GATWICK AIRPORT LIMITED
REGULATORY ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

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Financial Review

General overview

In March 2008 the Civil Aviation Authority ("CAA") published its price control review for Gatwick Airport for the five year period ended 31 March 2013 ("Q5"). This was extended by one year so that the Q5 regulatory period expired on 31 March 2014. The price control constrained the growth in aeronautical revenue yield per passenger to no more than RPI+2% at Gatwick for the five years to 31 March 2013, and to RPI-0.5% for the year to 31 March 2014.

In the CAA's Q5 decision there were incentive arrangements to promote quality of service and the timely completion of capital projects.

On 19 December 2012, the Civil Aviation Act 2012 ("CA Act 2012") was passed modernising the system of economic regulation of airports in the UK.

The CA Act 2012 provides for the economic licensing of dominant airports (and dominant airport areas) where operators are determined by the CAA to have passed the Market Power Test in the CA Act 2012, which includes the CAA determining that the operator has Substantial Market Power. Where the CAA determines that a licence is required, the CA Act 2012 gives the CAA greater flexibility to align the regulatory requirements that it imposes with the market and competitive position at the relevant airport, concentrating more on service quality and performance incentives. Where a licence is not required, an airport's activities will remain subject to general competition law and the provisions of the Airport Charges Regulations, in respect of both of which the CAA will have an enforcement role.

All airport operators are subject to aerodrome licensing under the Air Navigation Order 2009, which requires an airport operator to demonstrate that it is competent to conduct aerodrome operations safely. That licensing requirement is not affected by the CA Act 2012.

The CAA published its decision on the assessment of Gatwick's market power in January 2014, where it concluded that Gatwick passed the Market Power Test in the CA Act 2012 and should be issued with a licence. The Company submitted to the CAA various analyses of airport competition during the CAA's consultation process, setting out reasons why the Market Power Test is not met at Gatwick. The Company decided not to appeal to the Competition Appeal Tribunal the CAA's decision that the Market Power Test was met.

The CAA, as part of its preparations for any regulation beyond the end of Q5, required the Company to participate in constructive engagement with the airlines operating at Gatwick (assessing key themes such as capital investment, traffic forecasts, operating costs and commercial revenue opportunities) and to submit a Business Plan to the CAA in January 2013.

As part of the Business Plan submission to the CAA the Company proposed that the Airport would enter into a set of legally enforceable Commitments to airlines covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The proposal was that these Commitments would be in place for seven years from April 2014 and would replace the need for economic regulation of Gatwick by the CAA. In addition, the Company envisaged that there would be a series of bilateral Contracts, incorporating, for example, price, service and duration, agreed on a commercial basis between the Company and individual airlines.

Financial Review (continued)

General overview (continued)

In parallel with the regulatory review, and under the framework of the Commitments, the Airport continued discussions with airlines to agree bilateral Contracts, incorporating, for example, price, service and duration, agreed on a commercial basis between the Company and individual airlines. As of 31 March 2014, the Company had signed contracts or agreed Heads of Terms with all of the significant airlines by passenger volume operating at the Airport.

In February 2014, the CAA published its Decision and Notice granting a licence to Gatwick, with this coming into force on 1 April 2014. The CAA's Decision incorporates Commitments proposed by the Airport within a licence. It is therefore a requirement of the licence that GAL complies with its obligations in the Commitments. This includes that GAL complies with its commitment to incorporate a maximum average revenue yield over the next seven years, based on published prices at RPI+1.0% per year, and average prices (taking into account bilateral contracts) at RPI+0.0% per year (i.e. the 'blended price'). It also includes that GAL complies with its Commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years. Obligations on third parties, contained in the Commitments do not form part of the licence.

In the Decision, the CAA set out, amongst other things, its view of the "fair price" in the five years from April 2014 of RPI-1.6% per year. The CAA also considered that GAL should undertake capital investment expenditure of at least £160.0 million per annum on average. The CAA stated that it intends to monitor GAL's pricing and other behaviours (such as capital investment expenditure), on an annual basis to assess the extent to which the out-turn average prices (taking into account bilateral contracts) is consistent with its assessment of the "fair price" at RPI-1.6% and capital investment expenditure is at least £160.0 million per annum on average. If, as part of the CAA's monitoring of the Commitments, the CAA considers that the introduction of further licence conditions, or modifications to existing licence conditions is in the passenger interest, then the CAA can propose such modifications at that time. This could be for example, to introduce a requirement for GAL to set its charges consistent with the CAA's view of its "fair price" or its view of minimum capital investment expenditure. Such licence modifications could be appealed by the Airport or airlines, to the Competition and Markets Authority. The CAA will also undertake a review of Commitments in the second half of 2016 to assess whether they are operating in the passenger interest.

