

**GATWICK AIRPORT LIMITED
REGULATORY ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011**

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GATWICK AIRPORT LIMITED REGULATORY ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

Financial review

General overview

The year ended 31 March 2011 is the first twelve-month reporting period since Gatwick Airport Limited (“the Company”) was acquired by the consortium led by Global Infrastructure Partners in December 2009.

During the year, the Company continued the separation of its information technology (“IT”) environment from BAA, the last remaining of the transitional services provided by BAA post-sale. The separation is expected to be completed during the year ending 31 March 2012.

During the year, the CAA consulted on whether to extend Q5 by an extra year to 31 March 2014. The extension was confirmed on 31 March 2011. The CAA indicated that this extension was in part influenced by the potential delay in the passage through Parliament of the Airports Economic Regulation Bill (“AER”). The CAA invited the Company to agree the terms of the extension directly with the airlines operating at Gatwick. The Company reached agreement with the airlines that price increases for the year ending 31 March 2014 will be no higher than RPI-0.5% compared to the RPI+2% allowed in each of the years ending 31 March 2012 and 2013. It was agreed that the capital expenditure triggers relating to Pier 7 and South Terminal baggage will be removed for the year ending 31 March 2014 and the Company and the airlines will replace these with new triggers, to be agreed and submitted to the CAA by June 2012, covering 60 per cent. of the forecast capital expenditure in the year ending 31 March 2014.

The Company welcomed the decision to extend Q5. This will allow time for the CAA to undertake its analysis on the competitive position of Gatwick Airport (“Gatwick”) (“the airport”) as well as considering any future regulatory framework at Gatwick.

Gatwick Airport operates 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 Company’s 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.

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

- deliver the best passenger experience: by listening to our 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 our operating costs and driving capital efficiency;
- protect and enhance our reputation: by building strong and constructive relationships with our stakeholders based on openness and trust;
- build a strong EH&S culture: by maintaining a relentless focus on achieving zero incidents; and
- develop the best people, processes & technology: by investing in high-performing people, continuous improvement and the right systems.

Passengers for the year totalled 31.6 million, down 5.2 million versus the Civil Aviation Authority (“CAA”) forecast set out in the CAA’s document entitled ‘Economic Regulation of Heathrow and Gatwick Airports 2008-2013, CAA Decision, 11 March 2008’ (“the 2008 Decision”).

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Business review (continued)

General overview (continued)

Relative to the CAA forecast, the shortfall in passenger numbers had an estimated £62.1m adverse impact on total revenue, which was mitigated by good operational performance, commercial income upside and tight cost control. 'Regulatory operating profit (before operating costs – exceptional)' was £101.2m, £23.5m below the CAA forecast. In addition, 'operating costs – exceptional' of £17.0m were incurred which resulted in a 'regulatory operating profit' of £84.2m.

The weighted average Regulated Asset Base ("RAB") was £1,865.2m, £196.4m lower than the forecast. This results in a return on the 'weighted average RAB (before operating costs – exceptional)' of 5.4% and a return of 4.5% on the return on the 'weighted average RAB', which compare with the CAA forecast of 6.0% for the return on the 'weighted average RAB'.

Passenger Numbers

Total passenger numbers for the year were 31.6 million, 5.2 million or 14.1% below the CAA forecast, and down 2.3% on the prior year. This reflects the impact of the economic downturn during the first three years of Q5 and a number of other factors, the most significant being the intermittent closure of airspace in the three months to 30 June 2010 following the eruption of Eyjafjallajökull in Iceland. In April, airspace above Gatwick was closed for approximately six days and an estimated 600,000 passengers did not travel.

Other factors over the summer months meant an estimated 300,000 further passengers did not travel. In the winter season, the impact of heavy snowfall experienced in December was offset by a milder January compared to the prior financial year when the airport was severely disrupted by heavy snow fall.

Revenue

Overall

Relative to the CAA forecast, the 14.1% shortfall in passenger numbers had an estimated £62.1m adverse impact on total revenue. Stronger performance in retail income (in per passenger terms), and the inclusion of income from passenger with reduced mobility ("PRM") activities (not included in the CAA forecast), limited this difference in total revenue to £54.7m, 10.6% below the CAA forecast.

