IVY HOLDCO LIMITED

Annual Report and the Consolidated and Parent Company Financial Statements for the year ended 31 March 2019

Company Registration Number 07497036

ANNUAL REPORT AND THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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STRATEGIC REPORT

As at 31 March 2019, Ivy Holdco Limited (“the Company”) has four wholly-owned subsidiaries: Gatwick Airport Limited (“Gatwick”, “GAL”, “the Airport”), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively “the Group” or “the Ivy Holdco Group”.

The Company’s subsidiary, Gatwick Airport Limited, accounts for the significant majority of the Group’s operations.

Strategy

The Ivy Holdco Group 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 Gatwick’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 its 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 Gatwick'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.

STRATEGIC REPORT (continued)

Regulatory Environment (continued)

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. In June 2018 the CAA published CAP 1684: "Future economic regulation of Gatwick Airport Limited: initial consultation." This document consults on a possible CAA process to determine the regulatory arrangements for the period beyond the end of the current Commitments in 2021. The document is broadly supportive of Gatwick's favoured process of approaching the airlines directly with a commercial proposal, recognising this mechanism was embedded in the original Commitments.

During the autumn of 2018 and spring of 2019 Gatwick, together with its airline community and with input from the passenger advisory group have commissioned passenger research and reviewed the service standards at Gatwick Airport. In addition to this, in December 2018 Gatwick presented to the airlines its commercial proposal to amend the commitments and extend them to 31 March 2025. It is expected that this process will continue into the second half of 2019.

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.

Financing Structure

The Group is party to a Common Terms Agreement ("CTA") with, *inter alia*, the National Westminster Bank 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 21 June 2018 has a Revolving Credit Facility of £300.0 million and a tenor of five years (with two, one year extension options) giving a termination date of 21 June 2023 (and extension options to 21 June 2024 and 21 June 2025 respectively). As at 31 March 2019, the Group had £180.0 million (2018: £280.0 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 2019, total bond debt was £2,500.0 million (2018: £2,500.0 million) (refer to note 24).

	Scheduled maturity	Legal maturity	Issue date	**As at 31 March 2019 £m**	As at 31 March 2018 £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**	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**	300.0	Ivy Holdco Limited
				2,500.0	2,500.0	

STRATEGIC REPORT (continued)

Financing Structure (continued)

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.

The Group 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 Group with appropriate headroom.

Further information on the financing structure is included in note 24 of the financial statements.

Ownership

Global Infrastructure Partners, LP (“GIP 1”), together with its four co-shareholders (Abu Dhabi Investment Authority, National Pension Service of the Republic of Korea, California Public Employees’ Retirement System and the Future Fund) (collectively, the “Existing Gatwick Shareholders”), on 13 May 2019 completed the sale of a 50.01% interest in GAL to CRUISER Bidco Limited (a wholly owned subsidiary of VINCI SA) (a company incorporated in France) for a total equity consideration of approximately £2.9 billion (the “VINCI Transaction”).

The remaining 49.99% interest in GAL will remain ultimately managed by GIP. As such, the Existing Gatwick Shareholders intend to sell their remaining 49.99% interest to a combination of separate accounts and limited partnerships, all of which will be managed by Global Infrastructure Management, LLC (“GIM”), the manager of GIP 1. Both VINCI and GIM have agreed a medium term business plan and are supportive of the longer term growth options and investment outlined in the draft Master Plan 2018.

Review of the Business

Under sections 414A and 414C of the Companies Act 2006 (“the Act”), the Group is required to produce a fair review of the business of the Group, including a description of the principal risks and uncertainties facing the Group, 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 Group has complied with.

Overview of the Year Ended 31 March 2019

The Group has reported a profit for the year of £208.1 million for the year ended 31 March 2019 compared to a profit of £202.3 million for the year ended 31 March 2018. These results are discussed in more detail in the financial review section of this report.