The CAA's decision also includes a financial resilience condition. This requires GAL to produce a certificate of adequacy of resources and submit this to the CAA on an annual basis. This condition also restricts the business of GAL to the businesses undertaken on 1 April 2014, including the owning and operation of the Airport. Any other business will require the written consent of the CAA. Finally, the financial resilience condition requires undertakings from the ultimate holding company to not take action that would likely cause a breach of the licence and provide information requested by the CAA to enable GAL to comply with the licence.

Requirements as to operational resilience are included within GAL's Commitments and as such are not subject to a separate licence condition. However, as with pricing and capital investment expenditure above, the CAA can propose to introduce such licence conditions to the extent it considers such modification is in the passenger interest. Similarly, such a licence modification could be appealed by the Airport or airlines, to the Competition and Markets Authority.

Financial Review (continued)

General overview (continued)

The CAA has also stated that as part of the monitoring regime, GAL should produce a shadow RAB calculation. The purpose of this requirement is in case the CAA considers that the passenger interest would be better served in the future by tighter regulation being introduced. Again, this requirement does not form part of the licence, but if the CAA proposes to modify the licence in such a way that decision modification could be appealed by the Airport or airlines, to the Competition and Markets Authority.

The CAA's decision to grant a licence could have been appealed by the Company or airlines, to the Competition and Markets Authority. No appeal of the Decision was submitted.

Strategy

The Company has set out its ambition – "competing to grow and become London's airport of choice" – and has established six strategic priorities to which the Company's activities are aligned. These priorities are to:

- deliver the best passenger experience: by listening to its passengers and delivering the kind of service that will make them choose to fly from Gatwick;
- help our airlines grow: by understanding airlines' goals and developing commercial partnerships;
- increase value and efficiency: by maximising income, lowering its operating costs and driving capital efficiency;
- protect and enhance its reputation: by building strong and constructive relationships with its stakeholders based on openness and trust;
- build a strong EH&S culture: by maintaining a relentless focus on achieving zero incidents; and
- develop the best people, processes & technology: by investing in high-performing people, continuous improvement and deploying the right systems.

The weighted average Regulated Asset Base ("RAB") was £2,445.1 million, £148.0 million higher than the prior year. This results in a return of 4.4% on the "weighted average RAB", which compares with the prior year return of 4.9%.

Financial Review (continued)

Passenger Numbers

Passengers for the year totalled 35.9 million, up 1.7 million or 4.8% versus the prior year.

During the year, Gatwick achieved its record monthly passenger number in August 2013 of 4.03 million passengers. Total Air Transport Movements (“ATMs”) were up 4.0% or 9.5k compared to the prior year. The, majority (84%) of the passenger growth was due to the increase in ATMs. Load factors increased by 0.6% points to 83.2%.

The European market continued to be Gatwick’s largest market (82.8%) and grew significantly by 6.3% (1.8 million passengers). The majority (64.3%) of the overall total growth was generated routes to Spain. Middle East and Central Asian routes showed the second highest growth, mainly due to Emirates, which operated larger and fuller planes (seats per movement increased by 5.9% coupled with 7.3% point increase in load factor to 89.3%).

Incumbent airlines such as easyJet, Norwegian Air Shuttle and British Airways continue to contribute to majority of the growth by increasing frequencies, operating new routes, and fuller planes. In particular, Norwegian Air Shuttle’s traffic increased by 66.6% (0.9 million) against the same period in the prior year; 47.3% of this growth was due to the 14 new routes including Barcelona, Alicante, Nice, and Las Palmas, with the remainder of the growth resulting from an increase in frequencies on existing routes and fuller planes. New routes operated by easyJet including Moscow and Bergen and increases in frequencies on existing routes contributed to majority of the overall growth of 6.7% (0.9 million passengers).