Airport charges

Airport charges were £34.0m or 12.3% lower than CAA forecast. Of this, £38.6m was due to lower traffic volumes, which was marginally offset by cargo income of £2.4m (not included in the CAA forecast) and an approximate £1.8m over-recovery in aeronautical charges (the out-turn aeronautical yield being higher due to a change in the seasonality and mix of traffic during the year, and lower than expected remote stand and pier coaching rebates).

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Business review (continued)

Retail and car parking income

The revenue generated from retail and car parking activities was £150.0m, which was £17.9m or 10.7% lower than CAA forecast. The 14.1% shortfall in passengers had an estimated £23.5m adverse impact compared to the CAA forecast, which was mitigated by strong trading performance in duty & tax free, and specialist shops and other in-terminal retail.

Car parking income per passenger continued to under-perform versus the CAA forecast. Competitive pressures in the market place are strong and overall yields and acquisition costs reflect this.

Property Income

Property income (excluding the specified charges relating to utilities income and “intra-group income”) totalled £26.9m. This is £1.2m above the CAA forecast (although £2.9m lower than the CAA forecast for overall property income, taking into account the £4.1m of intra-group property income forecast under “other income” below).

Income generated from the specified charge for utilities totalled £8.9m, which is comparable with the CAA forecast of £9.3m (as were utilities costs).

Other Income.

Income from ‘other’ activities totalled £28.9m, £3.5m below forecast.

Following the change in ownership in December 2009, the Company receives no intra-group income. Included in the CAA forecast for other income was £4.3m of intra-group income (largely property income relating to office accommodation taken by other BAA group functions as discussed above).

Other income includes £4.5m of income from PRM activities, which was not included in the CAA forecast.

Lower passenger traffic has impacted income from check-in and baggage and staff car park passes, which have been partially offset by higher income from vehicle fuel.

Expenditure

Overall

‘Operating costs – ordinary’ were £268.0m, £31.2m below the CAA forecast. This reflects the first full year of new ownership, and the savings made in intra-group charges being greater than the offsetting increase in staff and information technology (“IT”) costs as the Company continued to separate from BAA. Also included are PRM costs and Service Quality Regime (“SQR”) payments of £4.5m and £1.6m respectively, which were not included in the CAA forecast. Excluding these two costs, underlying ‘operating costs – ordinary’ are £37.3m below the CAA forecast.

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Business review (continued)

A detailed analysis of costs against the 2008 Decision is complex because of the separation of the Company from BAA in December 2009. While under BAA ownership, a number of services were performed centrally and recharged through 'intra-group costs'. These activities are now undertaken directly by the Company and as such, some costs forecast within 'intra-group costs' are now incurred within other categories. Further, many activities were migrated from BAA at different points during the current and prior years, and not just at the point of sale. The CAA forecast does not reflect the change in ownership nor the consequent separation of activities at different points in time. This is explained further below.

Staff Costs

Staff costs were £5.4m higher than the CAA forecast. Ongoing efficiency improvements in operational areas have reduced staff levels year-on-year, but there have been increases in other areas. Non-security staff levels are higher than those included in the CAA forecast, as the Company continued to separate from BAA and develop the stand-alone capability to perform functions that had previously been undertaken centrally by BAA.

The Company is directly incurring greater staff and contractor costs than the forecast associated with the capital investment programme post separation, including the separation of the Company's IT environment from BAA. The increase in staff costs associated with aspects of the capital investment programme are offset by the subsequent capitalisation of these costs (recognised in 'other costs' below). The capitalisation of staff costs increased to £16.9 million.

Allowing for the increase in staff costs that are subsequently capitalised, staff costs were approximately £10.0m lower than the CAA forecast, which is consistent with the prior year.

Maintenance, Equipment and IT costs

Maintenance, equipment and IT costs totalled £25.6m, £3.5m lower than the CAA forecast. This was driven by ongoing efficiency savings and deferred maintenance spend until later in Q5 in line with the latest capital plan, and offset by increases in IT costs.

