GATWICK AIRPORT LIMITED

Annual Report and Financial Statements
for the year ended 31 March 2018

Company Registration Number 1991018

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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STRATEGIC REPORT

Strategy

Gatwick Airport Limited ("the Company", "the Airport", "Gatwick" and "GAL") continues to operate in a competitive market. Passengers have a choice as to which airport they fly from and airlines have alternative bases from which to operate. The strategy for the Airport is to transform the passenger experience and improve efficiency for the airlines and the Airport itself, thereby improving its competitiveness in the London airport market. A key element of the Company's strategy is to build and maintain strong relationships with its airline customers, regulators and other stakeholders.

Gatwick has set out its ambition – compete to grow and become London's airport of choice, and has established six strategic priorities to which the Company's activities are aligned.

The strategic priorities and the approach Gatwick is taking to achieve them have been outlined below:

- 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 environment, health and safety ("EH&S") culture: by maintaining a relentless focus on achieving zero incidents; and

- develop the best people, processes and technology: by investing in high-performing people, continuous improvement and deploying the right systems.

STRATEGIC REPORT (continued)

Regulatory Environment

On 1 April 2014, a new regulatory framework, based on Commitments backed by a licence and supplemented by a monitoring regime, came into operation at Gatwick. The Commitments are a set of legally enforceable undertakings, made by Gatwick to airlines, covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The Commitments also enable Gatwick to enter into a series of bilateral contracts incorporating, for example, price, service and duration, agreed on a contractual basis between Gatwick and individual airlines.

The CAA published its Decision and Notice granting a licence to Gatwick in February 2014. The CAA's Decision incorporates the Commitments proposed by the Airport within a licence. It is therefore a requirement of the licence that Gatwick complies with its obligations in the Commitments. This includes that Gatwick 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 Gatwick complies with its Commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years of the Commitment period. 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" for the period from 1 April 2014 of RPI-1.6% per year. The CAA also considered that Gatwick should undertake capital investment expenditure of at least £160.0 million per annum on average (in 2011/12 price base). The CAA stated that it intends to monitor Gatwick'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) are 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 Gatwick 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 undertook a "short and focused review" of the Commitments in the second half of 2016 to assess whether they are operating in the passenger interest. The review was concluded in December 2016. The review did not recommend any changes to the Commitments.

The CAA's Decision also included a financial resilience condition. This requires Gatwick 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 Gatwick 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 Gatwick to comply with the licence.

Requirements as to operational resilience are included within Gatwicks's Commitments and as such are not subject to a separate licence condition. However, based on a review of operational resilience, the CAA has provided guidance to Gatwick, and Gatwick indicated in the Commitments that it would have regard to such guidance. The CAA has also stated that as part of the monitoring regime, Gatwick should produce a shadow regulatory asset base ("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. As with pricing, shadow RAB 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.

The Commitments expire on 31 March 2021. Gatwick has undertaken to notify the CAA and all operators at the Airport at least two years prior to the end of the term of its intentions with regard to the continuation of Commitments. All airport operators are also 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 Civil Aviation Act 2012.

STRATEGIC REPORT (continued)

Financing Structure

Gatwick Airport Limited, its parent entity Ivy Holdco Limited, Gatwick Funding Limited, Ivy Bidco Limited and its subsidiary Gatwick Airport Pension Trustees Limited are collectively referred to in this Annual Report and the financial statements as “the Ivy Holdco Group” or “the Group”.

The Group is party to a Common Terms Agreement (“CTA”) with, *inter alia*, the Royal Bank of Scotland plc as Authorised Credit Facility (“ACF”) agent and previously the Initial Authorised Credit Facility (“Initial ACF”) agent. Gatwick Airport Limited and Ivy Holdco Limited have Borrower Loan Agreements with Gatwick Funding Limited (as Issuer), and Deutsche Trustee Company Limited (as Borrower Security Trustee). The CTA together with a Master Definitions Agreement covers, *inter alia*, the Initial ACF Agreement, the ACF Agreement and the Borrower Loan Agreements.

The ACF Agreement entered into on 27 March 2014 has a Revolving Credit Facility of £300.0 million and a tenor of five years giving a termination date of 27 March 2019. As at 31 March 2018, the Group had £280.0 million (2017: £253.0 million) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

Gatwick Funding Limited has issued £2,500.0 million of publicly listed fixed rate secured bonds with scheduled and legal maturities ranging from 2024 and 2026 to 2048 and 2050 respectively as detailed below.

As at 31 March 2018, total bond debt was £2,500.0 million (2017: £1,850.0 million) (refer to note 27)

	Scheduled maturity	Legal maturity	Issue date	**As at 31 March 2018 £m**	As at 31 March 2017 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	**300.0**	300.0	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	**300.0**	300.0	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	**350.0**	350.0	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	**300.0**	300.0	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	**350.0**	-	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	**300.0**	300.0	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	**300.0**	-	Ivy Holdco Limited
				2,500.0	1,850.0	

The proceeds of bond issuances by Gatwick Funding Limited (together “the Bonds”) are lent to either Gatwick Airport Limited or Ivy Holdco Limited under the respective Borrower Loan Agreements, the terms of which are “back-to-back” with those of the Bonds.

Gatwick Airport Limited regularly prepares long-term cash flow forecasts to test the sufficiency of its financing facilities to meet its funding requirements. The Directors consider that the current level of credit facilities is sufficient to meet its present forecast funding requirements and provides the Company with appropriate headroom.

Further information on the financing structure is included in note 27 of the financial statements.

STRATEGIC REPORT (continued)

Review of the Business

Under sections 414A and 414C of the Companies Act 2006 ("the Act"), the Company is required to produce a fair review of the business of the Company, including a description of the principal risks and uncertainties facing the Company, an analysis of the development and performance of the business during the year, and position at the year end. Furthermore, additional information is provided under this Business Review in accordance with the Walker Guidelines, which sets out suggestions for best practice for Portfolio Companies owned by private equity investors (of which Gatwick Airport Limited is deemed to be one), which the Company has complied with.

Overview of the Year Ended 31 March 2018

The Company has reported a profit for the year of £132.4 million for the year ended 31 March 2018 compared to £97.4 million for the year ended 31 March 2017. These results are discussed in more detail in the financial review section of this report.

Overall Passenger Traffic Trends

Gatwick's passenger traffic continued to show strong growth during the year, with long-haul destinations contributing more than half of the year-on-year increase. Despite the loss of Monarch Airlines, short-haul European traffic also grew.

	Year ended 31 March 2018	Year ended 31 March 2017
Passengers	**45,693,329**	44,101,486
Air transport movements ("ATMs")	**280,792**	278,889
Passengers per ATM	**162.7**	158.1
Seats per ATM	**187.4**	185.6
Load factors (%)	**86.8%**	85.2%

Commercial flight types only

During the 12 months to 31 March 2018 45.7 million passengers passed through Gatwick Airport, an increase of 1.6 million (3.6%) compared to the prior year.

STRATEGIC REPORT (continued)

Passenger Traffic by Region

The table below outlines passenger numbers by region for the year ended 31 March 2018 and the comparative year ended 31 March 2017.

	Year ended 31 March 2018 m	Year ended 31 March 2017 m
Europe (including UK and Channel Islands)	**37.2**	36.6
North America	**3.9**	3.3
Caribbean and Latin America	**1.9**	1.9
Northern and Sub-Saharan Africa	**1.3**	1.1
Middle East and Central Asia	**1.0**	1.0
Far East and South Asia	**0.4**	0.2
Total	**45.7**	44.1

Short Haul European Traffic

Passenger traffic on European and Domestic routes grew by 0.6 million (1.6%).

In October 2017 Monarch Airlines ceased trading: its traffic through Gatwick for the year ended 31 March 2018 was 0.4 million passengers lower than the prior year. In December 2017 it was confirmed that Monarch's slots had been acquired by the IAG Group, which includes BA, Aer Lingus, Iberia and Vueling. A small number of these acquired slots were flown during early 2018.

Gatwick's biggest airline, easyJet, grew its European and Domestic traffic by 0.9 million passengers (5%). Of this, 0.2 million was on UK routes, most notably Belfast, and the remainder was mainly on major European destinations such as Italy, Spain, France, Germany and Greece.

Vueling's traffic grew by 0.2 million passengers (17.6%), while BA's short haul European traffic grew by 0.1 million passengers.

Ryanair discontinued its Belfast service from November 2017 and as a result its traffic for the year to 31 March 2018 was 0.2 million passengers lower than the prior year.

Long Haul Traffic

Long haul traffic grew by 1.0 million passengers (14.4%) compared to the prior year. This represents 60% of the Airport's total passenger growth. Long haul destinations now account for 16.7% of Gatwick's passenger traffic.

Traffic on North American routes grew by 0.6 million passengers (16.7%). Norwegian accounted for 0.5 million of this growth, as the airline continued to increase capacity on its USA services and introduced new routes (Seattle, Chicago and Austin). BA grew its North American traffic by 0.1 million passengers (11.7%), with the introduction of new services to Oakland California and Fort Lauderdale.

The Far East continued to be an important source of traffic growth, with the number of passengers more than doubling compared to the prior year. Cathay Pacific, which had begun flying from Gatwick to Hong Kong in September 2016, saw consistently high load factors on this route and grew its passenger numbers by 0.1 million (170%). Tianjin Airlines, which had also commenced flying from Gatwick during 2016/17, grew its traffic by 12,000 passengers (44.5%). Norwegian began a service to Singapore in September 2017, flying a total of 57,000 passengers by 31 March 2018.

STRATEGIC REPORT (continued)

Passenger Traffic by Region (continued)

Long Haul Traffic (continued)

Passenger numbers on flights to Northern and Sub-Saharan Africa grew by 0.2 million (15.8%) compared to the prior year. Flights to Egypt have experienced a recovery following a period of low demand caused by instability and security risk in the region: passenger numbers on these routes grew by 53,000 (38.0%). Similarly, traffic to Morocco grew by 40,000 passengers (8.2%). A new service flying from Gatwick to Kigali was introduced by Rwandair during the year, with a total of 23,000 passengers flown.

Route Development

Gatwick continued to develop its route network again achieving record traffic figures during the year ended 31 March 2018 of 45.7 million passengers and with a 27.5% share of the London market (as defined by the four largest airports' throughput). This market share has been maintained from last year in spite of strong competition and Monarch Airlines' failure on 1 October 2017.

The airlines contributing most to Gatwick's growth were the established incumbent Airlines such as easyJet, British Airways and Norwegian.

- easyJet increased aircraft size, moving from an average of 167 seats to 168 seats by the end of the year, and increased aircraft movements by 2.9%. These changes, together with a growth in load factor, were the drivers for a 0.9 million year on year increase in easyJet's passenger numbers. easyJet have now launched seasonal routes to Ancona and Volos, and have commenced new services to Berlin Tegal Airport.

- British Airways has continued to grow long haul services at Gatwick, with a 13th Gatwick-based Boeing 777 added to their fleet in the summer, flying to Oakland and Fort Lauderdale in the United States. These flights increased passengers by an additional 0.1 million. They are launching new routes for Summer 2018, flying to Toronto and Las Vegas. British Airways are also increasing the frequencies of routes to Malaga, Tenerife, Faro, Funchal, Gibraltar and Lanzarote by utilising the slots purchased from Monarch.

- Norwegian delivered significant long haul growth during the period, adding a second daily service to New York; and new services to Seattle, Denver, Singapore, Buenos Aires, Austin and Chicago bringing their based Boeing 787 aircraft from 5 last summer to 11 in March 2018. In total Norwegian's long haul passengers grew by 0.5 million.

There were a number of exciting new developments and announcements during the year which will contribute to future passenger growth within the long haul market with the following notable highlights:

- China Airlines commenced a four weekly service to Taipei in December, they plan to increase frequency during 2018;

- Qatar announced a double daily service to Doha commencing in May 2018, in peak summer this will be complemented by a third daily frequency on Friday and Saturdays;

- Norwegian are increasing their long haul premium product on board from 35 to 56 seats whilst only reducing total aircraft capacity by six seats. This is in response to the demand for the premium cabin on their long haul routes from Gatwick;

- British Airways have commenced refurbishment of six of their Boeing 777 aircraft which will see seat capacity increase from 280 to 336. This increase in capacity, together with their use of the ex-Monarch slots will drive double digit growth for BA in 2018.

STRATEGIC REPORT (continued)

Capital Investment Programme

The key strategic objective for Gatwick is to compete to grow and become London's airport of choice. A key enabler in delivering this objective is continued focus on transforming the passenger and airline airport experience through both investment in modern infrastructure and improving service standards. This will ensure that airlines can operate efficiently and passengers enjoy a superior airport experience relative to competitors, encouraging greater utilisation of Gatwick and supporting its long-term growth ambitions. The key investment drivers for the Airport are as follows:

- Capacity
- Cost Efficiencies
- EH&S, Security and Compliance
- Service Quality
- Commercial Revenue
- Asset Stewardship and Resilience

	31 March 2018 £m	31 March 2017 £m
Capital expenditure	**221.4**	246.6

From April 2014, and following completion of Gatwick's £1.2 billion Q5 Capital Investment Programme, regulatory oversight of Gatwick has evolved in response to the seven year Commitments framework, under which the Airport has made price, service quality, capital investment and consultation undertakings to its customers. Rather than being constrained by a fixed capital investment programme, the new framework allows flexibility, innovation and pace in making investments at the Airport to improve services for our passengers and airline customers. The framework includes a commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years.

In May 2018, Gatwick published its 2018 Capital Investment Programme for consultation with passengers and airlines, outlining the capital investment undertaken under Commitments framework and the plan for the next five years. Gatwick has continued to invest heavily in its Capital Investment Programme, spending £221.4 million in the year ended 31 March 2018 (2017: £246.6 million). Capital investment is forecast to be approximately £1.6 billion over the seven year Commitments period (starting April 2014) thereby continuing a similar rate of investment and improvement since the Airport changed ownership in December 2009, and in excess of the minimum level required under the Commitments framework.

Gatwick controls and delivers its Capital Investment Programme through seven individual programmes covering the key elements of the Airport. This approach allows Gatwick to deliver against its key investment drivers whilst maintaining its operations. Key capital investment projects and programmes completed and in construction during the year ended 31 March 2018 can be summarised as follows:

- **Pier 6 Programme:** Design and construction works commenced during the year on an extension to Pier 6 in order to improve pier service levels. The scheme, once complete will include an additional 8 A321 compatible gates in order to meet the continued growth and up gauging of the fleet.

- **Terminals Programme:** Investment continued during the year on the airports terminals with a view to improving resilience, efficiency and passenger service. Works included expanding the self-service bag drop offerings, upgrades to gate rooms, and expansion of check in facilities. Investment continued in the Airport Transformation Programme following the moves of a number of airlines during the prior year. Designs were finalised and works commenced in the South Terminal on the new facility for Common Travel Area passengers.

STRATEGIC REPORT (continued)

Capital Investment Programme (continued)

- **Baggage Programme:** An extensive programme of works continued during the year to upgrade the Airport's Hold Baggage Screening ("HBS") system in accordance with DfT regulations. The programme encompasses a number of areas within the Airport including North terminal, South Terminal and the Transfer Baggage Facility and includes upgrading the screening machines to the latest security standards and associated reconfiguration of the baggage system.

- **Commercial Programme:** A number of projects were completed during the year which have enhanced and improved the retail and food and beverage offerings at the Airport. Catering remains a real highlight as several new restaurants were opened throughout the year, including a new restaurant offering in the form of Jamie's Dinner in the South Terminal. Within retail, the new Walkthrough Duty Free store completed in the North Terminal and works are on-going to develop a number of new retail units created from the relocation of World Duty Free to their new walkthrough store. In relation to car parks, a significant investment was made in a decking project which will add significant capacity in advance of the Summer season.

- **Asset Stewardship:** Investment to maintain the existing asset base of the Airport has been ongoing during the year. The works can be categorised into: Airfield, Facilities, Commercial, IT and Compliance and EHS and are considered critical to enhance the passenger experience whilst passing through the Airport. Investment during the year was in excess of £40.0 million.

- **Airfield Programme:** A number of projects completed during the year as part of an on-going programme of works to improve Gatwick's resilience. There was a significant investment in the taxiways as well as reconfiguration of various stands to enable the Airport to meet the changing demands of the airlines. In addition there was some initial works towards the runway resurfacing project planned towards the end of the Commitments period including a project to improve the drainage of the main runway. Works also commenced on the creation of a new aircraft hangar in partnership with Boeing to make available to airlines the necessary maintenance facilities to aid their expansion.

- **Resilience:** A programme of works to improve Gatwick's resilience has been ongoing, including projects to reduce risk associated with flooding and security. This programme is partially in response to the McMillan report, published on 26 February 2014, but also aims to ensure operational resilience remains a key component of our operational and capital investment plans going forward. Since the McMillan report, Gatwick has invested over £20.0 million with an additional £15.0 million of capital investment funds ring-fenced for delivering capital projects over the remainder of the commitments period for investment in flood management, power and IT upgrades, terminal equipment, and weather and disruption events protection projects.

Looking ahead, significant further investment is planned to expand current facilities where required, to achieve greater operational efficiency and improve the passenger experience for all segments of the passenger journey. Further details of which can be found in the Capital Investment Plan published annually by Gatwick.

STRATEGIC REPORT (continued)

Operational Performance

Delivering the best passenger experience is a strategic priority for Gatwick. Adhering to a set of stringent passenger satisfaction targets and through listening and acting upon passenger feedback are two ways in which service overall at the Airport is monitored.

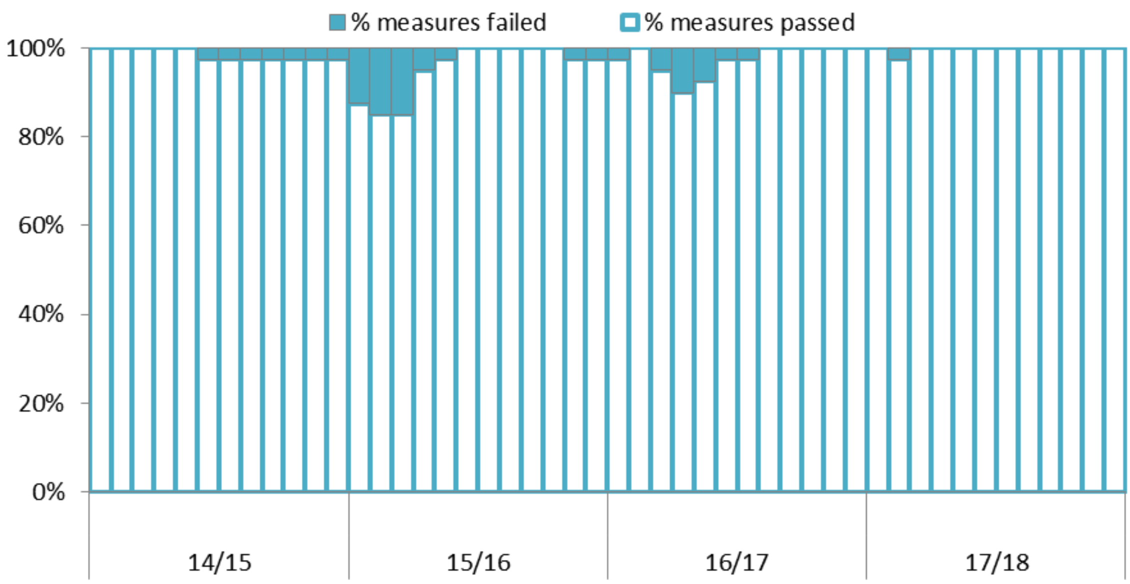
The Core Service Standards ("CSS") are stretching targets for a variety of measures impacting the passenger experience, from security queuing times to the availability of terminal and airfield assets, ensuring Gatwick is constantly focused on the performance in these key areas. The scheme also incorporates the results of a passenger survey, the Quality of Service Monitor ("QSM"), which provides a measure of passenger satisfaction with certain airport services and facilities (cleanliness, wayfinding, flight information, and departure lounge seat availability). If service standards are not met for a number of aspects of the Airport's facilities and services for passengers and airlines, Gatwick pays rebates of airport charges to airlines.