Revenue

Airport charges
Airport charges were £34.8 million or 12.3% higher than prior year. The actual allowable yield in the year ended 31 March 2014 increased to £8.854 from £8.128, a gain of 8.9%. This year on year change is above that implied by the RPI-0.5% allowance due to a significant downward adjustment to the allowable yield in the year ended 31 March 2013 as a result of a significant capital expenditure trigger payment. This yield increase coupled with a 4.8% increase in passengers in the current year, when adjusted for the impact of under and over recoveries in both the current and prior years, led to an increase of 12.3% in aeronautical income.

Retail and car parking income
The revenue generated from retail and car parking activities was £181.9 million, which was £18.2 million or 11.1% higher than prior year. The 4.8% increase in passengers was the main driver. The other significant factor driving an increase in retail income was the redevelopment of the retail offering in the North and South Terminals.

Increases in car parking revenue were driven by the valet product and increased sales via pre-book channels including the growing park and stay market. Changes to the forecourt and the introduction of the approved meet and greet operators scheme also increased revenue.

Financial Review (continued)

Property Income
Property income (excluding the specified charges relating to utilities income and "intra-group income") totalled £34.6 million. This is £0.2 million lower than the prior year due consolidation of a number of tenants.

Income from the specified charge for utilities totalled £8.0 million, which is lower than the prior year balance of £8.2 million due to lower consumption of electricity resulting from reduced occupancy.

Other Income.
Income from "other" activities totalled £41.8 million, £4.4 million higher than prior year, as a result of higher income from check-in and baggage due to a revised charging structure.

Expenditure

Overall

"Operating costs" were £315.0 million, £20.8 million higher than the prior year as detailed below.

Staff Costs
Staff costs increased £15.5 million or 10.4% for the year ended 31 March 2014, reflecting a 3.5% increase in staff numbers, the 2% annual pay increase awarded to staff, improvements in year on year business performance resulting in higher bonus payments and a 2% increase in pension costs due to financial market movements. The increase in staff costs associated with the capital expenditure programme is offset by the subsequent capitalisation of these costs, which appears as part of general expenses. Overall, total staff costs capitalised were £22.5 million in 2014 (2013: £22.1 million).

Average full-time equivalent ("FTE") employee numbers increased from 2,371 in 2013 to 2,454 in 2014. Average operational FTE employees rose from 2,070 to 2,105 during the year, and non-operational FTE employees increased from 301 to 349. The rise in operational staff was driven by increased operational requirements due to increased passenger numbers, whilst the increase in non-operational employees was as a result of the increased requirements in relation to the submissions to the airports commission and the CAA.

Maintenance , Equipment and IT costs
Maintenance, equipment and IT costs totalled £36.7 million, £0.4 million lower than the prior year. due to cost savings and efficiencies.

Rent & Rates
Rent and rates were £28.4 million for the year, £0.2 million higher than prior year due to an increase in the Airport's rateable value during the year as a result of the completion construction projects returning certain areas to use throughout the year.

Financial Review (continued)

Utility Costs
Utility costs incurred in the year totalled £27.4 million, which was lower than the prior year by £0.2 million. This decrease is due to the decreases in the volume of utilities consumed as a result of the Company's decade of change programme and the mild winter.

Police costs
Police costs for the year totalled £11.7 million, £0.5 million below the prior year.

Other Costs & Intra-group costs.
"Other costs" totalled £46.7 million, £6.7 million higher than prior year. This was primarily driven by a change in presentation of capitalised staff costs with some capitalisation now being offset against staff costs.

Aerodrome navigation service costs were £18.6 million, which was a decrease of £1.1 million on the prior year due to savings on projects.

Assumed Ordinary Depreciation.
Ordinary Depreciation increased from £114.5m to £153.2m in line with the CAA forecast.

Regulated Asset Base
The closing Regulatory Asset Base ("RAB") as at 31 March 2014 has increased 4.5% to £2,498.6 million. Actual capital expenditure in the year was £201.0 million, bringing total Q5 expenditure to £1163.6 million.

Performance Report

	Note	Actual 2014 '000s	Actual 2013 '000s
Terminal passengers	1	**35,868**	**34,241**
		£m	**£m**
Revenue			
Revenue from airport charges	2	317.3	282.5
Other revenue	3	260.6	239.2
Total revenue		**577.9**	**521.7**
Expenditure			
Operating costs	4	315.0	294.2
Assumed Ordinary Depreciation	5 , 6	153.2	114.5
Total expenditure		**468.2**	**408.7**
Regulatory operating profit	6	**109.7**	**113.0**
Capital expenditure	1 , 8	**201.0**	**226.7**
Opening RAB		**2,391.6**	**2,200.9**
Closing RAB	8	**2,498.6**	**2,391.6**
Weighted average RAB		**2,445.1**	**2,296.3**
Return on weighted average RAB		**4.5%**	**4.9%**

The notes on pages 8 to 16 form part of these regulatory accounts.