Following the sale of the Company, IT costs, which are included in intra-group costs in the CAA forecast, are incurred directly by the Company. IT costs incurred directly and included in maintenance, equipment and IT costs totalled £3.8m. Further costs have been incurred in by way of a Transitional Service Agreement ("TSA") with BAA as the Company continues to separate its IT infrastructure, and these costs are included in 'other costs'.

Rent & Rates

Rent and rates were £22.5m for the year, £6.0m lower than forecast due to the periodic review of rateable poundage in the year ending 31 March 2010 not being as high as expected, a positive settlement of a rates review of prior years' charges of £1.2m during the year, and the lower rateable value resulting from the phasing of the capital investment programme during the quinquennium.

Utility Costs

Utility costs incurred in the year totalled £28.2m, which was in line with the CAA forecast.

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Business review (continued)

Police costs

Police costs for the year totalled £13.3m, £0.5m below the CAA forecast. Constructive dialogue with the Sussex Police has ensured a minimal year-on-year increase.

Other Costs & Intra-group costs.

Following the change in ownership, the Company now no longer incurs intra-group charges from BAA. The costs previously charged by BAA are now incurred directly by the Company, particularly in staff costs (discussed above), and under a TSA. The last remaining service being performed by BAA following the change in ownership is in relation to the Company's IT environment. This is expected to continue until October 2011. TSA charges of £14.4 million were incurred during the year and are included within 'other costs'.

Other costs totalled £51.5m, £11.6m above the CAA forecast. Of this difference, £4.5m and £1.6m relate to PRM costs and SQR payments respectively, neither of which were included in the CAA forecast. The CAA forecast also does not include the £14.4m TSA charges, nor does it include the credit for the capitalisation of staff costs of £16.9m (discussed in staff costs above). One-off compensation and disruption payments of £3.7 million have been made to retailers during the year in relation to the South Terminal security project.

Aerodrome navigation service costs were £16.7m, which was comparable with the CAA forecast.

Operating costs – exceptional

'Operating costs – exceptional' totalled £17.0m. £2.4m relates to the shortfall from the BAA pension trustees when the bulk transfer of assets was made to the Company's defined benefit pension plan, and £2.1m relates to the Company's restructuring programme. In addition, exceptional depreciation of £3.1m has been incurred as a result of shortening the useful life of assets associated with the South Terminal security project and £0.2m of one-off staff costs were incurred relating to separation activities that will not continue. The Company impaired tangible fixed assets by £9.2m because it was deemed that certain projects had changed scope significantly, and the costs associated with them should not be carried forward to completion.

Regulated Asset Base

The closing Regulatory Asset Base ("RAB") as at 31 March 2011 has increased 13.8% to £1,985.5 million, which is £215.6m lower than the CAA forecast, largely due to the phasing of the capital investment programme in the first three years of Q5. Actual capital expenditure in the year was £232.2m, bringing total Q5 expenditure to £517.6m compared to the CAA forecast of £718.0m.

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Performance Report

	Note	Actual '000s	CAA Forecast '000s
Terminal passengers	1	31,647	36,800
		£m	£m
Revenue			
Net revenue from airport charges	2	241.9	275.9
Other revenue	3	217.1	237.8
Total revenue		459.0	513.7
Expenditure			
Operating costs – ordinary	4	268.0	299.2
Assumed Ordinary Depreciation	6 , 7	89.8	89.8
Total expenditure		357.8	389.0
Regulatory operating profit (before operating costs – exceptional)		101.2	124.7
Operating costs – exceptional	5	17.0	-
Regulatory operating profit	7	84.2	124.7
Capital expenditure	1 , 9	232.2	259.7
Opening RAB		1,744.6	1,922.0
Closing RAB	9	1,985.5	2,201.1
Weighted average RAB		1,865.2	2,061.6
Return on weighted average RAB (before operating costs – exceptional)		5.4%	6.0%
Return on weighted average RAB		4.5%	6.0%

The notes on pages 7 to 15 form part of these regulatory accounts.