Gatwick reports its performance against the CSS targets (including QSM) on a monthly basis on its website. Gatwick uses, amongst other measures, total CSS targets passed, overall QSM score, on time departure performance and inbound baggage, to monitor whether it is delivering the best passenger experience, and forms part of the Commitments framework under which it operates.

Core Service Standards

Gatwick achieved 99.6% of its CSS targets during the year ended 31 March 2018 compared to 98% in the prior year. During the year, Gatwick passed 478 out of a total 480 CSS targets, with 2 targets missed.

Percentage of Core Service Standards passed per month



The only failures during the year related to a baggage system fault in May 2017. Although the automated performance measurement was above target, it was agreed to record this as a failure in view of the poor baggage service for airlines and passengers. This affected both North and South Terminals.

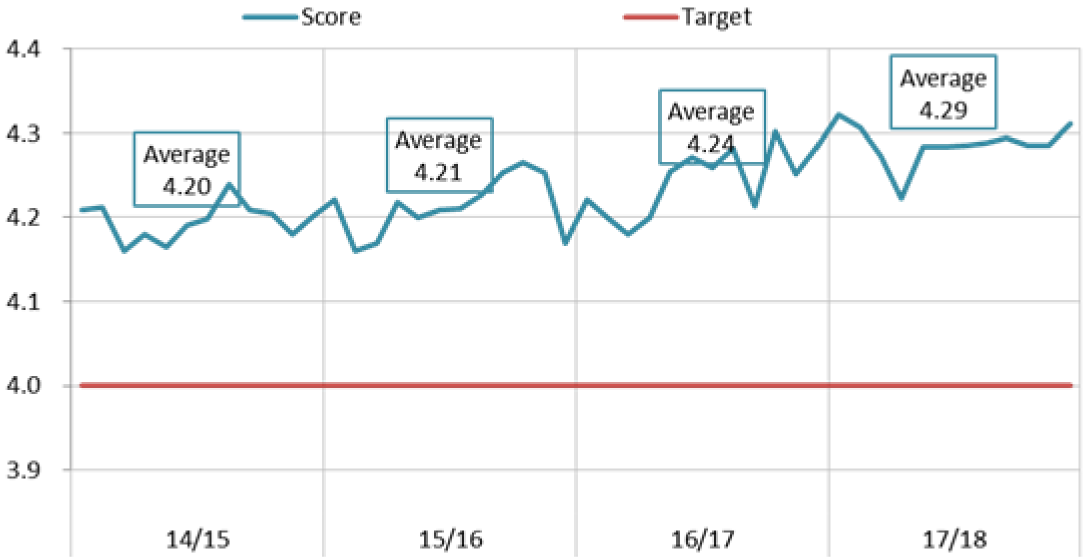
STRATEGIC REPORT (continued)

Passenger Satisfaction

Gatwick's QSM is an on-going customer service survey conducted amongst a cross-section of departing and arriving passengers by Gatwick's market research team and forms part of the CSS regime at Gatwick. Passengers are asked to rate their experience of certain services and facilities at Gatwick. A QSM service quality score is calculated following a CAA formula and published each month.

Gatwick's overall QSM score reached 4.29 at the end of 2016/17 and had increased to 4.31 by the end of 2017/18 (5 = excellent; 4 = good; 3 = average; 2 = poor; 1 = extremely poor).

The following chart shows Gatwick's improved QSM performance over the last four years against a backdrop of increased passenger numbers using the Airport and its services:

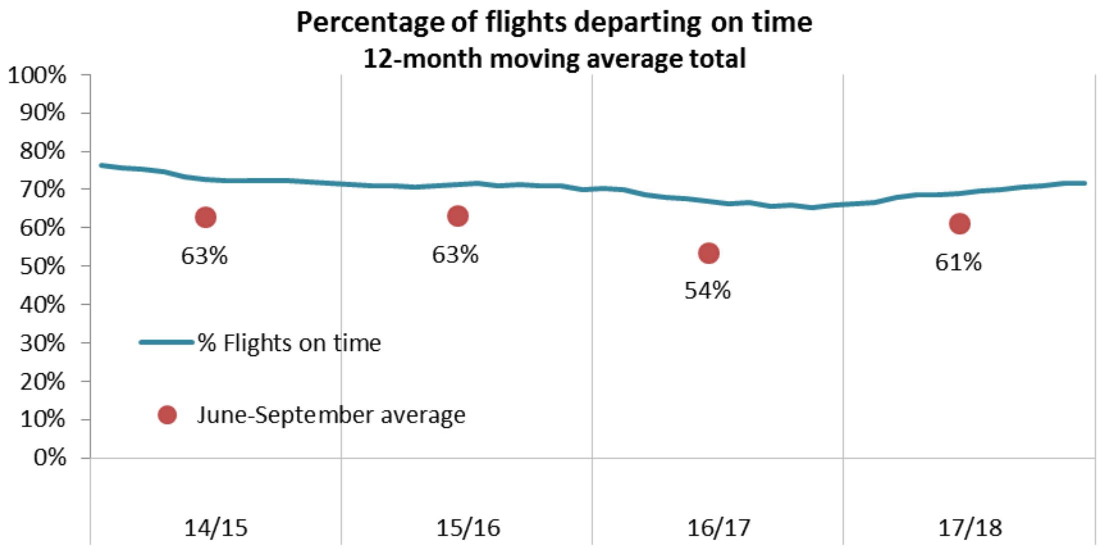


STRATEGIC REPORT (continued)

Airfield Performance

On time performance remains a key strategic priority for Gatwick as it seeks to improve the passenger experience and deliver a stable and resilient operation for its airline customers which allows them to continue to grow their businesses from Gatwick.

The graph below shows the percentage of flights departing no later than 15 minutes after the scheduled time of departure on a rolling 12 month basis.



For the year ended 31 March 2018, 70% of departures from Gatwick departed no later than 15 minutes after the scheduled time of departure; this compares with 65% of departures for the year ended 31 March 2017.

A number of factors can influence on time performance and a range of stakeholders including Gatwick, air traffic control providers, the airlines and ground handlers have an important role to play. Some of the key challenges over the last year included (i) a continued increase in the proportion of flights subject to airspace restrictions caused by congestion in en-route airspace corridors and/or restrictions at the destination airport: approximately 30% of departures were issued with an airspace restriction in summer 2017 (up from 25% in summer 2016); and (ii) pressures in the ground handling market, with some ground handlers continuing to find it challenging to deliver against scheduled turn times.

Gatwick took a pro-active role in seeking to support improved on time performance through (i) investment in facilities to support the efficient turnaround of aircraft including airfield and terminal works, (ii) the continuation of financial incentives for airlines and ground handlers to reward the efficient turnaround of aircraft, (iii) engagement with ground handlers to audit resource plans ahead of the summer season and (iv) a continued strong focus on meeting the Core Service Standards to support a high quality and efficient operation.

Major airlines operating at Gatwick have also taken significant steps to address on-time performance issues including through (i) investments in ground handling services including, in some cases, in-sourcing this activity, and (ii) changes to aircrafts scheduled.

Gatwick's efforts to support an improvement in on time performance are continuing into 2018/19 with (i) investment in airfield infrastructure, including an extension to Pier 6 and planned improvements to the taxiway configuration to improve airfield circulation, (ii) on-going investment in a dedicated airline performance team to monitor and support the delivery of aircraft turnarounds and (iii) continuation of the financial incentive schemes that reward airlines and ground handlers for the efficient turnaround of aircraft; a 25% discount of the departure demand charge set out in the Conditions of Use is available for each aircraft turn that is completed within its scheduled turn time.

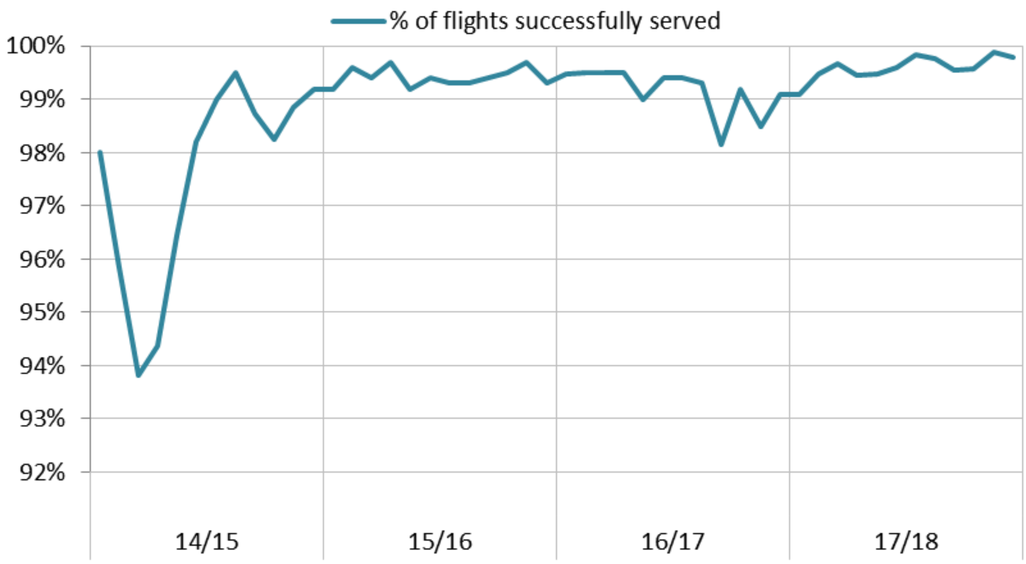
Improving on time performance at the airport remains a key strategic priority and the collaborative approach outlined above is targeted to result in a further improvement in punctuality performance in 2018/19.

STRATEGIC REPORT (continued)

Inbound Baggage

Inbound baggage (the measure of how timely the delivery of baggage is from the plane to the reclaim belt) is of great importance to Gatwick as it has a significant impact on the passenger experience. During the year ended 31 March 2018, 99.63% of flights had arrivals bags delivered on time (measured as last bag delivered to the baggage belt within 55 minutes of on-block time). This compares to 99.07% during the previous year.

Gatwick has continued to work closely with its airlines and their ground handling partners to improve and maintain baggage delivery performance, as a result of which targets were consistently achieved and comfortably exceeded throughout the year.



STRATEGIC REPORT (continued)

Airspace Change

Airspace is the invisible infrastructure that underpins aviation and connects the airport to the wider world. The airspace structure includes the routes that aircraft fly and the procedures and systems used by air traffic controllers to manage air traffic flows.

Effective airspace design and management is fundamental to the safe and efficient operation of the airport. Without it the airport cannot operate. Arrival and departure routes that connect the airport to the wider air traffic route network are essential in maintaining capacity and resilience. Importantly, airspace designed to best effect for today's quieter and cleaner aircraft can reduce noise impact and offer relief to communities.

In April 2017 following the Post Implementation Review (PIR) of the runway 26 Route 4 RNAV-1 Standard Instrument Departures (SID) the CAA ratified the RNAV-1 SID designs currently published as permanent. The Route 4 SIDs had achieved high levels of conformance during the evaluation period. Subsequently the CAA's decision in respect of Route 4 was subject to legal challenge via Judicial Review. This resulted in the CAA agreeing to a consent order quashing their previous decision to ratify the revised Route 4 RNAV-1 SIDs. Route 4 will be subject to further airspace change in 2018 as a result. Gatwick followed CAA guidance throughout this process and will continue to work closely with the regulator to understand the next steps. This will not impact on the operations at the Airport and nothing will change in the short term.

The modified runway 08 Route 5 SIDs were introduced on 30 March 2017. Gatwick monitored the revised design for a 6-month period after implementation; over the entire monitoring period Route 5 achieved route conformance of 99.85%. Track data and a summary of the results were submitted in September 2017 to enable the CAA to determine whether the revised design achieved its aim. A decision by the CAA is delayed due to a backlog in the PIR

The Government published its response to the policy on the design and use of UK airspace in October 2017. Gatwick was supportive of the Airspace Policy Framework consultation proposals which were an improvement on the existing guidance. The revised policy offers greater transparency in decision making and the way noise is handled, provides increased focus on engagement and locally-informed solutions and clarity and consistency in the level at which decisions are taken. This policy is now supported by regulatory guidance introduced on 1 January 2018 on the Airspace Change Process. This revised policy and regulatory guidance will form a crucial framework for the future delivery of airspace change across South-East UK.

The London Airspace Management Programme Phase 2 (LAMP2) is a NATS En-Route Ltd (NERL) led programme as part of the Future Airspace Strategy Implementation South (FASI-S) to modernise airspace in South-East UK. LAMP2 aims to fundamentally redesign the London Terminal Manoeuvring Area (LTMA) and en-route airspace to eliminate chokepoints, alleviate areas of intensive aircraft concentrations and to create a structure that has capacity to accommodate forecast traffic levels beyond 2040. The primary benefits of this redesign will be to significantly reduce delays, enable improvements to airline on time performance and reduce a range of environmental impacts, including noise.

In support of LAMP2, Gatwick has contributed to a theoretical projection of air traffic movements out to 2040 to develop and test a range of concept designs. Gatwick has also led the way in establishing the LTMA Airports Working Group which will advise NATS on the development of the LAMP2 concept and airspace change and enable a coordinated approach across the LTMA airports in developing their own airspace changes which will be necessary in support of LAMP2. It is expected that a LAMP2 proof of concept and modelling report will be presented to the Department for Transport (DfT) by NATS for endorsement Q2 2018. Changes to the London and en-route airspace are expected to be implemented around 2024.

Gatwick has provided briefings to community groups on the design concepts that may be employed and outlined the potential benefits, for all stakeholders. Gatwick is also working closely with NERL, CAA and the other major London airports to define how the programme objectives and governance will be framed, so that when the programme is formally established, it can progress without delay in the knowledge that firm foundations have already been established. This assumes the programme retains the Government's support to what Gatwick considers to be long overdue investment in a vital strategic asset, critical to the UK's long term future prosperity.

STRATEGIC REPORT (continued)

Community Engagement

Gatwick's community engagement programme aims to build strong and constructive relationships with the Airport's immediate neighbours and stakeholders across the region, working to understand local priorities and delivering a programme of activity which increases engagement and adds value locally.

Throughout the year we have hosted a monthly programme, 'Discover Gatwick', inviting local community representatives (parish councils, neighbourhood groups, local authorities and business groups) to the airport for a half day event. Visitors are given a behind the scenes tour of the airport, as well as presentations giving insights into the business and operational aspects. This provides a valuable opportunity to share information and also hear from local community representatives on the issues of concern in their local area.

The Gatwick Airport Consultative Committee (GATCOM) is the Airport's formal consultative body, providing an essential forum for engagement across a wide range of interests including passenger service; business development; tourism; and environmental issues. In addition to GATCOM, the independent Noise Management Board is now well established, providing a forum to develop, agree, oversee and maintain a co-ordinated noise management vision and subsequent strategies for Gatwick on behalf of stakeholder organisations. The main aim of this work is to reduce the impact of noise on the local community.

Gatwick has a significant impact on the regional economy, generating £2.7 billion in gross value added contribution to GDP, and around 43,000 airport related jobs. The Airport also facilitates additional economic benefits, with 5.5 million international visitors entering the UK through Gatwick in 2017. Recognising the important and positive role the Airport can play across the region, Gatwick participates in regional activities through active membership of economic groups and partnerships, working together to build a strong local supply chain, boost business, and support employment and skills development. This is complemented by a range of community investment activity, including sponsorship programmes and charitable giving, demonstrating that Gatwick is taking an active role in supporting the local community.

In 2017/18 we launched our Education Programme - Inform, Inspire, Invest, which aims to open the world of opportunity that the Airport offers to everyone and helping young people to develop the right skills for the right job, with an emphasis on science, technology, engineering and maths (STEM). Our flagship programme is Learn Live, providing live broadcasts from the airport into classrooms every month, which has had over 20,000 student views during the last year. We also became headline sponsors of the Big Bang Fair South East, the largest regional STEM festival for schools where we created a Gatwick Airport Zone with interactive exhibits and a film theatre, visited by 3,500 students on the day.

The Gatwick Foundation Fund awarded £300,000 to deserving community projects during the past year. Working in partnership with the Community Foundations in Kent, Surrey and Sussex, the Airport was able to fund 80 projects supporting the needs of young people, families, and the elderly. This is in addition to our £212,000 annual funding to the Gatwick Airport Community Trust, which operates through the Section 106 agreement between Gatwick, West Sussex County Council and Crawley Borough council. The Trust supports projects in the local communities most affected by the Airport and its operations.

Charitable fundraising by employees is focused around three Charity Partnerships, which over the last two years have been Cancer Research UK; St Catherine's Hospice; and Gatwick Travel Care. Fundraising for the local hospice, St Catherine's has been particularly successful with a record breaking £100,000 raised for the charity during the partnership.

Gatwick has also supported a wide range of local and regional events throughout the year, including the Horley Carnival; Crawley High Street Live; South and South East in Bloom; Brighton Pride; the Brighton Marathon; as well as a range of business and economic programmes and events. We also launched a new community event "Gatwick Fun" in partnership with the Gatwick Aviation Museum, a one day event showcasing the airport and aviation for local people and their families.

STRATEGIC REPORT (continued)

Future Developments

For planning purposes, Gatwick is currently projecting 47.1 million passengers to travel through the Airport during the year ended 31 March 2019, a 3.1% increase on the prior year (actual for year ended 31 March 2018: 45.7 million).

Since 1 April 2014, Gatwick has been operating under the Contracts and Commitments framework, under which the average increase in the Core Yield is limited to RPI+1.0% and the average increase in the Blended Yield is limited to RPI+0.0% over the seven years of the Commitments term. In addition to the limitations on charges noted above and in the licence granted by the CAA, Gatwick is cognisant of the CAA's "fair price" benchmark of RPI-1.6% for the Blended Yield. A headline increase of RPI+1.1% has been applied to the Core Yield for the year ending 31 March 2019. A permitted adjustment relating to the installation of new hold baggage screening equipment associated with the Explosive Detection System Standard 3 has also been applied which is expected to have a yield impact of approximately 0.6%.

The result of the referendum in favour of the UK leaving the EU is expected to create some economic uncertainty in the UK and Europe in the near term, but Gatwick does not believe this will have a material effect on the strategy and financial performance of the Airport in the longer term, provided air services between the UK and other countries are no more constrained than at present.

In the short term, the uncertainty during Brexit negotiations may have a bearing on the level of passenger demand growth, such as through lower levels of economic growth (and therefore consumer demand) or as a result of fluctuations in currency exchange rates, particularly the Euro and the US Dollar affecting the relative levels of UK outbound travel and inbound visits to the UK.