These regulatory accounts were approved by the Board of Directors on 25 June 2014 and signed on behalf of the Board.

Notes to the performance report

1. BASIS OF PREPARATION

Gatwick Airport Limited ("the Company") is required to prepare Regulatory Accounts for the year ended 31 March 2014 by the Airports Act 1986. The primary purpose of these accounts is to serve the process of regulation by the Civil Aviation Authority ("CAA").

The CAA has determined that the Regulatory Accounts shall comprise a report in the format shown on pages 10 to 16 of this report. This in turn comprises the Performance Report which sets out actual performance for the year under review compared with actual performance for the previous year (actual performance in the previous year has been used as the comparator, given the absence of forecasts for the year under review, previous regulatory accounts were compared to forecasts taken from the CAA's document entitled "Economic Regulation of Heathrow and Gatwick Airports 2008-2013"). The Performance Report includes 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 following explains the key underlying assumptions in the preparation of this report:

(a) Data sources

The principal source of data used in the preparation of these accounts is the audited financial statements of Gatwick Airport Limited for the year ended 31 March 2014 ("the audited financial statements").

(b) Terminal passengers

Terminal passenger numbers represent those passengers on commercial flights who physically pass through the Airport's passenger terminal facilities. This is consistent with the CAA's definition in Annex 5 of its document entitled "Economic Regulation of BAA London Airports (Heathrow, Gatwick and Stansted) 2003-2008, CAA Decision, February 2003" ("the 2003 Decision"). It excludes transit passengers. It also excludes passenger numbers for the following flight categories, which are included in the certificate of revenues from passenger flights provided annually to the CAA: air ambulance, government charter (troops and cargo), air taxi, general aviation, diplomatic and military.

Notes to the performance report (continued)

1. BASIS OF PREPARATION (continued)

(c) The Regulatory Asset Base ("RAB")

The CAA, in Annex F of its 2008 Decision, determined how the value of the RAB at 31 March 2008 should be calculated, and this is shown in note 7. The CAA further determined in Annex F how the value of the RAB should be rolled forward annually thereafter.

Capital expenditure in the year has been uplifted by the increase in RPI in accordance with Annex F of the 2008 Decision. Forecast capital expenditure has likewise been uplifted by the increase in RPI, from average 2007/08 prices (as in the 2008 Decision) to average 2013/14 prices, in accordance with CAA guidance.

The depreciation allowance was set for each of the first five years of the current regulatory period. This is referred to in Annex F of the 2008 Decision and in this report as "Assumed Ordinary Depreciation". The depreciation allowance for the extension year to Q5 was published in February 2014 when the CAA published its Decision and Notice granting a licence to Gatwick.

(d) Operating revenues and costs

Operating revenues and costs are taken from the audited financial statements of the Company for the year ended 31 March 2014. The principal adjustments are:

- retail and car parking costs, principally car park management fees, are netted off against income;
- operational facilities income, principally check-in and baggage rents income, are re-categorised to "Other revenue" from "Property and operational facilities";
- service quality rebates are excluded from operating costs;
- gains or losses on asset disposals are excluded from operating costs; and
- finance lease income has been reclassified from "Net interest payable and similar charges – ordinary" to "Property income".

(e) Indexation

The appropriate RPI indices are shown in note 10. Depreciation has been indexed forward to 2013/14 using the average RPI for 2013/14, and the RAB using the RPI at 31 March 2014.