These regulatory accounts were approved by the Board of Directors on 24 June 2011 and signed on behalf of the Board.

**GATWICK AIRPORT LIMITED
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Notes to the performance report

1. BASIS OF PREPARATION

Gatwick Airport Limited (“the Company”) is required to prepare Regulatory Accounts by the Airports Act 1986. The primary purpose of these accounts is to serve the process of regulation by the Civil Aviation Authority (“CAA”).

The CAA has determined that the Regulatory Accounts shall comprise a report in the format shown on pages 7 to 15 of this report. This in turn comprises the Performance Report which sets out actual performance for the year under review compared with the forecasts underlying the determination of the price cap for Gatwick Airport Limited. These forecasts are set out in the CAA’s document entitled ‘Economic Regulation of Heathrow and Gatwick Airports 2008-2013, CAA Decision, 11 March 2008’ (“the 2008 Decision”), following its quinquennial review. The Performance Report includes notes as agreed with the CAA which describe the derivation of key regulatory results, and, where relevant, adjustments to the statutory and management accounts of the Company.

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

(a) Data sources

The principal source of data used in the preparation of these accounts is the audited financial statements for the year ended 31 March 2011 (“the audited financial statements”).

(b) Terminal passengers

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

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Notes to the performance report (continued)

1. BASIS OF PREPARATION (continued)

(c) The Regulatory Asset Base (“RAB”)

The CAA, in Annex F of its 2008 Decision, determined how the value of the RAB at 31 March 2008 should be calculated, and this is shown in note 8. The CAA further determined in Annex F how the value of the RAB should be rolled forward annually thereafter.

Capital expenditure in the year has been uplifted by the increase in RPI in accordance with Annex F of the 2008 Decision. Forecast capital expenditure has likewise been uplifted by the increase in RPI, from average 2007/08 prices (as in the 2008 Decision) to average 2010/11 prices, in accordance with CAA guidance.

The depreciation allowance has been set for each of the five years. This is referred to in Annex F of the 2008 Decision and in this report as ‘Assumed Ordinary Depreciation’;

Comparisons with the 2008 Decision have been made with the CAA ‘RAB’ forecasts. In that Decision the CAA adjusted the Basic RAB by including a profiling adjustment to arrive at a Closing RAB at each year end.

The Weighted Average RAB is calculated using the weighting formula adopted in the 2008 Decision. This equates to the sum of the closing balance multiplied by a factor of 0.5 and the opening balance multiplied by a factor of 0.5.

(d) Operating revenues and costs

Operating revenues and costs are taken from the audited financial statements of the Company for the year ended 31 March 2011. Adjustments have been made to align the presentation of actual results to that in the 2008 Decision. The principal adjustments are:

- retail and car parking costs, principally car park management fees, are netted off against income;
- operational facilities income, principally check-in and baggage rents income, are re-categorised to ‘Other revenue’ from ‘Property and operational facilities’;
- service quality rebates are excluded from operating costs; and
- gains or losses on asset disposals are excluded from operating costs.

(e) Indexation

The CAA forecasts have been derived by indexing forward the forecasts to 2010/11 in accordance with the 2008 Decision. The appropriate RPI indices are shown in note 11. Profit and loss items except airport charges have been indexed forward to 2010/11 using the average RPI for 2010/11, and the RAB using the RPI at 31 March 2011.

In accordance with the 2008 Decision, the CAA forecast for airport charges has been derived by indexing forward, on a cumulative basis, to August 2009.

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Notes to the performance report (continued)

2. AIRPORT CHARGES

	Actual 2011 £m	CAA Forecast 2011 £m
Gross and net revenue from passenger flights	239.5	275.9
Net revenue from non passenger flights	<u>2.4</u>	<u>-</u>
Net revenue from airport charges	<u><u>241.9</u></u>	<u><u>275.9</u></u>

3. OTHER REVENUE

	Actual 2011 £m	CAA Forecast 2011 £m
Other traffic charges	2.4	2.6
Retail and car parking income	150.0	167.9
Property	35.8	34.9
Other	<u>28.9</u>	<u>32.4</u>
Other revenue	<u><u>217.1</u></u>	<u><u>237.8</u></u>