In the medium term, the negotiation of the UK exit from the EU and implementation of new trading arrangements will need to address the air service arrangements between the UK and other countries. This will affect the strategies adopted by individual airlines to serve the UK market and there is a risk of some disruption during transition, but is not expected to materially affect the underlying level of market demand for air travel to/from the UK, at the time of exit, during any transition period or in the longer term.

Financing activities

During the year ended 31 March 2018, the average interest rate payable on borrowings was 4.89% p.a. (2017: 4.96% p.a.).

During the year ended 31 March 2018, the Company issued £350.0 million of bonds. Further information on the bond issuances is included in note 27 of the financial statements.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW

During the year ended 31 March 2018 the Company made a profit after tax of £132.4 million (2017: £97.4 million profit).

Revenue

In the year to 31 March 2018, the Company's revenue increased as a result of the increased passenger numbers benefitting aeronautical, retail and car parking income.

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Aeronautical income	**396.6**	380.9
Retail income	**177.3**	163.0
Car parking income	**87.8**	86.3
Property income	**29.1**	25.2
Operational facilities and utilities income	**34.5**	32.7
Other income	**38.9**	36.9
Total revenue	**764.2**	725.0

Aeronautical Income

Aeronautical income is driven by traffic volume, the level of airport charges and the terms of bilateral contracts with airlines. During the year ended 31 March 2018, aeronautical income increased by 4.1% or £15.7 million to £396.6 million. This was mainly due to a 1.6 million or 3.6% increase in passengers and an increase in the level of published airport charges, offset by an increase in the discounts earned by airlines through bilateral contracts.

The CAA granted a licence under section 15(5) of the Civil Aviation Act 2012 which came into effect on 1 April 2014. The current regulatory approach for Gatwick is based on the Airport's Commitments to airlines (including bilateral contracts negotiated with individual airlines), underpinned by a licence issued by the CAA and supplemented by a monitoring regime.

The Airport's Commitments limit the increase in airport charges per passenger, measured over the 7 year Commitments period (1 April 2014 - 31 March 2021), to an average of RPI+1.0% per annum under the published airport tariff (i.e. excluding the terms of bilateral contracts) and an average of RPI+0.0% per annum including the terms of bilateral contracts. The increase in airport charges in any given year of the 7 year Commitments period may be higher or lower than the average price limits over the 7 year period.

Following a period of consultation with the airline community, the planned gross yield (i.e. the planned aeronautical revenue per passenger excluding the terms of bilateral contracts) was increased by 2.7% (equivalent to RPI+0.9%) for the year commencing 1 April 2017.

Including the impact of bilateral pricing agreements, the aeronautical income per passenger for the year ended 31 March 2018 was £8.68 (2017: £8.64), an increase of 0.5% over the year.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Retail Income

Net retail income increased by £14.3 million or 8.9% during the year ended 31 March 2018 compared to a 3.6% increase in passengers. Net retail income per passenger is calculated as follows:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Retail income		
Duty and tax-free	**53.5**	50.3
Specialist shops	**42.9**	39.9
Catering	**37.5**	32.7
Bureau de change	**26.8**	24.1
Other retail	**16.6**	16.0
	177.3	163.0
Less: retail expenditure	**(2.5)**	(2.5)
Net retail income	**174.8**	160.5
Passengers (m)	**45.7**	44.1
Net retail income per passenger	**£3.82**	£3.64

Net retail income per passenger increased by £0.18 or 4.9% to £3.82 (2017: £3.64).

Duty and tax-free performance saw income levels increase in the year by 6.4%. The opening of the North Terminal walkthrough in September 2017 has driven the performance of World Duty Free (WDF) in the second half of the year. The new store has a much broader range including new beauty brands, an increased range of local gifting and fashion items such as sunglasses. This improved range has helped to drive income per passenger up by 2.6% from the 31 March 2017.

Over the course of the year Gatwick opened three new speciality shops - Reiss in the South Terminal and Superdry and Jack Wills in the North Terminal. These stores have improved the choice available for customers and reflect the ongoing churn of stores as space across the airport is optimised. Gatwick continues to pursue the very successful “pop up” retail strategy and welcomed Havaianas back for the fourth year. They had pop ups in both North and South Terminals. The summer also saw the introduction of a spa pop up in North Terminal through Cloud Spa. This winter Hamleys opened a pop up in the North Terminal to complement the existing choice of stores in the terminal.

The strength of the catering category continued with income up 14.7%, and delivered a 10.8% increase in income per passenger. The improved performance reflects continued strong passenger demand for this category together with the opening of Jamie Oliver’s Diner in the South Terminal. To further build on this trend, The Red Lion pub in the North Terminal, operated by JD Wetherspoon, has recently been expanded. This will help to provide capacity in the North Terminal, particularly during the busy summer peak. Strong second year sales in a number of outlets has also supported growth in income per passenger.

Bureau de change income has grown 11.2% as a result of revised contract terms, increase in passenger volumes, change in passenger mix, and currency fluctuations.

To ensure the Gatwick retail strategy is anchored in what customers want, a rigorous process of compiling consumer research enables the Airport to understand customer perception of the retail and food and beverage units on offer at the Airport. The last three months of the year have seen an all-time high for scores in retail; 88.5% of passengers rate the units on offer as excellent or good. The score in food and beverage is also very high at 87.7% viewing the choice as excellent or good.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Car Parking Income

Net car parking income increased by 1.5% during the year ended 31 March 2018. Net car parking income per passenger is calculated as follows:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Car parking income	**87.8**	86.3
Less: car parking expenditure	**(19.5)**	(19.0)
Net car parking income	**68.3**	67.3
Passengers (m)	**45.7**	44.1
Net car parking income per passenger	**£1.49**	£1.53

Net car parking income per passenger decreased by £0.04 (2.6%) in the year ended 31 March 2018, but overall net car parking income was up £1.0 million (1.5%).

Car parking market demand was weak for the year with Gatwick market research data showing a decline in UK resident non transfer departing passengers of 0.9%, this was 4.5% down over the winter reflecting the loss of Monarch passengers. This resulted in price pressures with yields down 4.8%.

Multi Storey Car Park 6 returned to full operation following remediation works and increased short stay capacity by 1,000 spaces.

Moving into 2018/19, the Gatwick sales strategy is now focussed on the direct website channel and all consolidator distribution contracts were terminated in July 2017. Sales through the direct channel have increased 20.0%. Despite terminating these distribution channels and a declining market, total pre-book transactions over the winter increased 3.2% resulting in market share growth.

Other Income Categories

Other income categories (i.e. excluding aeronautical, retail and car parking) increased by £7.7 million to £102.5 million in 2018 (2017: £94.8 million) primarily as a result of increased passenger numbers.

Income per Passenger

Income per passenger for the year 31 March 2018 increased by £0.28 to £16.72 (2017: £16.44).

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Operating Costs

Operating costs pre-exceptional items have increased by £18.5 million or 3.2% to £594.8 million during the year ended 31 March 2018 (2017: £576.3 million) with £20.3 million of this increase due to depreciation and amortisation costs.

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Staff costs	**201.9**	200.4
Retail expenditure	**2.5**	2.5
Car parking expenditure	**19.5**	19.0
Maintenance and IT expenditure	**40.6**	37.5
Utility costs	**21.1**	19.3
Rent and rates	**104.7**	103.5
Other operating expenses	**36.9**	46.8
Depreciation and amortisation	**167.6**	147.3
Total operating costs	**594.8**	576.3

Staff costs increased by £1.5 million or 0.7% for the year ended 31 March 2018, reflecting the 7.2% increase in average full-time equivalent ("FTE") employee numbers and an increase in third party labour usage, partially offset by a change in the underlying pay rates for new starters and a drop in pension costs as a result of a change to the Defined Benefit scheme during 2016/17.

Staff costs associated with the capital expenditure programme increased by £2.2 million (5.5%) as a result of the ongoing capital works. These are offset by the subsequent capitalisation of these costs, which appears as part of other operating expenses. Overall, total staff costs capitalised were £41.9 million in the year ended 31 March 2018 (2017: £39.7 million).

Average full-time equivalent ("FTE") employee numbers increased from 2,871 in the prior year to 3,078 in the current year. Average operational FTE employee numbers increased from 2,420 to 2,594 during the year, and non-operational FTE employees increased from 451 to 484. The increase in operational staff was driven largely by increased security headcount due to higher passenger numbers and related screening requirements, and a drive to increase performance levels.

Depreciation and amortisation has increased £20.3 million (13.8%) due to continued capital investment in the Airport and a number of large capital projects completing during the year and at the end of 2016/17.

Maintenance and IT expenditure has increased £3.1 million (8.3%), partly as a result of more snow and ice periods through the last quarter of the year compared to the prior year, requiring a significantly increased spend on anti-icing resources, and partly through increased engineering maintenance (particularly the asset data platform improvements). IT costs were lower through a reduction in project costs.

Utilities costs increased by £1.8 million primarily through increased consumption volume, and to a lesser extent through increases to the rates charged.

Rent and rates increased by £1.2 million (1.2%) reflecting the increased number of rateable assets following their return from construction during the year.

Other operating expenses decreased by £9.9 million. Staff costs recharged to the capital expenditure programme increased by £2.2 million. Marketing costs relating to public campaigns have decreased by £4.6m. Savings were also made in logistics and air traffic control costs and there was also a reduction in Core Service Standards rebates.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

EBITDA

Reconciliation of earnings before interest, tax, depreciation and amortisation ("EBITDA") to operating profit:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Operating profit	**169.4**	135.3
Add back: exceptional items	**-**	18.4
Add back: depreciation and amortisation	**167.6**	147.3
EBITDA	**337.0**	301.0

EBITDA increased by £36.0 million in the year ended 31 March 2018, as a result of continued strong financial performance throughout all areas.

The exceptional items are detailed in note 9 of the notes to the consolidated financial statements.

Going Concern

The Company's net asset position has decreased to £371.2 million (2017: £590.6 million).

All the Company's financial covenants (see below) have been met for the year ended 31 March 2018 and are forecast to be met for the years ending 31 March 2019, 2020 and 2021.

Based on the availability of undrawn committed borrowing facilities, and as further detailed in note 1 of the financial statements, the Directors have a reasonable expectation that the Company will continue as a going concern and accordingly the financial statements have been prepared on that basis.

Dividends

On 31 August 2017 and 12 October 2017, the Directors declared and paid dividends of 50.86p per share on each date amounting to £175 million each, a total of £350.0 million during the year (2017: £75.0 million on 29 June 2016 and £50.0 million on 22 November 2016). The Directors did not recommend the payment of a final dividend (2017: £nil).

Senior RAR and Senior ICR

The maximum net indebtedness to the total regulatory asset base[1] ("Senior RAR") and minimum interest cover ratio ("Senior ICR") are the Group's financial covenants that govern the Group's ability to draw new loans under the ACF Agreement. As at 31 March 2018, the Group's Senior RAR ratio was 0.61 (2017: 0.51). The Senior ICR for the year ended 31 March 2018 was 3.59 (2017: 3.96).

1 Regulatory Asset Base is a multiple of EBITDA as defined in the CTA.

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS

The following are the key performance indicators (“KPIs”) that the Company’s Executive Management Board and Board of Directors use to monitor the performance of the Company. They are detailed throughout the Strategic Report:

- passengers and air transport movements (“ATM”);
- passengers per ATM and load factors;
- Core Service Standards (“CSS”);
- overall Quality of Service Monitor (“QSM”);
- on-time departures;
- EBITDA pre-exceptional items;
- net retail income per passenger;
- net car parking income per passenger;
- income per passenger;
- loss time injury (“LTI”) rates;
- absenteeism per employee;
- net indebtedness to total Regulatory Asset Base (“Senior RAR”); and
- interest cover ratio (“Senior ICR”).

RISK MANAGEMENT

Risk management is a central element of the Company’s strategic decisions and operations. The Company is committed to implementing appropriate strategies and processes that identify, analyse and manage the risks associated with the organisation in order to minimise the frequency and impact of undesired and unexpected events on the Company’s objectives, while enabling it to optimise its business opportunities.

The principal aim of the risk management strategy is to embed the awareness of risk at all levels of the organisation, in such a way that ensures all significant business decisions are risk-informed. Particular emphasis is given to safety and security, environmental, commercial, financial, reputational and legal risks.

A key element of the risk management process is the risk profiling methodology. This determines the threats to the achievement of business objectives and day-to-day operations in terms of likelihood and consequence at both inherent and residual level, after taking account of mitigating and controlling actions. Details are maintained in a hierarchy of risk registers used as the basis for regular reviews of risk management by the Audit and Governance Committee.

The risk management process is also aimed at defining and implementing clear accountabilities, processes and reporting formats that deliver efficient and effective management assurance to the Board of Directors to ensure statutory compliance and protect and enhance our reputation, while supporting business units to successfully manage their operations and properly embed risk management. The operation of the process and the individual registers are subject to review by the Company’s Business Assurance function, to provide independent assurance to the Audit and Governance Committee and Board of Directors that the controls put in place to mitigate risks are working effectively.

The Audit and Governance Committee was established to provide, amongst other things, independent oversight of the risk management of the Company.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

The principal corporate risks as identified by the Board of Directors are as follows:

Environment, Health and Safety

Every year Gatwick aims to better its Environment, Health and Safety (EH&S) performance and make sure it is a safe and stable place to work and travel from. The end goal is always to reduce incidents, minimise impact to the environment, ensure legal compliance and make sure EH&S complacency does not exist within the business. The 2017/18 aim was to become an even more mature EH&S business focussing our attention on the six GatwickSAFE areas - Leadership; Competence and Training; Occupational Health and Well-Being; Communications and Engagement; Environmental Stewardship; and Performance Improvement.

2017/18 saw all Senior Leaders from across the business carry out over 500 audits of airport locations to ensure the work environment is fit for purpose and to encourage the right attitudes and behaviours amongst staff.

In addition, a number of online training and eLearning packages were also developed or updated to improve staff knowledge and understanding of their environment. The new or updated packages included Construction Design Management, Airside Awareness, Environmental Awareness, and Pollution Prevention and Spillage Control.

2017/18 also saw Gatwick retain all EHS certifications including recertification to OHSAS 18001 (2007) and the successful transition to the new ISO14001 (2015) standard following surveillance audits which took place for both in April and October 2017. Both certifications demonstrate the Airport's ongoing commitment to implementing robust systems and controls for managing EH&S risks and opportunities, which are independently verified for effectiveness.

Gatwick’s commitment to the environment also continued as it once again achieved ACI L3+ carbon neutral status for its sustainability work and was awarded the Biodiversity Benchmark award for the 4th year running.

A reduction in the number of false fire alarm activations and evacuations also saw the Airport minimise the potential for disruption and incident during what was another record breaking year. The reduction in the number of false alarms allowed the Airport to focus more attention on real incidents rather than false ones and highlighted the effect strong communications can have in raising awareness and reduce incidents.

2017/18 has also seen the introduction of the SafeContractor scheme to help protect the Airport and its staff and passengers. The scheme which has replaced the Registered Contractor Scheme ensures all contractors working at Gatwick who undertake building or maintenance work have the capability to carry out the required activities, are compliant with relevant legislation and able to operate in a safe and responsible manner.

In 2018/19 Gatwick will once again look to improve its EH&S performance and build the GatwickSAFE culture amongst the Airport community. This will help to further improve Gatwick’s reputation, maintain its licence to operate and improve the value and productivity of the business. A strong focus will also be on using leading indicators to minimise incidents and drive proactive behaviours, and further investment will be put into new EH&S reporting systems to help drive continual improvement across the Airport.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Regulatory Environment, Legal and Reputational Risks

CAA Regulation

Gatwick Airport's operations are subject to regulatory review by the CAA, with the most recent interim review completed in late 2016. The risk of adverse regulatory outcomes is mitigated as far as possible by a dedicated team which ensures full compliance with formal regulatory requirements, has established a sound relationship with the CAA and advises Gatwick's management and Board of Directors on regulatory matters. Regulation is represented on Gatwick's Executive Management Board by the Chief Financial Officer.

An important part of the regulatory framework is Gatwick's continuous dialogue with the airlines that operate at the Airport. In order to mitigate the risk of adverse airline relationships, in addition to regular operational meetings with airline representative bodies on a range of operational and strategic issues, there are regular bilateral meetings between senior management at Gatwick and the major airlines operating at Gatwick. Furthermore airlines have been invited to participate at all stages of the Capital Investment Plan including steering and working groups, with Gatwick pro-actively disclosing information to these groups.

Competition Rules

The penalties for failing to comply with the 1998 Competition Act and relevant EU law are recognised as risks to be managed within the Company, given its position in certain markets. Clear policy direction, which includes compulsory awareness training and close support from the internal legal department, is in place to mitigate this risk.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Regulatory Environment, Legal and Reputational Risks (continued)

UK Aviation Strategy

With increasing demand for air travel, securing planning permissions for new infrastructure is key to ensure Gatwick can meet such demand. Gatwick's active participation in Government policy consultations, extensive consultation with community groups and authorities at a local level is a key enabler to ensure Gatwick receives the permissions it requires to continue to meet its ambition to grow. This ambition is further supported by a Section 106 agreement which was renewed during the course of 2015.

Currently, the Aviation Policy Framework (2013) sets out the Government's policy to allow the aviation sector to continue to make a significant contribution to economic growth across the country, as well as setting out Government policy on important issues such as noise and climate change. It emphasises the need for airport operators to invest in delivering new capacity as well as maximising the use of existing capacity.

Alongside the Aviation Policy Framework, an Airports Commission was established by Government to identify the scale and timing of any requirement for additional runway capacity. The Commission recommended the Heathrow North West scheme to Government, subject to a number of conditions. The Commission also confirmed that Gatwick was a "credible, deliverable and financeable option". Following a period of further review and analysis by the Department for Transport, the Government announced in October 2016 that it would accept the recommendation of the Airports Commission in favour of the Heathrow North West Runway scheme.

A Draft Airports National Policy Statement ("NPS") was published on 2 February 2017, for consultation running through to 25 May 2017. The draft NPS sets out the Government's policy on the need for new airport capacity in the South East of England, its preferred location and scheme for delivering this capacity (the Heathrow North West Runway option), and the assessment principles to be used when considering an application for development consent. Gatwick submitted a full response to this consultation outlining its position for consideration by Government. In September 2017, the Secretary of State announced the need to undertake a further consultation to allow updated evidence in relation to aviation demand forecasts and the Government's final air quality plan to be taken into account. Accordingly, on 24 October 2017 a revised draft NPS was published for consultation running through to 19 December 2017.

The Revised Draft NPS demonstrates the need for additional airport capacity in the South East of England is greater and even more urgent than ever. This is largely due to faster than expected UK traffic growth and the need to maintain and improve global connectivity including exploiting new opportunities in a post-Brexit world. Gatwick considers that the Revised Draft NPS shows clearly that a second runway at Gatwick is the best option on all the major assessment criteria used by the DfT, including on Economic Benefit and Environmental Impacts. Gatwick continues to offer the Government a deliverable, phaseable and privately funded solution in the form of a second runway which could be progressed in addition to a third runway at Heathrow. This would allow the Government to mitigate the high risks associated with expansion at Heathrow as well as ensuring that traffic demand is met in a timely manner and the advantages of airport competition are secured. Should the Government consider only one new runway is needed in the South East, then Gatwick maintains that any decision on runway capacity should be based on an objectively based analysis of the evidence which would clearly identify the advantages of the Gatwick scheme.