Notes to the performance report (continued)

2. AIRPORT CHARGES

	Actual 2014 £m	Actual 2013 £m
Revenue from passenger flights	315.5	280.3
Revenue from non passenger flights	1.8	2.2
Revenue from airport charges	**317.3**	**282.5**

3. OTHER REVENUE

	Actual 2014 £m	Actual 2013 £m
Other traffic charges	2.3	3.3
Retail and car parking income	181.9	163.7
Property	34.6	34.8
Other	41.8	37.4
Other revenue	**260.6**	**239.2**

Reconciliation to the audited financial statements

Other revenue		260.6
Airport charges		317.3
Over Recovery provision for 2012/13		(2.2)
Retail and car parking costs netted off against revenue		18.8
Finance lease income reclassified to Property income	(a)	(0.8)
Revenue per the audited financial statements		**593.7**

(a) During prior years the Company granted long-term leases to third parties for the use of certain investment properties as hotels. The leases are classified as finance leases for accounting purposes, which resulted in the disposal of the investment properties from tangible fixed assets and the recognition of finance lease receivables in the respective years. The related income is no longer classified as Property income for accounting purposes and is recognised in “Net interest payable and similar charges – ordinary” in the Company’s audited financial statements. To reflect the spirit of the transaction, for the purposes of the RAB and the Regulatory Accounts, the investment properties have not been considered to be a disposal from the RAB, and the related income has be reclassified from “Net interest payable and similar charges – ordinary” in the audited financial statements to “Property income” in these Regulatory Accounts. This is consistent with the prior year presentation.

Notes to the performance report (continued)

4. OPERATING COSTS

	Actual 2014 £m	Actual 2013 £m
Staff costs	164.6	149.1
Maintenance, equipment and IT costs	36.7	37.1
Rent and rates	28.4	28.2
Utility costs	27.4	27.6
Police costs	11.7	12.2
Other costs	46.7	40.0
	315.5	**294.2**
Deduct Service Quality Rebates	(0.5)	-
Adjusted "operating costs"	**315.0**	**294.2**

Reconciliation to the audited financial statements

Adjusted "operating costs"	315.0
Service Quality Rebates	0.5
Statutory depreciation	112.4
Retail and car parking costs netted off against revenue	18.8
"Operating costs – ordinary" per the audited financial statements	**446.7**

5. ASSUMED ORDINARY DEPRECIATION

The depreciation allowance for the extension year to Q5 was published in February 2014 when the CAA published its Decision and Notice granting a licence to Gatwick.

Notes to the performance report (continued)

6. REGULATORY OPERATING PROFIT

Reconciliation of operating profit between the audited financial statements and the Regulatory Accounts

	Actual 2014 £m
Operating profit per the audited financial statements	143.1
Statutory depreciation	112.4
Assumed Ordinary Depreciation per CAA (indexed)	(153.2)
Service Quality Rebates	0.5
Impairment of tangible fixed assets	3.9
Finance lease income reclassified to Property income	0.8
Over Recovery provision for 2012/13	2.2
Regulatory operating profit	**109.7**

7. OPENING REGULATORY ASSET BASE AT 1 APRIL 2008

	£m	**Increase in RPI to 31 March 2008**	**Adjusted RAB at 1 April 2008 £m**
Forecast Basic RAB at 31 March 2008 in 2008 Decision (at average 2006/07 prices)	1,481.4	5.89%	1,568.7
Actual capital expenditure 2007/08	103.7	1.68%	105.5
Assumed capital expenditure for 2007/08 (at average 2006/07 prices)	(108.1)	5.89%	(114.5)
Adjusted opening Basic RAB at 1 April 2008			**1,559.7**
Profiling adjustments (at average 2006/07 prices)		5.89%	-
Adjusted opening RAB at 1 April 2008			**1,559.7**

Notes to the performance report (continued)

8. CLOSING REGULATORY ASSET BASE AT 31 MARCH 2014

		Actual 2014 £m	Actual 2013 £m
Opening Basic RAB at 1 April		2,391.6	2,205.6
Additions in year		201.0	226.7
Proceeds from disposal and insurance	(a)	(0.1)	(0.4)
Assumed Ordinary Depreciation		(153.2)	(114.5)
Indexation to 31 March		59.2	74.2
Closing Basic RAB at 31 March	Note 9	**2,498.6**	**2,391.6**
Cumulative profiling adjustment as determined by the CAA		-	-
Closing RAB at 31 March		**2,498.6**	**2,391.6**

(a) Proceeds from disposal comprise amounts from the sale of operating assets and proceeds from insurance claims.