Reconciliation to the audited financial statements

Other revenue	217.1
Airport charges	241.9
Retail and car parking costs netted off against revenue	<u>17.3</u>
Revenue per the audited financial statements	<u><u>476.3</u></u>

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Notes to the performance report (continued)

4. OPERATING COSTS – ORDINARY

	Actual 2011 £m	CAA Forecast 2011 £m
Staff costs	128.5	123.1
Maintenance, equipment and IT costs	25.6	29.1
Rent and rates	22.5	28.5
Utility costs	28.2	28.8
Police costs	13.3	13.8
Other costs	51.5	39.9
Intra-group costs	-	36.0
	<u>269.6</u>	<u>299.2</u>
Less service quality rebates	(1.6)	-
	<u>268.0</u>	<u>299.2</u>
Reconciliation to the audited financial statements		
Adjusted 'operating costs – ordinary'	268.0	
Service quality rebates	1.6	
Statutory depreciation	76.5	
Retail and car parking costs netted off against revenue	<u>17.3</u>	
'Operating costs – ordinary' per the audited financial statements excluding 'operating costs – exceptional'	<u>363.4</u>	

5. OPERATING COSTS – EXCEPTIONAL

'Operating costs – exceptional' includes the following:

Pension costs	2.4
Reorganisation costs	2.1
Depreciation	3.1
Staff related separation costs	0.2
Impairment of tangible fixed assets	<u>9.2</u>
Total 'operating costs – exceptional'	<u>17.0</u>

For more information regarding the nature of the exceptional operating items, refer to the financial review or the Company's audited financial statements for the year ended 31 March 2011.

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Notes to the performance report (continued)

6. ASSUMED ORDINARY DEPRECIATION

The depreciation allowance was determined by the CAA in the 2008 Decision. This has been indexed to current year values in accordance with the methodology specified in Annex F of that document.

7. REGULATORY OPERATING PROFIT

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

	Actual 2011 £m
Operating profit per the audited financial statements	95.9
Statutory depreciation	76.5
Assumed Ordinary Depreciation per CAA (indexed)	(89.8)
Service quality rebates	1.6
	<hr/>
Regulatory operating profit	84.2
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8. OPENING REGULATORY ASSET BASE AT 1 APRIL 2008

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

**GATWICK AIRPORT LIMITED
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Notes to the performance report (continued)

9. CLOSING REGULATORY ASSET BASE AT 31 MARCH 2011

		Actual 2011 £m	CAA Forecast 2011 £m
Opening Basic RAB at 1 April 2010		1,753.5	1,930.9
Additions in year	(a)	232.2	259.7
Proceeds from disposal	(b)	(0.4)	-
Assumed Ordinary Depreciation		(89.8)	(89.8)
Indexation to 31 March 2011		97.5	107.8
Closing Basic RAB at 31 March 2011	Note 10	<u>1,993.0</u>	<u>2,208.6</u>
Cumulative profiling adjustment as determined by the CAA	(c)	(7.5)	(7.5)
Closing RAB at 31 March 2011		<u><u>1,985.5</u></u>	<u><u>2,201.1</u></u>

- (a) Forecast additions in the year, £259.7 million, have been calculated by indexing forward the forecasts in the 2008 Decision by RPI (note 1).
- (b) Proceeds from disposal comprise amounts from the sale of operating assets.
- (c) This includes a price profiling adjustment as determined by the CAA of £1.4 million indexed by RPI (2010: £(3.6) million).