Following the further period of consultation, on 5 June 2018 the Government published a final version of the NPS. This NPS will be debated in Parliament prior to formal designation – which is expected to take place before the summer recess. Within 6 weeks of designation, the NPS can be subject to judicial review.

In addition, also on 5th June 2018 the Government announced its policy support for all airports beyond Heathrow making best use of their existing runways. Proposals will be considered on a case by case basis, taking careful account of all relevant considerations, particularly economic and environmental impacts and proposed mitigations.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Regulatory Environment, Legal and Reputational Risks (continued)

UK Aviation Strategy (continued)

In addition to work on the NPS, the Government published for consultation a call for evidence in relation to a new Aviation Strategy. The Aviation Strategy has six objectives:

- Help the aviation industry work for its customers
- Ensure a safe and secure way to travel
- Build a global and connected Britain
- Encourage competitive markets
- Support growth while tackling environmental impacts
- Develop innovation, technology and skills

On 7 April 2017 the Government responded to the call for evidence on seeking views on the proposed approach for developing new aviation strategy for the UK. They issued a 'next steps' document outlining its plans to make the country's aviation sector world-leading in prioritising passengers, fostering sustainable growth and promoting trade.

The 'next steps' document makes clear the government's commitment to ensuring the aviation sector continues to grow.

During 2018, the Government will engage with industry on the proposals being outlined in the 'next steps' document prior to the formal consultation in the autumn, with the final strategy due for publication in early 2019. This will then replace the Aviation Policy Framework (2013) and will include consideration of airport development requirements at all UK airports including Gatwick.

Gatwick will be fully engaging in both the NPS further consultation and all other Government consultations in support of a new Aviation Strategy.

The current Section 106 legal agreement with the Local Planning Authorities expires at the end of 2018 and Gatwick will be engaging with these authorities during 2018 with a view to agreeing a new version of this agreement.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Regulatory Environment, Legal and Reputational Risks (continued)

Noise Management

Compliance against published noise mitigation regulations is managed through the Flight Performance Team which reports to the Director of Corporate Affairs, Planning and Sustainability. Gatwick has continued to evolve its complaints handling and noise data provision through an online NoiseLab tool; enhancements include a complaint mapping tool tab, optimisation to allow access to the system via mobile devices and the availability of live flight data. The Gatwick annual public airspace open meeting highlighted progress made on a wide range of issues. A new cross-industry format allowed community members to discuss noise issues first hand with a range of industry experts.

Building upon the Independent Review of Arrivals in 2015, Gatwick established a cross-stakeholder Noise Management Board (NMB) under an independent Chair to develop, agree, oversee and maintain a co-ordinated noise management vision and strategy. The NMB manages a dynamic work plan comprising a number of projects which are developed in accordance with priorities agreed with community members. The programme has evolved from the implementation of the recommendations of the Independent Review of Arrivals to include arrivals and departures noise issues. The NMB and its Work Plan form the basis of Gatwick's ongoing strategy to reduce and mitigate the impact of noise from both arrivals and departures.

Notable projects developed and delivered through the NMB include: the introduction of a supplementary charge, which took effect on 1st January 2018, for the family of A320 aircraft to incentivise the uptake of a modification which reduces arrivals noise by up to 9dB; and the establishment of a UK cross-industry project to develop a low noise metric that complements the existing benefits generated by Continuous Descent Approach and provides a new benchmark for continuous noise improvement that can be employed across the UK.

Under the Environmental Noise (England) Regulations 2006, Gatwick Airport Limited is required to produce a Noise Action Plan, designed to manage noise issues and effects arising from aircraft departing from and arriving at the airport. Gatwick is consulting on the next iteration of the Environmental Noise Directive Noise Action Plan for the period 2019-2024. The Plan is aligned with the S106 Legal Agreement with West Sussex County Council and Crawley Borough Council, the Noise Management Board Work Plan and the Decade of Change Sustainability Strategy.

Capital Projects

The Company recognises that failure to control key capital project costs and delivery could damage its financial standing and reputation. The Company mitigates this risk through adherence to a rigorous project process, and by systems of project reviews before approval, during construction and after project completion.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Regulatory Environment, Legal and Reputational Risks (continued)

Changes in Demand

The risk of unanticipated long term changes in passenger demand for air travel could lead to misaligned operational capacity within the Airport. Since it is not possible to predict the nature or timing of such changes, Gatwick carries out evaluations through a series of scenario planning exercises.

Under the Contracts and Commitments framework which has been in place since 1 April 2014, Gatwick carries the financial risk associated with a reduction in passenger volumes but certain mechanisms are available to Gatwick to mitigate and manage risk. As described already, the framework requires Gatwick to limit its maximum average revenue yield over the seven year Commitments term. However Gatwick has the ability to alter prices by up to RPI+10.0% in any year and by more than RPI+10.0% in the final year of the Commitments term, subject to compliance with other terms of the Price Commitment. Protections are also offered by the structure of airline discounts under bilateral contracts which are defined, in part, by committed passenger volumes. In addition, there remains flexibility in the capital programme to reduce expenditure commensurate with a reduction in demand.

Industrial Relations

Industrial action by key groups of employees that affects critical services or curtails operations could have potentially adverse financial and/or reputational impacts on the Airport. Gatwick recognises three trade unions – Unite, Prospect, and PCS.

Gatwick has a range of formal consultative bodies that discuss pay, conditions of employment, and business issues with the recognised trade unions. Increasing emphasis has been placed on resolving issues at a departmental level thereby avoiding escalation. The Gatwick Joint Committee, the top-level consultative forum in the Airport, puts more focus on business strategy and performance. There are formal agreements designed to resolve disputes.

Industrial relations continued to be more challenging throughout 2017/18, with increased trade union activity both nationally and more locally within the Airport across other employers. There was an increased number of trade disputes issued during pay negotiations. During the year Gatwick also commenced negotiations to secure a two year pay deal with prolonged talks with the trade unions. During negotiations, Unite claimed a trade dispute and twice issued notice of a strike ballot, withdrawn following intense efforts by Gatwick and ACAS to reach a negotiated settlement. The results of a second consultative ballot is awaited. Further focus to maintain strong relationships with the full time union officials, and building solid working relationships with representatives will be prioritised in the months ahead under the collective agreement and its principles, which is crucial to preserving good industrial relations at Gatwick.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Financial Risk Management

Gatwick Airport Limited, its parent entity Ivy Holdco Limited, Gatwick Funding Limited, Ivy Bidco Limited and its subsidiary Gatwick Airport Pension Trustees Limited are collectively referred to in this Annual Report and the financial statements as "the Ivy Holdco Group" or "the Group". The Company's financial risk management objectives are aligned with the Ivy Holdco Group. The Ivy Holdco Group is the level at which financial risks for the Company are managed. The Ivy Holdco Group's principal financial instruments comprise external borrowings and derivatives. The treasury policies of the Ivy Holdco Group are set out below.

The Board of Directors approves prudent treasury policies for the Ivy Holdco Group and delegates certain responsibilities to senior management who directly control day-to-day treasury operations. The treasury function is not permitted to speculate in financial instruments. Its purpose is to identify, mitigate and hedge treasury related financial risks inherent in the Ivy Holdco Group's business operations and funding. To achieve this, the Ivy Holdco Group enters into interest rate and index-linked swaps to protect against interest rate and inflation risks.

The primary treasury related financial risks faced by the Ivy Holdco Group are:

(a) Cash Flow Interest Rate Risk

The Group maintains a mix of fixed and floating rate debt. As at 31 March 2018, fixed rate debt after hedging with derivatives represented 100.8% (2017: 99.6%) of the Group's total external nominal debt.

The Group mitigates the risk of mismatch between aeronautical income, which is directly linked to changes in the retail price index, and interest payments, by the use of inflation linked derivatives.

(b) Funding and Liquidity Risk

The Group has established a multicurrency programme for the issuance of bond debt in addition to bank debt and a liquidity facility. To ensure continuity of funding and flexibility, debt maturities are spread over a range of dates, thereby ensuring that the Group is not exposed to excessive refinancing risk in any one year.

The Group has positive cash flows before capital expenditure. The Group had net cash flows from operations of £363.6 million for the year ended 31 March 2018 (2017: £383.1 million). As at 31 March 2018, cash at bank was £17.5 million (2017: £3.0 million), undrawn headroom under bank revolving facilities was £280.0 million (2017: £253.0 million) and undrawn headroom under the liquidity facility was £100.0 million (2017: £100.0 million).

Covenants under the financing arrangements are monitored and forecast on an ongoing basis with formal testing reported to the Board of Directors, Audit Committee and Executive Management Board, along with all investors. The Group continues to comply with all borrowing obligations and financial covenants, and forecasts to do so for at least the next three years from the Statement of Financial Position date.

(c) Credit Risk

The Group's exposure to credit-related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

CORPORATE SOCIAL RESPONSIBILITY

Sustainability Management

Gatwick develops strategies, policies and targets that pave the way for sustainable growth.

The Airport's sustainability approach is built into its governance framework and is led by the Executive Management Board. Gatwick's aim is to: ensure that the right systems are in place to set strategy and policies; determine and deliver appropriate plans; and to manage the business safely and responsibly.

The Airport works closely with its local authorities, having signed a Section 106 ("S106") legal agreement with the West Sussex County Council and Crawley Borough Council in December 2008. In December 2015, the legal agreement was extended until the end of 2018. Gatwick is presently discussing a further three year extension with the local authorities. The legal agreement provides the framework for Gatwick's approach on social, environmental and economic matters. It defines how Gatwick's operation, growth and environmental impacts will be managed and ensures the Airport's wider sustainability strategy is aligned with key local authority partners. It is considered good practice in the UK by external stakeholders. The agreement underpins the important relationship between Gatwick and its local authorities who have responsibilities for planning, environmental management and highways. Performance against the legal agreement is communicated through the Sustainability Performance Review and to Gatwick's Consultative Committee ("GATCOM").

Gatwick continues to build and maintain strong relationships with stakeholders including the Government, airlines, business partners, passengers and employees. Working closely with these stakeholders ensures that the Airport can influence and shape future policy and decisions that may affect Gatwick and the aviation industry, and also to identify joint working opportunities to promote best practice.

Decade of Change Progress

In 2010 Gatwick published its Decade of Change sustainability strategy. This outlined the following sustainability priorities:

- to enable Gatwick to be the airport of choice for our passengers and customers;
- to ensure the safety and security of our passengers, partners and employees;
- to generate national and regional economic wealth, connectivity, increased airport catchment and employment;
- to reduce adverse impacts to the environment;
- to build and maintain constructive relationships with stakeholders; and
- to recognise the value of our employees, partners and communities.

Eight years on from launching the strategy Gatwick continues to work collaboratively with its partners, and is on track to meet the 2020 objectives. Gatwick has made significant progress on all areas of focus, and continues to reduce the Airport's environmental impact, including:

- Reducing Airport energy consumption by 12%, and Airport water consumption by 25%, since 2010;
- Reusing or recycling 58% of Airport operational and commercial waste, and becoming the first airport to process aircraft waste onsite into renewable energy;
- Reducing carbon emissions under Gatwick's direct control (energy and ground fuels) by 50% since 2010, and retaining Airport Carbon Accreditation at Level 3+ ("Neutral") through these reduction efforts, ongoing purchase of renewable electricity for the Airport, and offsetting residual Gatwick emissions through verified carbon credits; and
- Retained The Wildlife Trusts' Biodiversity Benchmark for the fourth consecutive year.

This progress is detailed in Gatwick's Annual Sustainability Report published on Gatwick's website.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

CORPORATE SOCIAL RESPONSIBILITY (continued)

Modern Slavery Act 2015

Gatwick has a zero tolerance policy towards modern slavery and human trafficking, and is committed to ensuring that there is no modern slavery or human trafficking in the supply chains or in any part of the business, and to doing what can be done to prevent the Airport from being used by human traffickers.

There are three broad areas to which Gatwick has regard:

- supply chain – Gatwick has in the region of 750 suppliers; to ensure all those in the supply chain and contractors comply with Gatwick's values and ethics and Gatwick is working towards establishing a supply chain compliance programme.

- business partners – Gatwick aims to ensure that business partners, not just suppliers, comply with its values and ethics.

- use of the Airport - Gatwick works with the police and other agencies to assist them in detecting and disrupting human trafficking which might be taking place at Gatwick. In addition, security officers are being trained to recognise and assist those who might be vulnerable.

Gatwick's Slavery and Human Trafficking Statement may be found on Gatwick's website.

STRATEGIC REPORT (continued)

DEVELOPING OUR PEOPLE

Review of the Year

The Human Resources team continues to play a highly proactive role, both within the Gatwick workforce and across the airport campus, supporting employers to maintain strong industrial relations and sustain resourcing requirements all year round.

The Gatwick team continued its work with the ground handling companies (with direct support in attracting, selecting and referencing to help meet their recruitment requirements for the busy summer months) and widened its impact by introducing a new jobs portal where any job across all employers can be posted and applied for. This site was launched to coincide with the largest Gatwick jobs fair ever staged in Crawley, with 44 Gatwick employers, including all eight ground handlers, food and beverage, hospitality, service and maintenance, airlines and retailers. 2,000 prospective employees attended with a strong number of applications and hire conversions as a result.

The Gatwick workforce increased during the year, averaging 3,231 permanent heads with recruitment activity picking up accordingly. 460 employees left the organisation (360 permanent) compared to 216 permanent employees leaving the previous year. The increase was due in part to a special severance programme under which 142 employees left as part of an option resulting from the Defined Benefit Pension consultation and reform. The underlying annual attrition rate remains at 6.5% compared to the UK average of 15%.

The Gatwick Airport Limited brand is strong in the market place, with the business being an attractive choice for candidates as evidenced by both recent searches for more senior level roles and a strong pipeline of security officers. Over the last 12 months the Gatwick team has continued to focus on hiring talent into the business with a particular focus on Construction and Information Technology. The Gatwick recruitment team has strengthened its in-house capability, which was borne out by the specialist roles hired and the fact that recruitment agency fees are now 25% of those two years ago. Two new IT senior leaders have been hired in Chief Cyber Security and Strategy and Architecture roles. Elsewhere, other new hires included a Head of Airport Security and Head of Human Resources.

The business continues to grow internal talent aided by the roll out of succession planning and potential review planning across all leader grades and the third cohort of the Gatwick Leadership Programme for existing and aspiring senior leaders. Over the year, promotions to senior leader level include the Head of Vendor Management & IT Programme Management, Head of Terminal Operations, Head of Baggage Operations and Head of Passenger Security. Moves include the previous Head of Terminals moving to the Head of Stable operations.

The Executive team remains stable with a new hire (Director of EHS) and two promotions from the senior leader grade, namely the roles of Development Director and Business Improvement Director.

The Gatwick training team is well established and a key contributor to the strong performance of Security compliance and service standards. The training team has delivered high quality training with a focus on raising the level of technical knowledge across the business to support improved efficiency. The entire syllabus including a new City and Guilds qualification (ASO training) has been introduced by the CAA and piloted at Gatwick. Further to our recent external quality assurance visit, the training department under the pilot scheme of the new Quality Assurance Framework has been awarded an outstanding rating.

During the year Gatwick commenced negotiations to secure a two year pay deal (effective 1 October 2017), with prolonged talks with the trade unions. The company’s proposal has been accepted by Prospect and PCS unions, but the results of a second consultative ballot by the Unite union is awaited.

STRATEGIC REPORT (continued)

DEVELOPING OUR PEOPLE (continued)

Pension Consultation

During the year ended 31 March 2018 Gatwick delivered the reform arising from consultation in the previous year. After the February 2018 transfer window, a further nine members opted to join the Defined Contribution Plan leaving 46 Defined Benefit Plan members in the Revised Defined Benefit Plan (1,200 as at January 2017). February 2019 will be the final time at which remaining members of the Revised Defined Benefit Plan have to transfer into the Defined Contribution Plan with the option of preferential, historic contribution rates. The demographic of remaining members show an average age of 46 years and average length of service of 15 years.

Attendance Management

To help improve attendance, Gatwick has introduced a new more efficient approach, which will help us support productivity and employee health and wellbeing. It will also ensure we have a consistent, fair and effective process for logging attendance right across the Airport. This service gives our employees access to immediate and on-going confidential medical advice for sickness or unplanned, non-medical absence (such as care of a dependant) from qualified nurses.

Gender Pay

Companies with over 250 employees need to report their Gender Pay Gap information via a Government Portal by April 2018, based on April 2017 data. Going forward there is a requirement to report annually.

There has been widespread coverage in the media about pay generally over the last 12 months, with the distinction between Gender Pay Gap versus Equal Pay not always clear. The mean hourly gender pay gap is the difference between the average pay of all of the men versus the average pay of all of the women employed in the company. Equal Pay is the comparison of pay between men and women who do the same job.

“Pay” includes basic pay, paid leave, maternity pay, sick pay, shift pay, bonus and other pay including car/fuel allowances, on call and responsibility allowances.

Gatwick’s mean, or average, gender pay gap of 13.3% is lower than the UK average of 17.4%.

The main reason for the gender pay gap at Gatwick is a demographic one, common across the aviation industry. Gatwick has significantly more men than women in the Construction, Engineering and, IT departments as well as in Senior Managerial roles, and these are all areas which tend to be more highly paid. Gatwick has hired and promoted two new female Executive members over the last 12 months.

In early 2018, Gatwick held its first event to mark International Women’s Day. Almost 100 women and men from across the business came together to discuss topics around what it’s like to be a woman working at Gatwick. Employees openly and honestly discussed a range of topics related to women at work. The group created an action plan focussing on Female Careers at Gatwick specifically in STEM subjects and Diversity practices.

On behalf of the Board

Stewart Wingate
Chief Executive Officer
20 June 2017

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 March 2018.

OWNERSHIP

The Company is a wholly-owned subsidiary of Ivy Holdco Limited, a United Kingdom ("UK") incorporated company, and is ultimately owned by a consortium through a number of UK and overseas holding companies and limited liability partnerships.

Gatwick Airport Limited owns 100% of the share capital of Gatwick Funding Limited, a company incorporated in Jersey but resident in the UK for tax purposes. The primary purpose of Gatwick Funding Limited is to raise external funding and provide it to Gatwick Airport Limited and Ivy Holdco Limited. This is done through the issuance of external bonds and the use of external interest rate and index-linked derivatives, the terms of which are then replicated in a "back-to-back" agreement with Gatwick Airport Limited and Ivy Holdco Limited.

On 31 March 2015 Ivy Midco Limited (the Company's ultimate parent in the UK), sold 100% of the issued share capital of Ivy Bidco Limited to Ivy Holdco Limited. Following this transaction, Gatwick Airport Limited acquired 100% of the issued share capital of Ivy Bidco Limited from Ivy Holdco Limited (refer to note 20).

Gatwick Airport Limited, its parent entity Ivy Holdco Limited, Gatwick Funding Limited, Ivy Bidco Limited and its subsidiary Gatwick Airport Pension Trustees Limited are collectively referred to in this Directors' Report and the financial statements as "the Ivy Holdco Group" or "the Group".