9. RECONCILIATION OF FIXED ASSETS IN THE AUDITED FINANCIAL STATEMENTS TO THE CLOSING RAB AT 31 MARCH 2014

		Actual 2014 £m
Net fixed assets per the audited financial statements at 31 March 2014		2,309.6
Difference between net fixed assets and RAB at 31 March 2008	(a)	(69.5)
Interest capitalised disallowed	(b)	(50.0)
Difference between net book value of disposals and proceeds	(c)	27.9
Revaluation in the audited financial statements	(d)	(40.9)
Indexation of RAB	(d)	370.5
Impairment in the audited financial statements	(e)	12.9
Difference between depreciation in the audited financial statements and Assumed Ordinary Depreciation	(f)	(61.9)
Closing Basic RAB at 31 March 2014		**2,498.6**

Notes to the performance report (continued)

9. RECONCILIATION OF FIXED ASSETS IN THE AUDITED FINANCIAL STATEMENTS TO THE CLOSING RAB AT 31 MARCH 2014 (continued)

These reconciling items are explained as follows:

(a) This reflects the difference between the net fixed asset value in the audited financial statements of £1,629.2 million and the assessed value of the Basic RAB at 31 March 2008 of £1,559.7 million (note 7). This comprises:

- (i) a reduction of £45.4 million in respect of interest capitalised from 1 April 1995 to 31 March 2008 in statutory fixed assets valuations but excluded from the RAB calculation;
- (ii) an addition of £155.1 million in respect of the difference between the value of asset revaluations in the statutory accounts and the indexation uplifts provided in the regulatory accounts to 31 March 2008;
- (iii) a reduction in respect of the difference between depreciation in the audited financial statements and Assumed Ordinary Depreciation of £86.8 million;
- (iv) a reduction of £45.4 million in respect of pensions disallowed by the regulator; and
- (v) a reduction of £47.0 million in respect of other valuation differences.

(b) Interest costs amounting to £8.6 million (2013: £8.6 million) were capitalised in the year. The roll forward calculation for the RAB specified in Annex F of the 2008 Decision excludes capitalised interest;

(c) Statutory asset valuations are derived after deducting the net book value of assets disposed of during the year. The RAB value specified in Annex F of the 2008 Decision is derived by deducting the proceeds of asset disposals;

(d) Investment properties and land held for development are subject to annual revaluation in the audited financial statements. Remaining assets are held at depreciated historic cost. The RAB is revalued annually by reference to the Retail Prices Index (“RPI”) as specified in Annex F of the 2008 Decision;

(e) Costs totalling £12.9 million were charged in the audited financial statements for impairment of fixed assets in current and prior years. The roll forward calculation for the RAB specified in Annex F of the 2008 Decision excludes impairment charges; and

(f) This reflects the cumulative difference between the amount charged as depreciation in the audited financial statements and the Assumed Ordinary Depreciation allowed in the 2008 Decision and specified in Annex F of that Decision.

Notes to the performance report (continued)

10. INDEXATION

The following indices have been used for revaluing forecasts:

Average RPI index for the year ended 31 March 2007	200.3
Average RPI index for the year ended 31 March 2008	208.6
Average RPI index for the year ended 31 March 2013	244.7
Average RPI index for the year ended 31 March 2014	251.7
RPI index at 31 March 2008	212.1
RPI index at 31 August 2009	214.4
RPI index at 31 March 2013	248.7
RPI index at 31 March 2014	254.8
Increase from average 2008/09 to 31 March 2009	(1.62%)
Increase from average 2006/07 to 31 March 2008	5.89%
Increase from average 2007/08 to 31 March 2008	1.68%
Increase from average 2007/08 to 31 March 2013	19.23%
Increase from average 2007/08 to 31 March 2014	22.15%
Increase from average 2007/08 to average 2012/13	17.30%
Increase from average 2007/08 to average 2013/14	20.68%
Increase from average 2012/13 to 31 March 2013	1.65%
Increase from average 2013/14 to 31 March 2014	1.22%
Increase from 31 March 2012 to 31 March 2013	3.30%
Increase from 31 March 2013 to 31 March 2014	2.48%
Assumed increase to August 2007 per 2008 Decision	2.63%
Increase from 31 August 2010 to 31 August 2011	5.17%
Cumulative increase from 2008 Decision to 31 August 2011	16.88%

Notes to the performance report (continued)

11. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

		2014 **£m**
Operating profit per the audited financial statements	Note 6	143.1
Depreciation	Note 4, 5	112.4
Decrease in stock and debtors		4.4
Increase in creditors		6.6
Impairment of tangible fixed assets		3.9
Increase in net pension liability		3.8
Net cash inflow from operating activities		**274.2**