year, the RAB is expressed in actual end year price levels. The modelling used fixed 2011/12 price levels and the figures below must be uplifted to current price terms each year

Retail Price Index ("RPI") Growth t from 2011/12	=	The RPI (as defined in the Condition) as at 31 December of financial year t divided by the average of the relevant monthly RPI figures for the financial year 2011/12,which (based on the All Items index[1] and based on 13 January 1987 = 100) equals 237.3
Annual RPI Growth t	=	The RPI as at 31 December of financial year t divided by The RPI as at 31 December of financial year t-1
Within Year RPI Growth t	=	The RPI as at 31 December of financial year t divided by the average of the monthly RPI figures for the relevant number of preceding months (nine for the first Regulatory Period, 12 for all subsequent Regulatory Years)

Heathrow RAB

B4 This section describes how the Heathrow RAB will be rolled forward from one Regulatory Period or year to another.

RAB t	=		(Basic RAB) t
		+	(Cumulative Profiling Adjustment)t

[1] All Items (CHAW) index, source: Office for National Statistics (ONS).

B5 Both the Basic RAB and the Cumulative Profiling Adjustment are to be separately identified. This is to allow full visibility to interested parties.

Closing (Basic RAB) t	=		Opening RAB t
		+	(Total Actual Capex t x Within Year RPI Growth t)[2]
		-	(Proceeds from Disposals t)
		-	(CAA's Assumed Ordinary Depreciation t x RPI Growth from 2011/12)
Opening (Basic RAB) t	=		For the first Regulatory Period (1 April to 31 December 2014, where t=1), this figure will be set according to the following formula: £ 13,815.828 million x RPI Growth from 2011/12
		+	Actual Capex 2013/14 x RPI Growth from 2013/14
		-	£ 1,292.874 million x RPI Growth from 2011/12
		-	(Actual proceeds from Disposals 2013/14) x RPI Growth from 2013/14)
	=		For the remaining Regulatory Years, this figure will be set according to the following formula: Closing RAB t-1 x Annual RPI Growth t

Assumed Ordinary Depreciation t in 2011/12 prices	=	For each financial year this figure will be fixed at the following values:	
		Regulatory Period 1 (1 April to 31 December 2014): £ 467.255 million	
		Regulatory Year 2 (calendar year 2015):	£ 644.921 million
		Regulatory Year 3 (calendar year 2016):	£ 652.732 million
		Regulatory Year 4 (calendar year 2017):	£ 672.132 million
		Regulatory Year 5 (calendar year 2018):	£ 676.246 million

[2] Accrued capital expenditure with no adjustment for movements in working capital.

Appendix D

Service Quality Rebates and Bonus (SQRB)

Summary of 2016 SQRB performance

Category	SQR element	Target	Number of Passes	Number of Failures	Rebates paid £million
Passenger satisfaction (QSM)	Departure lounge seating availability	3.80	54	0	0.0
	Cleanliness	4.00	54	0	0.0
	Wayfinding	4.10	50	0	0.0
	Flight information	4.30	36	0	0.0
	Security	Publication only			0
	Wi-Fi	Publication only			0
Security	Central Search - less than 5 mins	95.00%	54	0	0.0
	Central Search - less than 10 mins	99.00%	54	0	
	Transfer search	95.00%	54	0	0.0
	Staff search	95.00%	54	0	0.0
Campus	Control posts	95.00%	60	0	0.0
Passenger Operational	Passenger Sensitive Equipment (PSE general)	99.00%	54	0	0.0
	Passenger Sensitive Equipment (PSE priority)	99.00%	54	0	0.0
	Arrivals baggage carousels	99.00%	54	0	0.0
	T5 track transit system - 1 train availability	99.00%	12	0	0.0
	T5 track transit system - 2 trains availability	97.00%	12	0	0.0
Airline operational	Stands	99.00%	53	0	0.0
	Jetties	99.00%	54	0	0.0
	Fixed electrical ground power	99.00%	54	0	0.0
	Stand entry guidance	99.00%	54	0	0.0
	Pre-conditioned air - T2, T3, T5	98.00%	36	0	0.0
	Pier service stand usage - T1, T2, T3, T4	95.00%	36	0	0.0
Airfield	Aerodrome congestion term		N/A	0	0.0
	Total		**943**	**0**	**0.0**
	Total at risk				**116.9**

Note: any difference between the cash rebates paid in this table and the value in the accounts is due to SQR post year end wash up and provision changes.

Summary of 2016 SQRB rebates by terminal and element

Terminal	SQR element	Failures	Rebate per failure £thousands	Total rebate £thousands
Total		**0**	**0**	**0**

*Rebate is dependent upon the number of movements impacted by the failure

Note: rebates paid are based on forecast airport charges. A post year end reconciliation to calculate rebates based on actual airport charges occurs and subsequent credits/invoices are issued.

2016 SQR Bonus

SQR bonuses	No. of months in which bonus achieved	Bonus (£thousands)
Departure lounge seating availability	0	0
Cleanliness	0	0
Wayfinding	11	353
Flight information	0	0
Total	**0**	**0**

There was no SQR bonus earned in 2016.

Confidential appendix

This appendix will provide an annual confidential update for the CAA of any additional security costs as a result of changes in the regulatory environment, in particular where these costs have not yet reached the security factor threshold.

CAA certified changes in the required security standards	Impact of change (£million)	Per passenger
	£0	0.000
Total	**£0**	**0.000**