The consortium that ultimately owns the Company currently comprises the following parties:

Global Infrastructure Partners, LP ("GIP 1")[1]	41.95%
The Abu Dhabi Investment Authority ("ADIA")[2]	15.90%
The California Public Employees' Retirement System ("CalPERS")[3]	12.78%
National Pension Service of Korea ("NPS")[4]	12.14%
Future Fund Board of Guardians ("Future Fund")[5]	17.23%

[1] Global Infrastructure Partners, LP ("GIP 1") is a US$5.64 billion independent, specialist infrastructure fund that invests worldwide in infrastructure assets and businesses in both OECD and select emerging market countries. GIP 1 was founded in 2006 by former senior executives from Credit Suisse and the General Electric Company. GIP 1 targets investments in power and utilities, natural resources infrastructure, air transport infrastructure, seaports, freight railroad, water distribution and treatment, and waste management. Global Infrastructure Management, LLC, the manager of GIP 1, has offices in New York and London with an affiliate in Sydney and portfolio operations headquarters in Stamford, Connecticut.

[2] Since 1976, the Abu Dhabi Investment Authority ("ADIA") has been prudently investing funds on behalf of the Government of Abu Dhabi, with a focus on long-term value creation. ADIA manages a global investment portfolio that is diversified across more than two-dozen asset classes and sub-categories.

[3] The California Public Employees' Retirement System ("CalPERS") manages retirement benefits for more than 1.9 million public employees, retirees, and their families and more than 3,000 employers in the state of California, United States of America. CalPERS also manages health benefits for nearly 1.4 million members. The CalPERS fund invests in a range of asset classes, with a market value of approximately US$349 billion at 31 March 2018.

[4] National Pension Service of Korea ("NPS") is a public pension fund for the general public in Korea with assets of KRW 621 trillion (c.US$580 billion), and is the third largest pension fund in the world.

[5] The Future Fund is Australia's sovereign wealth fund, investing for the benefit of future generations of Australians. The Future Fund was established in 2006 to strengthen the Australian Government's long-term financial position. On its initial capital contributions of A$60.5 billion, the Fund has grown to A$138.9 billion as at 31 December 2017, reflecting a return of 8.1% per annum over the last ten years. The organisation also manages over A$25 billion in four other public asset funds.

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS

The Company has two executive and ten non-executive directors. The following non-executive directors oversee the Company on behalf of the consortium:

- Andrew Gillespie-Smith;
- John McCarthy;
- Michael McGhee;
- William Woodburn;
- Wendy Norris (resigned 12 April 2018)

The Company's Board of Directors who served during the year and up to the date of approval of these financial statements, except where otherwise stated, were as follows:

Sir David Higgins (Non-executive Chairman)
Sir David Higgins was appointed non-executive Chairman in January 2017. Sir David has been non-executive Chairman of High Speed 2 since March 2014 and has made strong progress in establishing an organisation capable of commencing construction in 2017. As Chief Executive of Network Rail, Sir David initiated a major reform programme focussing on transparency, value for money and accountability. Sir David also served as Chief Executive of the organisation responsible for the delivery of the London 2012 Olympic Games, the Olympic Delivery Authority, establishing the organisation and negotiating the overall budget with HM Treasury, and led the commercial negotiations for Stratford City, London & Continental Railways, and Westfield. He is a current Director of the Commonwealth Bank of Australia. Sir David holds a degree in Engineering from Sydney University and a Diploma from the Securities Institute. He is also a Fellow of both the Royal Academy of Engineering and the Institute of Civil Engineers.

Sir Roy McNulty (Non-executive Deputy Chairman)
Sir Roy McNulty became Deputy Chairman of Gatwick Airport Limited on 1 January 2017, having first joined the Board in April 2011 as a Non-executive Director, and been Chairman from 2013 to 2016. Sir Roy was previously Chairman of the Civil Aviation Authority, the UK's specialist aviation regulator, a post he held for eight years. Prior to this he was Executive Chairman of National Air Traffic Services Limited ("NATS") from May 1999 to July 2001. Sir Roy was appointed by the then Secretary of State for Transport in February 2010 as Chairman to lead a special Rail Value for Money Study which reported in May 2011. Other previous posts include being Chief Executive and latterly Chairman of Short Brothers plc, the Belfast-based aerospace company now part of Bombardier Inc., President of the Society of British Aerospace Companies, Chairman of the former Department of Trade and Industry Aviation Committee, Deputy Chairman of the Olympic Delivery Authority, Chairman of the Ilex Urban Regeneration Company in Northern Ireland and Chairman of Norbrook Laboratories Limited.

Stewart Wingate (Chief Executive Officer)
Stewart has served as the Chief Executive Officer (CEO) since 2009. Stewart was with BAA from 2004 until September 2009, first as Customer Services Director of Glasgow Airport, then as Chief Executive Officer of Budapest Airport and then as Managing Director of Stansted Airport. He is a Chartered Engineer and a Fellow of the Institute of Engineering and Technology. Stewart has a Masters in Business Administration with distinction and a first-class honours degree in Electrical and Electronic Engineering.

Nicholas Dunn (Chief Financial Officer)
Nick was appointed Chief Financial Officer (CFO) in April 2010. Nick joined from Anglo American plc where he was General Manager, Corporate Finance. Prior to that, he worked for six years with Centrica plc in a number of senior finance roles including as Director of Group M&A, Finance Director for Centrica Energy and Finance Director for British Gas Business. Nick has more than ten years' experience in investment banking, with the majority of this time specialising in the transportation and energy sectors. He has advised governments and private investors on the financing of airports and air traffic control and has managed airport acquisition, IPO and financing transactions in the UK and internationally. Nick holds a BEng (1st Class Honours) in Electronic Engineering from the University of Southampton.

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS (continued)

Wendy Norris (Non-executive Director, Future Fund representative)
Wendy Norris joined the Future Fund in April 2010 and is the Head of Infrastructure and Timberland. Wendy is responsible for managing and establishing the strategy for the infrastructure and timberland portfolios. Prior to this role, Wendy was a Director of Infrastructure and Timberland. Wendy was previously an Investment Director with Hastings Funds Management where she was responsible for managing infrastructure investments and leading transactions in Australia, the UK and the US. Wendy holds an Applied Science degree from the University of New South Wales and a graduate management diploma from the Australian Graduate School of Management.

Andrew Gillespie-Smith (Non-executive Director, GIP representative)
Andrew is a partner at Global Infrastructure Partners ("GIP") and is based in London. Andrew focusses on the transport sector at GIP and led the M&A team for GIP in acquiring Gatwick Airport, Edinburgh Airport, Terminal Investments Limited and Nuovo Trasporto Viaggiatori spa. Prior to joining GIP, Andrew was a Managing Director of the Investment Banking Department of Credit Suisse, where he worked in both the M&A and global transport groups, and qualified as a corporate lawyer at the London-based law firm Herbert Smith.

James van Hoften (Non-executive Director)
James is a former senior vice president and partner of the Bechtel Corporation. He was Managing Director of the global airport design and construction business and was responsible for airport developments in the Middle East, Japan, and North and South America. In the early 1990s, he was the programme manager of the US$23 billion Hong Kong Airport Core Programme including the new Hong Kong Airport. Previously, James spent eight years as a NASA astronaut including two flights on the space shuttle and four space walks. James is also on the Board of Trustees of the University of California, Berkeley.

Andrew Jurenko (Non-executive Director)
Andrew advised the consortium on the Gatwick acquisition. He was previously employed by BAA plc and was a member of BAA plc's executive committee, as Managing Director of BAA International, where he led the acquisition of Budapest Airport. Andrew's international experience also includes serving as CEO of Australia Pacific Airports Corporation Limited ("APAC"), as interim CEO of Melbourne Airport following its successful acquisition and as Managing Director of BAA Pacific Ltd in Hong Kong. In the UK, Andrew, was also Managing Director of BAA's World Duty Free direct retailing arm, co-Chairman of BAA's non-airport retail joint venture, McArthur Glen, and Managing Director and then Chairman of the commercial property company, BAA Lynton. He is also a non-executive director of Bloc Hotels Group Limited.

Michael McGhee (Non-executive Director, GIP representative)
Michael is a transport partner of GIP and is based in London. He was a Managing Director of the Investment Banking Department of Credit Suisse and Head of the Global Transportation and Logistics Group since 1998. Previously he was head of BZW's Global Transportation Group, since founding it in July 1990, and has advised governments on several privatisations in the transport sector globally.

David McMillan (Non-executive Director)
David McMillan has had a long career in the transport sector, with a focus on aviation. He is currently Chair of the Air Traffic management Policy Institute. Previously he has held a number of key positions including Chair of the global Flight Safety Foundation and Director General of Eurocontrol, which coordinates air traffic across 40 European states. Before that he was UK Director General of Civil Aviation and spoke for Europe on environmental issues at ICAO. Earlier in his career, David led for the Government on the establishment of both the NATS PPP and of Network Rail; and was Secretary to the RUCATSE report on airport capacity in South East England. David started his career in the Diplomatic Service and is a fellow of both the Chartered Institute of Transport and the Royal Aeronautical Society.

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS (continued)

William Woodburn (Non-executive Director, GIP representative)
Bill Woodburn is a Founding Partner. He chairs the Portfolio Management Committee and is a member of the Investment, Operating and Valuation Committees. He oversees GIP's Operating Team and is based in Stamford, Connecticut. Prior to the formation of GIP in 2006, Mr. Woodburn spent 23 years at GE, where he most recently served as President and CEO of GE Infrastructure. During his tenure at GE, he oversaw several key acquisitions including those that led to the GE entry and expansion in the water technology business. Mr. Woodburn previously served as Executive Vice President and as a member of the four person Office of the CEO at GE Capital. He served on the GE Capital Board for 2000 and 2001.

Mr. Woodburn holds M.S. and B.S. degrees in Engineering from Northwestern University and the U.S. Merchant Marine Academy. He is a member of the Boards of Directors of London Gatwick Airport, Competitive Power Ventures, Hess Infrastructure Partners and Gas Natural.

John McCarthy (Non-executive Director, ADIA representative)
John McCarthy is Global Head of Infrastructure at Abu Dhabi Investment Authority. He is responsible for developing and implementing investment strategy for the infrastructure division and for overseeing all day-to-day activities within the infrastructure team. This includes managing ADIA's existing investment portfolio, as well as new transactions.

With over 20 years' experience in this sector, John joined ADIA from Deutsche Bank where he was Managing Director and Global Head of Infrastructure. Prior to that he worked at ABN AMRO and BZW in Australia. He holds a post graduate degree in Finance and a BA in Economics from Monash University, Melbourne.

BOARD COMMITTEES

There are four sub-committees of the Board of Directors: an Audit and Governance Committee, a Capital Investment Board Sub-Committee, Environment Health and Safety and Operational Resilience Committee, and a Nomination and Remuneration Committee.

The Audit and Governance Committee (Chairman, Andrew Gillespie-Smith) is responsible for the independent oversight of corporate governance, the system of internal control, risk management and the financial reporting processes of the Company.

The Capital Investment Board Sub-Committee (Chairman, Andrew Gillespie-Smith) is primarily responsible for discharging the Board's duties in relation to capital investment. In particular, it is responsible for the approval of any project over £10.0 million and the annual Capital Investment Plan.

The Environment Health and Safety and Operational Resilience Committee (Chairman, David McMillan) is responsible for reviewing the Group's strategy with respect to health and safety, operational resilience and business continuity. The Committee monitors the Company's performance against targets and drives management commitment and accountability with respect to managing risks.

The Nomination and Remuneration Committee (Chairman, Michael McGhee) is responsible for overseeing Board and Senior Management appointments, remuneration and succession planning.

These committees meet at least twice per annum.

DIRECTORS' REPORT (continued)

EXECUTIVE MANAGEMENT BOARD

The Company also has an Executive Management Board which includes the Chief Executive Officer, the Chief Financial Officer and other members of senior management. The Executive Management Board meets monthly and is responsible for the day-to-day management of the Company. In particular, the Executive Management Board has collective responsibility for assisting the Board of Directors in the performance of their duties for the Company including:

- the development and implementation of strategy, operational plans and budgets;
- the achievement of business plans and targets;
- the assessment and control of risk;
- ensuring compliance with legal and regulatory requirements; and
- the development and implementation of the Company's ethics and business standards and health, safety, security and environmental policies and procedures.

DIVIDENDS

On 31 August 2017 and 12 October 2017, the Directors declared and paid dividends of 50.86p per share on each date amounting to £175 million each, a total of £350.0 million during the year (2017: £75.0 million on 29 June 2016 and £50.0 million on 22 November 2016). The Directors did not recommend the payment of a final dividend (2017: £nil).

DIRECTORS' INDEMNITY

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, but without prejudice to any indemnity to which the person concerned might otherwise be entitled, every Director of the Company shall be indemnified out of the assets of the Company against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

DISCLOSURE OF INFORMATION TO AUDITOR

So far as the Directors who held office at the date of approval of this Directors' Report are aware, there is no relevant audit information of which the auditor is unaware and each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

INDEPENDENT AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

Stewart Wingate
Chief Executive Officer
20 June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATWICK AIRPORT LIMITED

Opinion

We have audited the financial statements of Gatwick Airport Limited ("the company") for the year ended 31 March 2018 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Cash Flow Statement, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATWICK AIRPORT LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 39, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road, Crawley
West Sussex, RH11 9PT
20 June 2018

INCOME STATEMENT
For the year ended 31 March 2018

	Note	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m
Revenue	5	**764.2**	725.0
Other operating income	6	**-**	5.0
Operating costs	7	**(594.8)**	(594.7)
Operating profit		**169.4**	135.3
Analysed as:			
Operating profit before exceptional items		**169.4**	153.7
Operating costs - exceptional	9	**-**	(18.4)
Investment property revaluation	18	**19.3**	(2.1)
Loss on disposal of fixed assets	10	**(8.8)**	(1.6)
Financing			
Dividend income	15	**60.0**	100.0
Fair value gain/(loss) on derivative financial instruments	11	**4.3**	(56.6)
Finance income	12	**20.6**	20.8
Finance costs	13	**(116.6)**	(107.9)
Profit before tax		**148.2**	87.9
Income tax (charge)/credit	14	**(15.8)**	9.5
Profit for the year		**132.4**	97.4

The notes on pages 46 to 85 form an integral part of these financial statements.
All income and expenses recognised during the current and prior year are from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2018

	Note	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m
Profit for the year		**132.4**	97.4
Other comprehensive income			
Items that will not be reclassified to the consolidated income statement			
Actuarial loss on retirement benefit obligations	28	**(2.8)**	(22.2)
Tax credit	26	**0.5**	3.8
Other comprehensive loss for the year		**(2.3)**	(18.4)
Total comprehensive income for the year		**130.1**	79.0

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2018

	Note	**Share capital £m**	**Retained earnings £m**	**Total £m**
Balance at 1 April 2016		344.1	292.0	636.1
Profit for the year		-	97.4	97.4
Other comprehensive income		-	(18.4)	(18.4)
Share based payments	16	-	0.5	0.5
Dividends	15	-	(125.0)	(125.0)
Balance at 31 March 2017		344.1	246.5	590.6
Profit for the year		-	132.4	132.4
Other comprehensive income		-	(2.3)	(2.3)
Share based payments	16	-	0.5	0.5
Dividends	15	-	(350.0)	(350.0)
Share capital reduction	30	(340.0)	340.0	-
Balance at 31 March 2018		**4.1**	**367.1**	**371.2**

The notes on pages 46 to 85 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION **As at 31 March 2018**	Note	**31 March 2018** **£m**	31 March 2017 £m
Assets			
Non-current assets			
Property, plant and equipment	17	**2,294.2**	2,247.2
Investment properties	18	**97.0**	71.8
Intangible assets	19	**10.3**	9.8
Investment in subsidiaries	20	**690.4**	690.4
Finance lease receivables	24	**16.9**	16.9
Other non-current assets	25	**12.0**	10.6
		3,120.8	3,046.7
Current assets			
Inventories		**4.6**	4.5
Trade and other receivables	21	**43.5**	36.4
Cash and cash equivalents	22	**16.6**	3.0
		64.7	43.9
Total assets		**3,185.5**	3,090.6
Liabilities			
Non-current liabilities			
Borrowings	27	**(2,187.2)**	(1,867.8)
Derivative financial liabilities	23	**(208.1)**	(212.4)
Finance lease liabilities	24	**(47.1)**	(45.2)
Deferred tax	26	**(168.6)**	(161.9)
Retirement benefit obligations	28	**(37.9)**	(44.8)
		(2,648.9)	(2,332.1)
Current liabilities			
Finance lease liabilities	24	**(0.8)**	(0.4)
Trade and other payables	29	**(143.0)**	(146.7)
Current tax liabilities		**(7.5)**	(7.8)
Deferred income		**(14.1)**	(13.0)
		(165.4)	(167.9)
Total liabilities		**(2,814.3)**	(2,500.0)
Net assets		**371.2**	590.6
Equity			
Share capital	30	**4.1**	344.1
Retained earnings		**367.1**	246.5
Total equity		**371.2**	590.6

The notes on pages 46 to 85 form an integral part of these financial statements.

The financial statements of Gatwick Airport Limited (Company registration number 1991018) were approved by the Board of Directors on 20 June 2018 and were signed on its behalf by:

Stewart Wingate
Chief Executive Officer

Nicholas Dunn
Chief Financial Officer

CASH FLOW STATEMENT
For the year ended 31 March 2018

	Note	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m
Cash flows from operating activities			
Profit before tax		**148.2**	87.9
Adjustments for:			
Investment property revaluation		**(19.3)**	2.1
Loss on disposal of fixed assets		**8.8**	1.6
Fair value (gain)/loss on financial instruments		**(4.3)**	56.6
Dividend income		**(60.0)**	(100.0)
Finance income		**(20.6)**	(20.8)
Finance costs		**116.6**	107.9
Depreciation and amortisation		**167.6**	147.3
Impairment of fixed assets		**-**	9.1
(Increase)/decrease in inventories, trade and other receivables		**(10.8)**	9.6
Increase in trade and other payables		**(29.9)**	74.8
Decrease in net pension liability		**(11.0)**	(24.2)
Other provision movements		**(0.2)**	3.0
Cash generated from operations		**285.1**	354.9
Corporation tax paid		**(1.2)**	(3.6)
Net cash from operating activities		**283.9**	351.3
Cash flows from investing activities			
Interest received		**1.0**	1.1
Dividend received		**60.0**	100.0
Purchase of fixed assets		**(203.3)**	(253.3)
Proceeds from sale of investment property		**0.7**	-
Net cash from investing activities		**(141.6)**	(152.2)
Cash flows from financing activities			
Interest paid		**(96.1)**	(91.2)
Increase in borrowings		**317.4**	111.7
Repayment of related party borrowings		**-**	(94.7)
Equity dividends paid		**(350.0)**	(125.0)
Net cash from financing activities		**(128.7)**	(199.2)
Net increase/(decrease) in cash and cash equivalents		**13.6**	(0.1)
Cash and cash equivalents at the beginning of the year		**3.0**	3.1
Cash and cash equivalents at the end of the year	22	**16.6**	3.0

The notes on pages 46 to 85 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. BASIS OF PREPARATION

Gatwick Airport Limited ("the Company") is a private company, limited by shares, and is registered and incorporated in England, United Kingdom. The registered number is 1991018 and the registered address is 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex, RH6 0NP.