10. RECONCILIATION OF FIXED ASSETS IN THE AUDITED FINANCIAL STATEMENTS TO THE CLOSING RAB AT 31 MARCH 2011

		Actual 2011 £m
Net fixed assets per the audited financial statements at 31 March 2011		1,887.6
Difference between net fixed assets and RAB at 31 March 2008	(a)	(69.5)
Interest capitalised disallowed	(b)	(21.1)
Difference between net book value of disposals and proceeds	(c)	4.0
Revaluation in the audited financial statements	(d)	43.5
Indexation of RAB	(d)	163.8
Impairment in the audited financial statements	(e)	9.2
Difference between depreciation in the audited financial statements and Assumed Ordinary Depreciation	(f)	(24.5)
Closing Basic RAB at 31 March 2011		<u><u>1,993.0</u></u>

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Notes to the performance report (continued)

10. RECONCILIATION OF FIXED ASSETS IN THE AUDITED FINANCIAL STATEMENTS TO THE CLOSING RAB AT 31 MARCH 2011 (continued)

These reconciling items are explained as follows:

- (a) This reflects the difference between the net fixed asset value in the audited financial statements of £1,887.6 million and the assessed value of the Basic RAB at 31 March 2008 of £1,559.7 million (note 8). This comprises:
- (i) a reduction of £45.4 million in respect of interest capitalised from 1 April 1995 to 31 March 2008 in statutory fixed assets valuations but excluded from the RAB calculation;
 - (ii) an addition of £155.1 million in respect of the difference between the value of asset revaluations in the statutory accounts and the indexation uplifts provided in the regulatory accounts to 31 March 2008;
 - (iii) a reduction in respect of the difference between depreciation in the audited financial statements and Assumed Ordinary Depreciation of £86.8 million;
 - (iv) a reduction of £45.4 million in respect of pensions disallowed by the regulator; and
 - (v) a reduction of £47.0 million in respect of other valuation differences.
- (b) Interest costs amounting to £13.1 million (2010: £4.2 million) were capitalised in the year. The roll forward calculation for the RAB specified in Annex F of the 2008 Decision excludes capitalised interest;
- (c) Statutory asset valuations are derived after deducting the net book value of assets disposed of during the year. The RAB value specified in Annex F of the 2008 Decision is derived by deducting the proceeds of asset disposals;
- (d) Investment properties and land held for development are subject to annual revaluation in the audited financial statements. Remaining assets are held at depreciated historic cost. The RAB is revalued annually by reference to the Retail Prices Index ("RPI") as specified in Annex F of the 2008 Decision;
- (e) Costs totalling £9.2 million were charged in the audited financial statements for impairment of fixed assets. The roll forward calculation for the RAB specified in Annex F of the 2008 Decision excludes impairment charges;
- (f) This reflects the difference between the amount charged as depreciation in the audited financial statements (including an exceptional depreciation charge of £3.1 million) and the Assumed Ordinary Depreciation allowed in the 2008 Decision and specified in Annex F of that Decision.

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Notes to the performance report (continued)

11. INDEXATION

The following indices have been used for revaluing forecasts:

Average RPI index for the year ended 31 March 2007	200.3
Average RPI index for the year ended 31 March 2008	208.6
Average RPI index for the year ended 31 March 2010	215.8
Average RPI index for the year ended 31 March 2011	226.5
RPI index at 31 March 2008	212.1
RPI index at 31 August 2009	214.4
RPI index at 31 March 2010	220.7
RPI index at 31 March 2011	232.5
Increase from average 2008/09 to 31 March 2009	(1.62%)
Increase from average 2006/07 to 31 March 2008	5.89%
Increase from average 2007/08 to 31 March 2008	1.68%
Increase from average 2007/08 to 31 March 2011	11.46%
Increase from average 2007/08 to average 2010/11	8.57%
Increase from average 2010/11 to 31 March 2011	2.66%
Increase from 31 March 2010 to 31 March 2011	5.35%
Assumed increase to August 2007 per 2008 Decision	2.63%
Increase from 31 August 2008 to 31 August 2009	(1.29%)
Cumulative increase from 2008 Decision to 31 August 2009	6.14%

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Notes to the performance report (continued)

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

		2011 £m
Operating profit per the audited financial statements	Note 7	95.9
Depreciation	Note 4, 5	79.6
Impairment of tangible fixed assets	Note 5	9.2
Increase in stock and debtors		(5.3)
Increase in creditors		2.6
Decrease in provisions		(1.8)
Increase in net pension asset		(2.7)
		<hr/>
Net cash inflow from operating activities		177.5 <hr/> <hr/>