These are the financial statements of Gatwick Airport Limited ("the Company") for the year ended 31 March 2018. The comparative year is the year ended 31 March 2017. They are presented in sterling and rounded to the nearest £0.1m. They have been prepared applying the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the EU and prepared under the historical cost convention, except for investment properties, available-for-sale assets, derivative financial instruments and financial liabilities that qualify as hedged items under a fair value hedge accounting system. These exceptions to the historic cost convention have been measured at fair value in accordance with IFRS and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

The Company is a wholly-owned subsidiary of Ivy Holdco Limited and is included in the consolidated financial statements of Ivy Holdco Limited which are publicly available. Consequently the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 400 of the Companies Act 2006.

The Directors have prepared the financial statements on a going concern basis which requires the Directors to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Consequently the Directors have reviewed the cash flow projections of the Company taking into account:

- the forecast passenger numbers, revenue and operating cash flows from the underlying operations;
- the forecast level of capital expenditure;
- the Company's funding structure and the facilities that are available to the Company (refer to note 27); and
- the Company's financial covenants.

All of the Company's financial covenants (refer to note 27) have been met for the 31 March 2018 and are forecast to be met for the years ending 31 March 2019, 2020 and 2021.

As a result of the review, having made appropriate enquiries of management and allowing for headroom to accommodate a reasonable downside scenario (including a fall in passenger numbers), the Directors have a reasonable expectation that sufficient funds are available to meet the Company's funding requirements over a period of at least 12 months from the date of the approval of the financial statements. Accordingly the Directors have a reasonable expectation that the Company will continue as a going concern, and the financial statements have been prepared on that basis.

The financial statements were approved by the Directors on 20 June 2018.

The principal accounting policies, set out in note 3, have been applied consistently by the Company through the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

During the year, the Company adopted a number of amendments to IFRSs. The impact of these amendments has been detailed below:

- Amendments to IAS 7: Disclosure Initiative. The amendments requires disclosures of cash and non-cash changes in liabilities arising from financing activities. The Company has included the disclosure in note 31.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses. The amendments provide clarification around recognition of deferred tax on unrealised losses. This amendment has no impact to the Company's results.

The following standards are not yet effective and have not been adopted early by the Company:

IFRS 2 Classification and Measurement of Share-based Payment Transactions (amendment)

Amendments to IFRS 2 are effective for periods beginning on or after 1 January 2018. The Company is still assessing the impact of the amendments to IFRS 2.

IFRS 9 Financial Instruments

IFRS 9 is effective for periods beginning on or after 1 January 2018, this will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also introduces a new impairment model for financial assets.

The Company does not anticipate that the application of IFRS 9 will have a material impact on the financial position or financial performance.

The Company's financial assets consist of:
- Finance lease receivables
- Trade receivables
- Other receivables
- Cash and cash equivalents

These financial assets will continue to be measured at amortised cost as they meet the condition for classification at amortised cost under IFRS 9.

The Company's financial liabilities consist of:
- Borrowings
- Derivative financial liabilities
- Finance lease liabilities
- Trade payables
- Other payables
- Capital creditors

All financial liabilities with the exception of derivative financial liabilities will continue to be measured at amortised cost as they meet the condition for classification at amortised cost under IFRS 9. Derivative financial liabilities will continue to be measured at fair value through income statement as they meet the condition for classification at fair value through income statement under IFRS 9. The derecognition rules have been carried forward from IAS 39 and have not changed under IFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses. The Company anticipates the application of the expected credit losses model under IFRS 9 to have an immaterial impact on the Company's results.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for periods beginning on or after 1 January 2018, this will replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. The Company intends to adopt the standard using the modified retrospective approach with the cumulative impact on adoption to be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated. The Company does not expect the impact to reserves to be material.

IFRS 15 is a single comprehensive model for accounting for revenue arising from contracts with customers. IFRS 15 identifies five steps in approaching revenue recognition which are based on performance obligations stipulated in a contract and the timing of recognition of revenue when each obligation is fulfilled.

The Company's main revenue streams are:

- Aeronautical income
- Retail income
- Car parking income
- Property income
- Operational facilities, utilities and other income

- Aeronautical income: there are three distinct performance obligations, these are landing, parking and departing changes. The revenue from these charges is recognised on the day the movement takes place. The Company does not consider there to be any impact on revenue recognition from the adoption of IFRS 15 on the full year financial statements.

- Retail income: the performance obligation is the provision of retail space in return for a fee. The fee is either a fixed rental fee or a concession fee based on the concessionaire's turnover. The Company considers the impact on revenue recognition from the adoption of IFRS 15 on the full year financial statements to be immaterial.

- Car parking income: currently car parking revenue is recognised either
    1. on the date of arrival at the car parking in the case of pre-booked reservation; or
    2. on the date of departure from the car park in the case of pay-on-exit.

  The Company considers the performance obligation is satisfied over the period the vehicle is parked therefore the revenue should be divided equally for each day. The Company considers the impact on revenue recognition from the adoption of IFRS 15 on the full year financial statements to be immaterial.

- Property income: the performance obligation is the provision of office space or land in return for a fee. The fee is either a fixed rental fee or a fee based on the tenant's. The Company considers the impact on revenue recognition from the adoption of IFRS 15 on the full year financial statements to be immaterial.

- Operational facilities, utilities and other income: this revenue is derived from the recovery of certain costs incurred by the Company. The Company does not consider there to be any impact on revenue recognition from the adoption of IFRS 15 on the full year financial statements.

IFRS 15 requires the Company to provide extensive disclosures on the different revenue streams, apart from providing these detailed disclosures the Company does not anticipate that the application of IFRS 15 will have a material impact on the financial position or financial performance.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 16 Leases

IFRS 16 is effective for periods beginning on or after 1 January 2019, this will replace IAS 17 *Leases*. The standard is expected to affect the accounting for the Company's operating leases as the standard requires a lessee to recognise an asset (right of use asset) and corresponding financial liability for the all leases (subject to certain exemptions). The Company is still assessing the impact of IFRS 16 therefore it is not possible to estimate the amount of right of use assets and lease liabilities that will be recognised on adoption of IFRS 16. As part of the impact assessment the Company will perform an assessment of its service contracts to determine whether they fall within the scope of IFRS 16. The assessment will also cover the impact of IFRS 16 on the primary statements and its opening reserves upon transition.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Ownership

On 3 December 2009, BAA (AH) Limited ("BAA") completed the sale of the Company to Ivy Bidco Limited, a UK incorporated company. On 2 March 2011, Ivy Bidco Limited transferred its shares in Gatwick Airport Limited to Ivy Holdco Limited, its wholly-owned subsidiary.

The Company is a wholly-owned subsidiary of Ivy Holdco Limited, a United Kingdom ("UK") incorporated company, and is ultimately owned by a consortium through a number of UK and overseas holding companies and limited liability partnerships.

Gatwick Airport Limited owns 100% of the share capital of Gatwick Funding Limited, a company incorporated in Jersey but resident in the UK for tax purposes.

On 31 March 2015 Ivy Midco Limited (the Company's ultimate parent in the UK), sold 100% of the issued share capital of Ivy Bidco Limited to Ivy Holdco Limited. Following this transaction, Gatwick Airport Limited acquired 100% of the issued share capital of Ivy Bidco Limited from Ivy Holdco Limited.

Gatwick Airport Limited, its parent entity Ivy Holdco Limited, Gatwick Funding Limited, Ivy Bidco Limited and its subsidiary Gatwick Airport Pension Trustees Limited are collectively referred to in this Annual Report and the financial statements as "the Ivy Holdco Group".

(b) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and it can be measured reliably. Revenue is measured at the fair value of the consideration received net of rebates, discounts and VAT and comprises:

- Airport and other traffic charges:
    - Passenger charges levied on passengers on departure;
    - Aircraft landing charges levied according to noise certification and weight on landing;
    - Aircraft parking charges based on a combination of weight and time parked; and
    - Other charges levied (e.g. fixed electrical ground power) when these services are rendered.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue (continued)

- Retail:
  - Concession fees recognised based upon weekly sales turnover information supplied by concessionaires, which is verified at least annually by sales turnover certificates supplied by concessionaires.

- Car parking:
  - Car park income is recognised based upon the date of parking.

- Property and operational facilities:
  - Property letting income, recognised on a straight-line basis over the term of the rental period;
  - Usage charges made for the operational systems (i.e. check-in desks, baggage handling), recognised as each service is provided;
  - Proceeds from the sale of trading properties, recognised on the unconditional completion of the sale; and
  - Other invoiced sales, recognised on the performance of the service.

- Contractual income is treated as deferred income and released to the income statement as earned.

(c) Exceptional Items

Exceptional items are material items of income or expense that, because of the unusual nature or frequency of the events giving rise to them, merit separate presentation to allow an understanding of the Company's financial performance. Such items may include gains or losses on disposal of assets, impairment of assets, major reorganisation of business, closure or mothballing of terminals and those costs incurred in bringing new airport terminal complexes and airfields to operational readiness that are not able to be capitalised as part of the project.

Details of items treated as exceptional are provided in note 9.

(d) Property, Plant and Equipment

Property, plant and equipment constitutes the Company's operational asset base including terminal complexes, airfield assets, plant, equipment and Company occupied properties. The Company has elected to use the cost model under IAS 16 *Property, plant and equipment* as modified by the transitional exemption to account for assets at deemed cost that were fair valued upon transition to IFRS in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Consequently, property, plant and equipment is stated at cost or deemed cost less accumulated depreciation.

Assets in the course of construction are stated at cost less provision for impairment (if any). Assets in the course of construction are transferred to completed assets when substantially all the activities necessary to get the asset ready for use are complete. Where appropriate, cost includes relevant borrowing costs, own labour costs of construction and related project management costs, and directly attributable overheads. Costs associated with projects that are in the early stages of planning are capitalised where the Directors are satisfied that it is probable the necessary consents will be received and the resources will be available to achieve a successful delivery of an asset such that future commercial returns will flow to the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

The Company reviews these projects on a regular basis, and at least every six months, to determine whether events or circumstances have arisen that may indicate that the carrying amount of the asset may not be recoverable, at which point the asset would be assessed for impairment.

Depreciation is provided on operational assets, other than land, and assets in the course of construction, on a straight-line basis over their expected useful life as follows:

Terminal building, pier and satellite structures	20 - 60 years
Terminal fixtures and fittings	5 - 20 years
Airport plant and equipment:	
- baggage systems	15 years
- screening equipment	7 years
- lifts, escalators, travelators	20 years
- other plant and equipment including runway lighting and building plant	5 - 20 years
Airport tunnels, bridges and subways	50 - 100 years
Runway surfaces	10 - 15 years
Runway bases	100 years
Taxiways and aprons	50 years
Motor vehicles	4 - 8 years
Office equipment	5 - 10 years
Computer equipment	4 - 8 years
Short leasehold properties	over period of lease

The Company assesses, at each financial position date, whether there is an indication that an asset's residual value and/or useful life may not be appropriate. If such indication exists, the useful lives and residual values are reviewed, and adjusted if appropriate.

Interest payable resulting from financing property, plant and equipment whilst in the course of construction is capitalised once planning permission has been obtained and a firm decision to proceed taken. Capitalisation of interest ceases once the asset is complete and ready for use.

(e) Investment Properties

The Company recognises investment property in accordance with IAS 40 *Investment Properties*. An investment property is one held to either earn rental income or for capital growth. The Company has elected to use the fair value model and therefore investment properties are initially recognised at cost then revalued to fair value at the reporting date by an Independent Property Valuer. Gains or losses in fair value of investment properties are recognised in the Income Statement in the period in which they arise. Gains or losses on disposal of investment property are recognised in the income statement on completion.

If an investment property becomes Company occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost.

(f) Intangible Assets

Intangible assets relate to computer software costs and are measured at cost less accumulated amortisation. Amortisation is recognised in the Income Statement on a straight-line basis over the expected useful economic life (4-10 years), from the date that the assets are available for use. Amortisation methods and useful lives are reviewed annually and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment in Subsidiaries

Investments in subsidiaries are recognised at cost and reviewed for impairment on an annual basis.

(h) Impairment of Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the asset does not generate cash flows that are independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value, on a straight-line basis over its remaining useful life.

(i) Leases

Leases are classified according to the substance of the arrangement**.**

Operating Leases

1. Company as lessor

Leases where the Company retains substantially all the risks and benefits of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on the same basis as the income.

2. Company as lessee

Rental costs under operating leases are charged to the Income Statement in equal instalments over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

Finance Leases

1. Company as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

2. Company as lessee

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Income Statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's policy on borrowing costs.

(j) Inventories

Inventories consist of engineering spares and other consumable stores and are recorded at the lower of cost and net realisable value.

(k) Cash and Cash Equivalents

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Cash that can only be used for a specific purpose or where access is restricted, is classified as restricted cash.

(l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the financial position date and are discounted to present value where the effect is material.

(m) Financial Instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

The Company's financial assets are classified as loans and receivables. Classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

1. Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not they are presented as non-current assets.

2. Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:
- significant financial difficulty of the counterparty; or
- default or delinquency in payments; or
- it becoming probable that the counterparty will enter administration/bankruptcy or financial re-organisation.

For trade receivables that are not assessed to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables includes the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on trade receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of trade receivables is reduced through the use of an allowance account (i.e. a bad debt provision). When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

Financial Liabilities

Financial liabilities are classified as either:
- financial liabilities at fair value through profit or loss ('FVTPL') or
- other financial liabilities (i.e. borrowings, trade and other payables, etc.)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of a business after deducting all of its liabilities.

1. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

2. Debt issue costs and arrangement fees

Issue costs are those that are incurred directly in connection with the issue of a financial instrument, that would not have been incurred had the instrument not been issued. These are accounted for as a deduction from the amount of consideration received and amortised under the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Facility and arrangement fees resulting from the negotiation of finance that do not qualify as issue costs are written off to the Income Statement as incurred. Debt issue costs on refinanced instruments are written off directly to the Income Statement.

3. Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

4. Derivative financial instruments

The Company has a number of derivative financial instruments used to manage its exposure to inflation and interest rate risk. The derivative financial instruments utilised by the Company are interest rate and index-linked swaps.

The purpose of the interest rate swaps is to hedge the cash interest rate risk that arises on borrowings with variable interest rates. Interest receivable on the swaps matches the benchmark interest rate payable on the borrowings, and interest payable is at a fixed rate. The purpose of the index-linked swaps is to hedge the inflation risk arising on inflation related income, particularly RPI linked aircraft and other traffic charges. Interest receivable on the swaps matches the benchmark interest rate payable on the borrowings, and interest payable on the swaps is based on a fixed real interest rate (excluding inflation) plus a periodic inflation adjustment amount based on the cumulative movement in the RPI inflation index. On each five year anniversary date of the index-linked swaps, a further payment is made based on the cumulative movement in the RPI index applied to the notional principal value of the swaps.

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each financial position date.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Company’s current derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement, and incorporate a reduction to reflect the credit risk of the Company on its swap position at the reporting date in accordance with IFRS 13 *Fair Value Measurement.* The periodic amounts of interest payable and receivable on interest rate and index-linked swaps, and the periodic change in the accrued amount of inflation accretion on the notional principal value of the index-linked swaps, are taken to the Income Statement; accrued interest payable and receivable is included in current creditors or debtors, and the inflation accretion accrual is included in non-current debt in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Retirement Benefit Obligations

The Company operates a self-administered defined benefit plan. The defined benefit obligation or surplus is calculated each reporting date by independent actuaries using the projected unit method. The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the Statement of Financial Position.

Current service costs, a net interest charge on plan assets and plan administration expenses are recognised within the Income Statement as they are incurred.

Re-measurements under IAS19 *Employee Benefits* are recognised within the actuarial gain/loss on retirement benefit obligations in other comprehensive income.

The Company also operates a defined contribution scheme. The pension costs of this scheme are charged to the Income Statement in the period in which they are incurred.

(o) Share-Based Payments

Certain employees of the Company participate in a long term incentive plan ("LTIP"). Under this equity-settled plan, the Company receives services from these employees as consideration for equity instruments of another group company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense, with the corresponding entry being a capital contribution to the Company from the group entity ultimately issuing the equity instruments. During the year ended 31 March 2018, this group entity was Ivy Midco Limited.

The fair value of the employee services received is determined by reference to the fair value of the equity instruments granted, measured by use of a valuation model. Fair value excludes the impact of any non-market service and performance vesting conditions (i.e. profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each financial position date, the Company revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

(p) Current and Deferred Taxation

The tax expense for the year comprises current and deferred taxation. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in equity.

Current tax assets or liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Current and Deferred Taxation (continued)

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, for instance, deferred tax is recognised on temporary differences arising from the revaluation of investment properties.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred taxation is determined using the tax rates and laws that have been enacted, or substantively enacted, by the financial position date and are expected to apply in the periods in which the temporary differences are expected to reverse.

(q) Share Capital

Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

(r) Dividend Distribution

A dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which the shareholders' right to receive payment of the dividend is established by approval of the dividend at the Annual General Meeting, or board meeting for interim dividends.

(s) Related Party Disclosures

The Company's ultimate parent in the UK is Ivy Midco Limited. The Company's results are included in the audited consolidated financial statements of Ivy Midco Limited and of Ivy Holdco Limited for the year ended 31 March 2018, (the largest and smallest groups to consolidate these financial statements respectively).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the Company's accounting policies, management have made estimates and judgements. Actual results may, however, differ from the estimates calculated and management believe that the following are the more significant judgements impacting these financial statements.

Investment Properties

Investment properties were valued at fair value at 31 March 2018 by Deloitte LLP. The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence.

Investment property classification and valuation are areas of judgement. The directors have defined specific criteria required to be met for assets to be classified as investment property.

Retirement Benefit Obligations

Certain assumptions have been adopted for factors that determine the valuation of the Company's liability for pension obligations at year end and future returns on pension scheme assets and charges to the Income Statement. The factors have been determined in consultation with the Company's actuary taking into account market and economic conditions. Changes in assumptions can vary from year-to-year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Company's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the Statement of Comprehensive Income. Further details are available in note 27.

Taxation

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. On this basis, the recognition of a deferred tax asset in the financial statements requires judgement from management. Management make an assessment of forecast profits in future years and use this as the basis for their decision as to whether or not to recognise the deferred tax asset.

Fair Value of Derivative Financial Instruments

The fair value of derivative financial instruments is determined by using valuation techniques. These techniques require judgement and make assumptions that are mainly based on market conditions existing at each reporting date. The valuation technique used is a discounted cash flow methodology.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

5. REVENUE

The Directors consider the business to have only one segment (defined as the Airport due to the nature of its regulatory environment, type of operation, geographic location, and internal management reporting framework).

All of the Company's revenue arises in the United Kingdom and is from continuing operations. Additional details of the revenue generated by each of the Company's key activities are given below.

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Airport and other traffic charges	**396.6**	380.9
Retail	**177.3**	163.0
Car parking	**87.8**	86.3
Property income	**29.1**	25.2
Operational facilities and utilities income	**34.5**	32.7
Other	**38.9**	36.9
	764.2	725.0

6. OTHER OPERATING INCOME

The Company did not receive any other income during the year (2017: other income received in the form of insurance proceeds).

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Other income	**-**	5.0

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

7. OPERATING COSTS

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Wages and salaries	**169.3**	159.3
Social security costs	**15.2**	14.8
Pension costs	**9.8**	19.6
Share-based payments	**0.5**	0.5
Other staff related costs	**7.1**	6.2
Staff costs	**201.9**	200.4
Retail expenditure	**2.5**	2.5
Car parking expenditure	**19.5**	19.0
Depreciation and amortization	**167.6**	147.3
Maintenance and IT expenditure	**40.6**	37.5
Rent and rates	**104.7**	103.5
Utility costs	**21.1**	19.3
Police costs	**13.4**	13.0
Other operating expenses	**11.9**	21.4
Aerodrome navigation service costs	**11.6**	12.4
Operating costs – exceptional (refer to note 9)	**-**	18.4
	594.8	594.7

Staff costs are offset by the subsequent capitalisation of these costs, which appear as part of other operating expenses above. Overall, total staff costs capitalised were £41.9 million in the year ended 31 March 2018 (2017: £39.7 million). Average full-time equivalent ("FTE") employee numbers increased from 2,871 in the prior year to 3,078 in the current year. Average operational FTE employees increased from 2,420 to 2,594 during the year, and non-operational FTE employees increased from 451 to 484.

Average employee headcount increased from 3,035 in the prior year to 3,231 in the current year. Average operational employee headcount increased from 2,550 to 2,713 during the year, and non-operational employee headcount increased from 485 to 518.

Amounts receivable by the Company's auditor in respect of services to the Company totalled £0.2 million in 2018 (2017: £0.2 million). Amounts receivable by the Company's auditor in respect of services to the Company's subsidiaries have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent entity in the UK, Ivy Midco Limited.

8. DIRECTORS' EMOLUMENTS

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Directors' emoluments		
Aggregate emoluments	**2.9**	2.8

An amount of £nil (2017: £nil) was paid into money purchase schemes in respect of the Directors. Aggregate amounts receivable under long-term incentive schemes were £0.4 million (2017: £0.4 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

8. DIRECTORS' EMOLUMENTS (continued)

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Highest paid director		
Aggregate emoluments and benefits	**1.2**	1.2

Five Directors (2017: five) were not remunerated during the year for services to the Company. No Directors exercised share options during the year (2017: nil). No Directors are members of the Gatwick Airport Limited defined benefit pension plan (2017: nil). No compensation was received by former Directors for loss of office during the year (2017: nil). Two Directors had awards receivable in the form of shares under the Company's LTIP (2017: two). These two Directors are party to a loan agreement with Gatwick Airport Limited, amounting to £1.9 million (2017: £1.9 million), the purpose of which enabled the Directors to fund the original allotment of equity instruments of Ivy Bidco Limited under the LTIP agreement. Further details have been provided in note 16.

9. OPERATING COSTS - EXCEPTIONAL

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Impairment of property plant and equipment (a)	-	9.1
Staff related exceptional costs (b)	-	33.9
Pension curtailment credit (b)	-	(30.2)
Other exceptional costs (c)	-	5.6
	-	18.4

(a) During the year ended 31 March 2017 the Company impaired assets in the course of construction by £9.1 million because it was deemed that a project had a significant change in scope and the costs associated with it should not be carried forward to completion.

(b) During the year ended 31 March 2017, the Company undertook a consultation to amend its defined benefit pension plan. Staff related exceptional costs include payments incurred as a result of staff transitioning to the defined contribution pension plan and also severance payments. As a result of the changes to the Company's pension scheme, the Company received a pension curtailment credit.

(c) Other exceptional costs were incurred in 2017 in relation to the Airport Transformation Programme.

10. LOSS ON DISPOSAL OF FIXED ASSETS

Loss on disposal of fixed assets relate to assets no longer in use at the Airport.

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Loss on disposal of fixed assets	**8.8**	1.6

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

11. FAIR VALUE MOVEMENT ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value gain/(loss) on derivative financial instruments represents the year-on-year movement in the present value of expected net cash outflows in interest rate and index-linked derivative contracts (refer to note 23).

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Fair value gain/(loss) on derivative financial instruments	**4.3**	(56.6)

12. FINANCE INCOME

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Interest receivable on money markets and bank deposits	**0.1**	0.2
Interest receivable on derivative financial instruments with other group undertakings [a]	**19.6**	19.7
Finance lease income	**0.9**	0.9
	20.6	20.8

(a) These amounts relate to interest receivable on £396.0 million interest to index-linked derivatives. Refer to note 23 for detail on the nominal value of the Company's swaps.

13. FINANCE COSTS

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Interest on bank borrowings [a]	**0.3**	1.9
Interest on borrowings from other group undertakings [b]	**99.4**	89.7
Interest payable on derivative financial instruments [c]	**11.3**	11.1
Amortisation of debt costs	**2.1**	2.2
Non-utilisation fees on bank facilities	**2.0**	2.1
Finance lease expense	**9.4**	8.9
Net charge on pension scheme	**1.2**	1.6
Capitalised borrowing costs [d]	**(9.1)**	(9.6)
	116.6	107.9

(a) These amounts relate to interest payable on loans drawn under the £300.0 million Authorised Credit Facilities Agreement.

(b) This amount relates to borrowings under the Borrower Loan Agreement with Gatwick Funding Limited entered into on 24 February 2011, and a Loan Agreement with Ivy Bidco Limited entered into on 3 December 2009 that was amended and restated under a Deed dated 15 February 2011.

(c) These amounts relate to interest payable on £396.0 million interest to index-linked derivatives. Refer to note 23 for detail on the nominal value of the Company's swaps.

(d) Borrowing costs have been capitalised using a rate of 5.4% (2017: 5.2%), which is the weighted average of rates applicable to the Company's overall borrowings outstanding during the year. The capitalised interest amount is calculated by applying the capitalisation rate to the average monthly balance of assets in the course of construction, after deducting the value of construction work undertaken but not paid for, and included in the value of such assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

14. INCOME TAX

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Current tax		
Total current tax charge	**(8.6)**	-
Deferred tax		
Current year	**(13.6)**	(6.2)
Adjustment in respect of prior years	**3.2**	6.9
Effect of change in tax rate	**3.2**	8.8
Total deferred tax (charge)/credit	**(7.2)**	9.5
Income tax (charge)/credit	**(15.8)**	9.5

Reconciliation of effective tax rate

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2017: 20%). The actual tax credit for the current and prior year differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Profit before tax	**148.2**	87.9
Tax on profit at 19% (2016: 20%)	**(28.2)**	(17.6)
Effect of:		
Adjustment in respect of prior years	**3.2**	6.9
Expenses not deductible for tax purposes[(a)]	**(5.5)**	(5.9)
Income not taxable	**11.4**	20.0
Movements in deferred tax with no current tax impact	**0.1**	(2.9)
Effect of change in tax rate	**3.2**	8.8
Effect of group relief	**-**	0.2
Total tax (charge)/credit	**(15.8)**	9.5

(a) Expenses not deductible for tax purposes is primarily due to capital expenditure which does not qualify for tax relief amounts to £5.4 million (2017: £3.6 million).

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. These will reduce the Company's future current tax charge and deferred tax liability accordingly.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

15. DIVIDENDS

On 31 August 2017 and 12 October 2017, the Directors declared and paid dividends of 50.86p per share on each date amounting to £175 million each, a total of £350.0 million during the year (2017: £75.0 million on 29 June 2016 and £50.0 million on 22 November 2016). The Directors did not recommend the payment of a final dividend (2017: £nil).

On 30 August 2017, the Company received dividends of £60.0 million from its wholly-owned subsidiary, Ivy Bidco Limited (2017: £60.0 million on 29 July 2016 and £40.0 million on 22 November 2016).

16. SHARE BASED PAYMENTS

The Company has an LTIP for certain members of its Executive Management Board. During the year ended 31 March 2018 the LTIP related to equity instruments of Ivy Midco Limited. On 31 March 2015, the LTIP members' interest was transferred from Ivy Bidco Limited to Ivy Midco Limited.

The value of these equity instruments will be based on the internal rate of return ("IRR") achieved by the Company's controlling shareholder from acquisition to sale of their investment in the Company. Below a minimum IRR threshold, these equity instruments will have no value. Above an IRR ceiling, the value of these equity instruments are capped. These equity instruments will vest over a period of six or eight years, depending on the member.

The initial investment by participants at 1 October 2011 is at price equal to the estimated fair value, for taxation purposes, of the equity instrument at inception of the scheme. The equity instrument has been valued for accounting purposes applying a simplified binomial valuation methodology, using the output of a discounted cash flow model under a series of probability weighted scenarios as to the financial performance of the Company, including dividend cash flows, and the timing and level of any future sale. The Company recognised total expenses of £0.5 million related to equity-settled share-based payment transactions in the year ended 31 March 2018 (2017: £0.5 million).

The participants in the scheme are party to a loan agreement with Gatwick Airport Limited, amounting to £2.8 million (2017: £2.8 million), the purpose of which enabled the participants to fund the original allotment of equity instruments of Ivy Bidco Limited under the LTIP agreement. The participants originally directed Gatwick Airport Limited to pay monies lent under the loan agreement directly to Ivy Bidco Limited for that purpose. The loan is interest free and repayable under the terms set out in the loan agreement. In particular, the loan has no fixed duration, but shall become repayable in full no later than two business days after the date on which the participant disposes of their equity instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

17. PROPERTY, PLANT AND EQUIPMENT

Cost	Terminal complexes £m	Airfield assets £m	Company occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	Total £m
1 April 2016	1,195.1	461.3	75.5	316.5	370.2	2,418.6
Additions at cost	-	-	-	-	246.6	246.6
Interest capitalised	-	-	-	-	9.6	9.6
Transfers to completed assets	240.7	38.8	18.0	119.1	(439.8)	(23.2)
Disposals	(9.0)	(0.3)	-	(3.0)	-	(12.3)
Impairment	-	-	-	-	(9.1)	(9.1)
Reclass between categories	(0.2)	-	31.8	-	-	31.6
31 March 2017	1,426.6	499.8	125.3	432.6	177.5	2,661.8
Additions at cost	-	-	-	-	221.4	221.4
Interest capitalised	-	-	-	-	9.1	9.1
Transfers to completed assets	66.5	15.1	6.1	120.4	(222.9)	(14.8)
Disposals	(18.0)	(1.4)	(1.3)	(22.6)	-	(43.3)
31 March 2018	**1,475.1**	**513.5**	**130.1**	**530.4**	**185.1**	**2,834.2**
Depreciation						
1 April 2016	(134.8)	(58.4)	(7.2)	(83.9)	-	(284.3)
Charge for the year	(81.7)	(28.5)	(4.5)	(26.8)	-	(141.5)
Disposals	8.1	0.3	-	2.8	-	11.2
31 March 2017	(208.4)	(86.6)	(11.7)	(107.9)	-	(414.6)
Charge for the year	(78.6)	(30.2)	(6.0)	(45.2)	-	(160.0)
Disposals	10.8	0.7	1.1	22.0	-	34.6
31 March 2018	**(276.2)**	**(116.1)**	**(16.6)**	**(131.1)**	**-**	**(540.0)**
Net book value						
31 March 2018	**1,198.9**	**397.4**	**113.5**	**399.3**	**185.1**	**2,294.2**
31 March 2017	1,218.2	413.2	113.6	324.7	177.5	2,247.2
1 April 2016	1,060.3	402.9	68.3	232.6	370.2	2,134.3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation

Terminal complexes, airfield assets, Company occupied properties, plant and equipment and other assets are shown at historical cost or deemed cost following fair value revaluation upon the Company's transition to IFRS at 1 April 2014 or following reclassification from investment property.

Capitalised interest

Interest costs of £9.1 million (2017: £9.6 million) have been capitalised in the year at a capitalisation rate of 5.4% (2017: 5.2%) based on a weighted average cost of borrowings.

Leased assets

The Company had assets held under finance leases, capitalised and included in property, plant and equipment as follows:

	31 March 2018 £m	31 March 2017 £m
Cost or valuation	**174.5**	171.8
Accumulated depreciation	**(11.7)**	(8.5)
Net book value	**162.8**	163.3

Total future minimum lease payments under finance leases are as follows:

	31 March 2018 Land and buildings £m	**31 March 2018 Other £m**	31 March 2017 Land and buildings £m	31 March 2017 Other £m
Within one year	**8.7**	**1.0**	8.3	-
Within two to five years	**29.7**	**4.4**	28.5	0.5
After five years	**101.2**	**0.1**	97.4	2.3
	139.6	**5.5**	134.2	2.8

Total minimum lease payments for land and buildings relate to electricity supply equipment at Gatwick leased on agreement with UK Power Networks Services Limited ("UKPNS"). The lease expires in 2083. The amounts disclosed are the total estimated charges under the agreement including both the actual lease commitment and the significant maintenance element fee payable to UKPNS as neither the Company nor UKPNS are able to split the base fee between a capital and maintenance charge. The commitment has been discounted at the Company's weighted average cost of capital.

Security

As part of the financing agreements outlined in note 27, the Company, its subsidiary, Ivy Bidco Limited and its parent, Ivy Holdco Limited, have granted security over their assets and share capital to the Company's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

18. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 April 2016	85.6
Transfers to completed assets (from Assets in the course of construction)	19.9
Disposals	(31.6)
Revaluation loss	(2.1)
31 March 2017	71.8
Transfers to completed assets (from Assets in the course of construction)	6.7
Disposals	(0.8)
Revaluation gain	19.3
31 March 2018	**97.0**

Net book value	
31 March 2018	**97.0**
31 March 2017	71.8
1 April 2016	85.6

Valuation

Investment properties and land held for development were valued at open market value at 31 March 2018 by Deloitte LLP, at £97.0 million. They were valued at 31 March 2017 at £71.8 million. These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account*, inter alia,* of planning constraints and reflecting the demand for airport-related uses. As a result of the valuation, a surplus of £19.3 million was recognised in the Income Statement (2017: £2.1 million deficit).

The Company's car parking assets are held as investment properties.

The fair value measurement for all of the investment properties has been categorised as a level 2 fair value based on the inputs to the valuation technique used (refer to note 24). Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

19. INTANGIBLE ASSETS

Cost	Intangible assets £m
1 April 2016	43.5
Transfers to completed assets (from Assets in the course of construction)	3.3
Disposals	(0.1)
31 March 2017	46.7
Transfers to completed assets (from Assets in the course of construction)	8.1
Disposals	(4.2)
31 March 2018	**50.6**
Amortisation	
1 April 2016	(31.2)
Charge for the year	(5.8)
Disposals	0.1
31 March 2017	(36.9)
Charge for the year	(7.6)
Disposals	4.2
31 March 2018	**(40.3)**
Net book value	
31 March 2018	**10.3**
31 March 2017	9.8
1 April 2016	12.3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

20. INVESTMENT IN SUBSIDIARIES

	31 March 2018 £m	31 March 2017 £m
Investment in subsidiaries	**690.4**	690.4

On 31 March 2015 the Company acquired 100% of the issued share capital of Ivy Bidco Limited for consideration of £7,799,360 in the form of a share for share exchange. Following the acquisition of Ivy Bidco Limited, the Company sold investment property to Ivy Bidco Limited in exchange for 682,585,000 ordinary shares issued at £1 per share.

At 31 March 2018 and 31 March 2017, the Company had investments in the following subsidiary undertakings:

Subsidiary Undertakings	**Principal activity**	**Holding**	**%**
Ivy Bidco Limited	Property company	Ordinary Shares	100%
Gatwick Funding Limited	Financing company	Ordinary Shares	100%
Gatwick Airport Pension Trustees Limited†	Dormant company	Ordinary Shares	100%

†Held by a subsidiary undertaking

All subsidiaries are registered, incorporated and operate in the United Kingdom, except Gatwick Funding Limited ("GFL") which is registered and incorporated in Jersey. Ivy Bidco Limited has registered office 5th Floor, 6 St Andrew Street, London, EC4A 3AE. Gatwick Airport Pension Trustees Limited has registered office 5th Floor Destinations Place, Gatwick Airport, West Sussex, RH6 0NP. GFL has registered office 44 Esplanade, St Helier, Jersey, JE4 9WG.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company is a wholly-owned subsidiary of Ivy Holdco Limited and is included in the consolidated financial statements of Ivy Holdco Limited which are publically available. Consequently the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

21. TRADE AND OTHER RECEIVABLES

	31 March 2018 £m	31 March 2017 £m
Trade receivables	**23.3**	21.5
Accrued interest receivable from other group undertakings	**1.4**	1.4
Other receivables	**5.8**	9.5
Prepayments and accrued income	**11.5**	3.6
Amounts owed by group undertakings – interest free	**1.4**	0.3
Amounts owed by group undertakings – interest bearing	**0.1**	0.1
	43.5	36.4

At 31 March 2018, trade receivables of £3.4 million were impaired (2017: £3.3 million). There were no trade receivables past due by more than 180 days but not impaired (2017: £nil).

22. CASH AND CASH EQUIVALENTS

	31 March 2018 £m	31 March 2017 £m
Cash at bank and in hand	**8.9**	3.0
Cash held in debt service reserve deposit	**7.7**	-
	16.6	3.0

As at 31 March 2018 Gatwick had £7.7 million (2017: £nil) in a Liquidity Standby Account. This balance reflects amounts held on trust (Liquidity Standby Account Trust) under the Liquidity Facility Agreement to fund forecast net senior interest for 12 months in excess of the Liquidity Facility amount.

23. DERIVATIVE FINANCIAL LIABILITIES

	31 March 2018 Notional £m	**31 March 2018 Fair value £m**	31 March 2017 Notional £m	31 March 2017 Fair value £m
Variable rate to index-linked swaps with Group undertakings	**40.0**	**30.9**	40.0	33.2
Fixed rate to index-linked swaps with Group undertakings	**356.0**	**177.2**	356.0	179.2
	396.0	**208.1**	396.0	212.4

Variable rate to index-linked swaps with group undertakings
Variable rate to index-linked swaps have been entered into to economically hedge debt instruments and inflation-linked revenue.

Fixed rate to index-linked swaps with group undertakings
Fixed rate to index-linked swaps have been entered into to economically hedge debt instruments and inflation-linked revenue.

The above swaps are designated as financial instruments which are fair valued through profit or loss. The gains and losses arising on changes in fair value at the reporting date are reduced to reflect the credit risk of the Company on its swap position at the reporting date. The net gains and losses are recognised immediately in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

24. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company's principal financial instruments (other than derivatives) comprise bank loans, cash and short term deposits. The main purpose of these instruments is to raise finance for the Company's operations.

The Company also enters into derivative transactions, principally interest rate swaps and index-linked swaps. The purpose of these transactions is to manage the interest rate and inflation risks arising from the Company's operations and its sources of finance.

The Company does not use financial instruments for speculative purposes. The treasury function operates on a centralised non-speculative risk basis. Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the Company's business operations and funding.

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Board of Directors approves prudent treasury policies for managing each of the risks which are summarised below:

Market risk

Market risk is the risk that changes in market prices, such as interest rates and inflation indices (such as RPI) will affect the Company's income and expenditure or the value of its holdings of financial instruments.

The Company's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's policy is to maintain a mix of fixed to floating rate debt within Board approved parameters such that a minimum of 75% of existing and forecast debt is at a fixed rate. To manage this mix, the Company enters into interest rate swaps. These swaps may be designated to hedge underlying debt obligations. The Company also uses floating rate interest bearing financial assets as a natural hedge of the exposure to fair value interest rate risk.

As at 31 March 2018, the Company's fixed: floating interest rate profile, after hedging, on gross debt was 100:0 (2017: 99:1).

As at 31 March 2018, each 0.5% change in interest rates would have resulted in the following gain/(loss) to pre-tax profit and equity, due to movement in the finance income, finance cost and mark-to-market valuation of derivatives:

	31 March 2018 Income statement impact £m	**31 March 2018 Equity impact £m**	31 March 2017 Income statement impact £m	31 March 2017 Equity impact £m
0.5% increase	**3.1**	**-**	3.0	-
0.5% decrease	**(3.1)**	**-**	(2.7)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

24. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet their contractual obligations. Credit risk arises from cash and cash equivalents, derivative financial instruments and accounts receivable. The Company has no significant concentrations of credit risk. The Company's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used.

The Company maintains a prudent split of cash and cash equivalents across a range of market counterparties in order to mitigate counterparty credit risk. Board approved investment policies and relevant debt facility agreements provide counterparty investment limits, based on short- and long-term credit ratings. Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with counterparties with short-term credit ratings lower than A-3/F3. The Company monitors the credit rating of derivative counterparties on a daily basis and ensures no positions are entered into with counterparties with a long-term credit rating below BBB+(S&P)/BBB+(Fitch).

As at 31 March 2018, the Company had no credit risk exposure with derivative counterparties of its interest rate swaps and index-linked swaps due to a liability position on the mark to market (2017: nil).

The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Although there can be no certainty that financing markets will remain open for issuance at all times, debt maturities are spread over a range of dates, thereby ensuring that the Company is not exposed to excessive refinancing risk in any one year.

Financial instruments by category

The Company's financial instruments can be analysed under the following categories:

Loans and receivables	**31 March 2018 £m**	31 March 2017 £m
Finance lease receivables	**16.9**	16.9
Trade receivables	**23.3**	21.5
Other receivables	**5.8**	9.5
Cash and cash equivalents	**16.6**	3.0
Total financial assets	**62.6**	50.9

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

24. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category (continued)

Total future minimum lease receivables under finance leases are as follows:

	31 March 2018 £m	31 March 2017 £m
Less than one year	**0.9**	0.9
Between one and five years	**3.6**	3.6
More than five years	**78.9**	79.8
	83.4	84.3

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The Company regularly reviews and maintains or adjusts the capital structure as appropriate in order to achieve these objectives.

	31 March 2018	**31 March 2018**	31 March 2017	31 March 2017
	Other financial liabilities at amortised cost	**Liabilities at fair value through income statement**	Other financial liabilities at amortised cost	Liabilities at fair value through income statement
	£m	**£m**	£m	£m
Borrowings	**2,187.2**	**-**	1,867.8	-
Derivative financial liabilities	**-**	**208.1**	-	212.4
Finance lease liabilities	**47.9**	**-**	45.6	-
Trade payables	**14.6**	**-**	23.7	-
Other payables	**4.6**	**-**	2.8	-
Capital creditors	**69.7**	**-**	48.1	-
Total financial liabilities	**2,324.0**	**208.1**	1,988.0	212.4

At 31 March 2018, the Company has not designated any financial liabilities at fair value through the Income Statement, other than its derivative financial liabilities which do not qualify for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

24. FINANCIAL INSTRUMENTS (continued)

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Company's financial liabilities and net settled derivative financial instruments as at 31 March 2018 to the contract maturity date.

	Less than one year	One to two years	Two to five years	Greater than five years
	£m	£m	£m	£m
31 March 2018				
Class A Bonds – Principal payments	**-**	**-**	**-**	**2,200.0**
Class A Bonds – Interest payments	**105.9**	**105.9**	**317.6**	**1,216.4**
Derivative financial instruments	**(7.8)**	**30.0**	**11.7**	**219.2**
	98.1	**135.9**	**329.3**	**3,635.6**
31 March 2017				
Class A Bonds – Principal payments	-	-	-	1,850.0
Class A Bonds – Interest payments	94.9	94.9	284.8	1,125.4
Derivative financial instruments	(8.1)	(7.8)	44.5	211.2
	86.8	87.1	329.3	3,186.6

	31 March 2018 Book value £m	31 March 2018 Fair value £m
Fair value of borrowings		
Class A Bonds	**2,167.7**	**2,683.0**

The fair values of listed borrowings are based on quoted prices.

Fair value estimation

Financial instruments that are measured in the Statement of Financial Position at fair value are classified by the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of the Company's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 31 March 2018, all of the resulting fair value estimates in the Company are included at Level 2 except for Bonds which are valued at Level 1, consistent with previous years (2017: Level 2 except for Bonds which are valued at Level 1).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

25. OTHER NON-CURRENT ASSETS

Other non-current assets relate to amounts due from group undertakings (refer to note 32).

	31 March 2018 £m	31 March 2017 £m
Other non-current assets	**12.0**	10.6

26. DEFERRED TAX

The following are the deferred tax assets and liabilities recognised by the Company and associated movements during the year:

	Losses £m	Fixed assets £m	Retirement benefit obligations £m	Short term timing differences £m	Total £m
1 April 2016	-	(179.6)	8.1	(3.7)	(175.2)
(Charge)/credit to income	14.9	(2.2)	(3.5)	0.3	9.5
Charge to equity	-	-	3.8	-	3.8
31 March 2017	14.9	(181.8)	8.4	(3.4)	(161.9)
Prior year adjustment	3.3	(0.1)	-	-	3.2
(Charge)/credit to income	(7.3)	(1.1)	(1.7)	(0.3)	(10.4)
Credit to equity	-	-	0.5	-	0.5
31 March 2018	**10.9**	**(183.0)**	**7.2**	**(3.7)**	**(168.6)**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

27. BORROWINGS

	31 March 2018 £m	31 March 2017 £m
Fixed rate borrowings from other group undertakings	**2,167.7**	1,821.9
Authorised Credit Facility–Revolving Facility [(a)]	**19.5**	45.9
	2,187.2	1,867.8
Maturity Profile:		
Repayable between 1 and 2 years	**19.5**	45.9
Repayable between 2 and 5 years	**-**	-
Repayable in more than 5 years	**2,167.7**	1,821.9
	2,187.2	1,867.8

(a) Amount includes capitalised upfront costs in relation to the bank facilities entered into as at 31 March 2014. These costs will be amortised over the term of the facility.

All the above borrowings are secured and carried at amortised cost.

Ivy Holdco Group Facilities

Gatwick Airport Limited and Ivy Holdco Limited are party to a Common Terms Agreement ("CTA") with, *inter alia*, the Royal Bank of Scotland plc as ACF agent and previously the Initial ACF agent. The Company and Ivy Holdco Limited have a Borrower Loan Agreement with both Gatwick Funding Limited (as Issuer) and Deutsche Trustee Company Limited (as Borrower Security Trustee). The CTA together with a Master Definitions Agreement covers, *inter alia*, the Initial Authorised Credit Facility Agreement (the "Initial ACF Agreement"), the Authorised Credit Facility Agreement (the "ACF Agreement") and the Borrower Loan Agreement.

The ACF Agreement entered into on 27 March 2014 has a Revolving Credit Facility of £300.0 million. The ACF Agreement terminates on 27 March 2019. There are £20.0 million drawings outstanding on the Revolving Credit Facility at 31 March 2018 (2017: £47.0 million).

The Company's subsidiary, Gatwick Funding Limited has issued £2,500.0 million of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	As at 31 March 2018 £m	As at 31 March 2017 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	**300.0**	300.0	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	**300.0**	300.0	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	**350.0**	350.0	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	**300.0**	300.0	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	**350.0**	-	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	**300.0**	300.0	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	**300.0**	-	Ivy Holdco Limited
				2,500.0	1,850.0	

The proceeds of all bond issuances by Gatwick Funding Limited (together "the Bonds") are lent to the Company and Ivy Holdco Limited (the Company's parent) under the Borrower Loan Agreement, the terms of which are "back-to-back" with those of the Bonds.

At 31 March 2018, the average interest rate payable on borrowings was 4.89% (2017: 4.96% p.a).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

27. BORROWINGS (continued)

At 31 March 2018, the Company had £280.0 million (2017: £253.0 million) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

Financial covenants

Under the CTA, the Company is required to comply with certain financial and information covenants. All financial covenants have been tested and complied with as at 31 March 2018 (2017: all covenants tested and complied with).

The following table summarises the Company's financial covenants compliance as at 31 March 2018 under the CTA, and lists the trigger and default levels:

Covenant	**31 March 2018**	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**3.59**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.61**	> 0.70	> 0.85

28. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

The Company operates a defined contribution scheme for all qualifying employees.

The total cost charged to the Income Statement of £8.9 million (2017: £4.8 million) represents contributions payable to this scheme by the Company at rates specified in the rules of the plans. As at 31 March 2018, £0.7 million contributions (2017: £4.4 million) due in respect of the current reporting period remain unpaid to the scheme.

Defined benefit pension plan

For some employees, the Company operates a funded pension plan providing benefits based on final pensionable pay. Assets of the plan are held in a separate trustee administered fund.

The results of the formal actuarial valuation as at 30 September 2016 were updated to 31 March 2018 by an independent qualified actuary in accordance with IAS 19.

The estimated amount of total employer contributions expected to be paid to the plan during the year ending 31 March 2019 is £15.2 million (actual for year ended 2018: £11.8 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

28. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

The following table sets out the key IAS 19 assumptions used for the plan:

	31 March 2018 %	31 March 2017 %
Rate of increase in salaries – to 31 March 2018	**1.5**	1.5
– from 31 March 2018	**1.5**	1.5
– thereafter	**1.5**	1.5
Rate of increase in pensions in payment (RPI)	**3.2**	3.2
Rate of increase in pensions in payment (5% LPI)	**3.1**	3.1
Discount rate	**2.7**	2.9
Retail Prices Index inflation	**3.2**	3.2
Consumer Prices Index inflation	**2.1**	2.1

The mortality assumptions used were as follows:

	31 March 2018 Years	31 March 2017 Years
Life expectancy of male aged 60 at the Statement of Financial Position date	**26.8**	27.0
Life expectancy of male aged 60 in 20 years' time	**28.4**	28.5

The sensitivities regarding the principal assumption used to measure the plan liabilities are set out below:

Assumptions	Change in assumption	Impact on plan liabilities at 31 March 2018 £m
Discount rate	+0.5%	(47.4)
	-0.5%	55.4
Life expectancy	+ 1 year	16.8
	- 1 year	(16.2)

The amount included in the Statement of Financial Position arising from the Company's obligations in respect of its defined benefit plan is as follows:

	31 March 2018 £m	31 March 2017 £m
Present value of plan liabilities	**(465.8)**	(477.0)
Fair value of plan assets	**427.9**	432.2
Deficit	**(37.9)**	(44.8)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

28. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Reconciliation of present value of plan liabilities

	31 March 2018 £m	31 March 2017 £m
Opening present value of plan liabilities	**(477.0)**	(396.0)
Current service cost	**(0.3)**	(14.4)
Curtailment credit	**-**	30.2
Interest cost	**(13.3)**	(13.9)
Contributions from plan members[(a)]	**(0.2)**	(2.0)
Benefits paid	**22.9**	5.2
Actuarial gain/(loss)	**2.1**	(86.1)
Closing present value of plan liabilities	**(465.8)**	(477.0)

(a) Contributions from plan members include contributions paid by the Company on behalf of plan members via salary sacrifice.

Reconciliation of fair value of plan assets

	31 March 2018 £m	31 March 2017 £m
Opening fair value of plan assets	**432.2**	350.8
Interest on plan assets	**12.1**	12.3
Actuarial (loss)/gain	**(4.9)**	63.9
Benefits paid	**(22.9)**	(5.2)
Admin expenses	**(0.6)**	(0.4)
Contributions paid by employer	**11.8**	8.8
Contributions paid by members	**0.2**	2.0
Closing fair value of plan assets	**427.9**	432.2

The current allocation of the plan's assets is as follows:

	31 March 2018	31 March 2017
Equities	**28%**	33%
Index-linked gilts	**3%**	2%
Diversified growth funds - emerging market multi-asset funds	**10%**	10%
Diversified growth funds	**32%**	31%
Liability driven investment	**26%**	24%
Cash/other	**1%**	-
	100%	100%

Plan assets do not include any of the Company's own financial instruments, or any property occupied by Company.

Re-measurements under IAS 19 are determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on index-linked investments are based on relevant indices as at the financial position date. Expected returns on equity investments and diversified growth funds reflect long-term real rates of return expected in the respective markets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

28. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

The amounts recognised in the Income Statement are as follows:

	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m
Curtailment credit	**-**	30.2
Admin expenses	**(0.6)**	(0.4)
Employer's part of current service cost	**(0.3)**	(14.4)
Net interest charge	**(1.2)**	(1.6)
	(2.1)	13.8

Actuarial gains and losses

The amount recognised in other comprehensive income are as follows:

	31 March 2018 £m	31 March 2017 £m
Changes in financial assumptions	**(7.2)**	(98.7)
Changes in demographic assumptions	**1.6**	14.6
Experience adjustments on benefit obligations	**7.7**	(2.0)
Return on plan assets less interest on plan assets	**(4.9)**	63.9
Loss recognised in comprehensive income	**(2.8)**	(22.2)

Amounts for current year and prior years

	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m
Present value of plan liabilities	**(465.8)**	(477.0)	(396.0)	(390.8)	(321.1)
Fair value of plan assets	**427.9**	432.2	350.8	350.1	297.1
Deficit	**(37.9)**	(44.8)	(45.2)	(40.7)	(24.0)

The Company operates the schemes under the UK regulatory framework. Benefits are paid to members from trustee-administered funds, and the trustees of each scheme are responsible for ensuring that each representative scheme is sufficiently funded to meet current and future benefit payments. Scheme assets are held in trusts separate to the Company. If investment experience is worse than expected, the Company's obligations increase.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

29. TRADE AND OTHER PAYABLES

	31 March 2018 £m	31 March 2017 £m
Trade payables	**14.6**	23.7
Accruals	**30.3**	46.6
Capital payables	**69.7**	48.1
Accrued financing charges	**0.3**	0.3
Accrued interest payable	**-**	-
Accrued interest payable to other group undertakings	**19.7**	14.2
Amounts owed to group undertakings – interest free	**3.8**	11.0
Other payables	**4.6**	2.8
	143.0	146.7

30. SHARE CAPITAL

	31 March 2018 £m	31 March 2017 £m
Called up, allotted and fully paid		
4,099,362 (2017: 344,099,362) ordinary shares of £1.00 each	**4.1**	344.1

During the year ended 31 March 2018 the Company made a bonus share issue of 200,000,000 ordinary shares at £1.00 per share on 27 September 2017. This was satisfied by way of a capitalisation of £200,000,000 of the Company's revaluation reserve. The Company then undertook a capital reduction of £200,000,000 of share capital by means of a special resolution supported by a solvency statement, resulting in the creation of £200,000,000 of distributable reserves. A further capital reduction of £340,000,000 was made on 31 January 2018 by special resolution supported by a solvency statement, resulting in the creation of £340,000,000 of distributable reserves.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

31. RECONCILIATION IN NET DEBT

Net debt comprised the Company's borrowings net of cash and cash equivalents excluding interest accruals.

	As at 1 April 2017 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 March 2018 £m**
Cash and cash equivalents	**3.0**	**13.6**	**-**	**16.6**
Derivative financial liabilities	**(212.4)**	**-**	**4.3**	**(208.1)**
Borrowings	**(1,867.8)**	**(317.4)**	**(1.9)**	**(2,187.1)**
	(2,077.2)	**(303.8)**	**2.4**	**(2,378.6)**

	As at 1 April 2016 £m	Cash flow £m	Other non-cash changes £m	As at 31 March 2017 £m
Cash and cash equivalents	3.1	(0.1)	-	3.0
Derivative financial liabilities	(155.8)	-	(56.6)	(212.4)
Borrowings	(1,753.8)	(111.7)	(2.3)	(1,867.8)
	(1,906.5)	(111.8)	(58.9)	(2,077.2)

32. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions with related parties as follows:

	Rental expense payable to related party		Interest receivable / (payable) with related party		Amounts owed from / (to) related party	
	Year ended 31 March 2018 £m	Year ended 31 March 2017 £m	**Year ended 31 March 2018 £m**	Year ended 31 March 2017 £m	**As at 31 March 2018 £m**	As at 31 March 2017 £m
Ivy Bidco Limited	**(74.4)**	(72.7)	**1.3**	1.2	**7.9**	(0.5)
Gatwick Funding Limited	**-**	-	**(89.7)**	(140.4)	**(2,394.2)**	(2,047.0)
Ivy Holdco Limited	**-**	-	**-**	-	**1.0**	-
Ivy Midco Limited	**-**	-	**-**	-	**0.6**	0.4
	(74.4)	(72.7)	**(88.4)**	(139.2)	**(2,384.7)**	(2,047.1)

Ivy Bidco Limited and Gatwick Funding Limited are subsidiary undertakings of the Company (refer to note 20). Ivy Midco Limited is the Company's ultimate parent entity in the UK (refer to note 35).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

33. COMMITMENTS

Capital commitments

Contracted commitments for capital expenditure amount to £93.8 million (2017: £60.1 million).

Commitments under operating leases

At 31 March 2018, the Company has commitments under non-cancellable operating leases which are payable as follows:

	Land & Buildings 31 March 2018 £m	**Other leases 31 March 2018 £m**	Land & Buildings 31 March 2017 £m	Other leases 31 March 2017 £m
Within one year	**1.5**	**-**	1.0	0.1
Within two to five years	**5.8**	**-**	4.0	-
After five years	**3.8**	**-**	2.1	-
	11.1	**-**	7.1	0.1

Other commitments

During the year ended 31 March 2014, the Company reviewed its current policy around the noise alleviation. In April 2014 Gatwick launched a new revised domestic noise insulation scheme for local communities affected by noise around the airport. The scheme is one of the most innovative in Europe and covers an additional 1,000 homes and increases the area eligible by $17km^2$. Estimated payments under this scheme will total £3.0 million spread over a four year period.

In addition, there are live blight schemes to support the market for housing in areas identified for a potential future runway at Gatwick. Obligation under these schemes will only crystallise once the Company announces its intention to pursue a planning application for a new runway. At this time, no decisions have been made.

34. CLAIMS AND CONTINGENT LIABILTIES

As part of the refinancing agreements outlined in note 27, the Company, its subsidiaries, and its parent, Ivy Holdco Limited, have granted security over their assets and share capital to the Company's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

Other than the above, the Company has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 31 March 2018 (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

35. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

The Company's ultimate parent is Ivy Guernsey Holdings, L.P., a limited partnership registered in Guernsey.

The Company's ultimate parent in the UK is Ivy Midco Limited. The consortium that ultimately own and control the Company and Ivy Midco Limited comprises Global Infrastructure Partners (41.95%), the Abu Dhabi Investment Authority (15.90%), the California Public Employees' Retirement System (12.78%), National Pension Service of Korea (12.14%), and Future Fund Board of Guardians (17.23%). The Company's results are included in the audited consolidated financial statements of Ivy Midco Limited and of Ivy Holdco Limited for the year ended 31 March 2018, (the largest and smallest groups to consolidate these financial statements respectively).