STRATEGIC REPORT (continued)

Review of business (continued)

Overall Passenger Traffic Trends

Gatwick's passenger traffic continued to show strong growth during the year, increasing by 0.7 million (1.6%) passengers to 46.4 million. Long-haul routes were a major source of growth, increasing by 1.1 million passengers or 14.3%. Short haul and domestic traffic were 0.4 million passengers below the prior year, mainly as a result of the loss of Monarch Airlines, which ceased trading in October 2017, and the slow utilisation of Monarch's previous slot allocation.

	Year ended 31 March 2019	Year ended 31 March 2018
Passengers	**46,442,154**	45,693,329
Air transport movements ("ATMs")	**281,741**	280,792
Passengers per ATM	**164.8**	162.7
Seats per ATM	**191.0**	187.4
Load factors (%)	**86.3%**	86.8%

Commercial flight types only

Passenger Traffic by Region

The table below outlines passenger numbers by region for the year ended 31 March 2019 and the comparative year ended 31 March 2018.

	Year ended 31 March 2019 m	Year ended 31 March 2018 m
Short haul		
Europe (including UK and Channel Islands)	**36.6**	37.2
Northern Africa	**1.0**	0.8
Total short haul	**37.6**	38.0
Long haul		
North America	**4.6**	3.9
Caribbean and Central America	**1.8**	1.8
South America	**0.2**	0.1
Sub-Sahara Africa	**0.4**	0.5
Middle East and Central Asia	**1.2**	1.0
Far East and South Asia	**0.6**	0.4
Total long haul	**8.8**	7.7
Total passengers	**46.4**	45.7

STRATEGIC REPORT (continued)

Short Haul European Traffic

Passenger traffic on European and Domestic routes for the year was 0.6 million (1.6%) below the prior year.

British Airways, TUI, Thomas Cook and Qatar utilised the summer slots available from the acquisition of Monarch slots by IAG in December 2017. However, due to the lateness in the Summer 2018 process of the slots becoming available, these slots were unable to be utilised for the entire season, and for most of the portfolio the aircraft used for the incremental flying were smaller capacity than Monarch's A321s the year before. This lower utilisation of the slot portfolio directly contributed to the decline in European passenger traffic.

Ryanair's cancellation of the three times per day service to Belfast reduced the Domestic market by 0.3 million passengers. This capacity was not replaced by another operator. The slots were instead used for European traffic.

Gatwick's biggest airline, easyJet, grew its European and Domestic traffic by 0.3 million (1.7%) passengers in the year.

Vueling's traffic grew by 0.1 million (12.2%) passengers, reflecting increased services to Barcelona, Florence and Rome.

Long Haul Traffic

Long haul traffic grew by 1.1 million (14.3%) passengers in the year compared to the prior year. Long haul destinations now account for 19.0% of Gatwick's passenger traffic, an increase of 2.2% points on prior year.

Traffic on North American routes grew by 0.7 million (17.9%) passengers. This growth was driven by Norwegian, as the airline continued to increase capacity on its USA services; introduced a new route to Tampa and increased services to Florida (Fort Lauderdale and Orlando). Norwegian also commenced a service to Buenos Aires which increased to daily in the Winter season, which helped boost South America passenger numbers by 0.1 million.

The Far East continued to be an important source of long-haul growth, with the number of passengers growing 45% in the year compared to prior year. The principal additions were new services to Chengdu by Air China and Shanghai by China Eastern.

Route Development

Gatwick continued to develop its route network, achieving record traffic figures during the year ended 31 March 2019 of 46.4 million passengers and with a 27.0% share of the London market (as defined by the four largest airports' throughput to the end of January 2019).

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 168 seats to 171 seats by the end of the year; mainly driven by the addition of four A321 aircraft with 235 seats into their Gatwick fleet. Their aircraft movements increased by 0.2% and their average load factor to 90.7%. These changes were the drivers for a 0.3 million year on year increase in easyJet's passenger numbers. easyJet commenced year round routes to Warsaw, Jerez and Dusseldorf and three winter routes to Roveniemi, Aarhus and Aqaba. They announced a summer seasonal route to Zadar in Croatia.

- British Airways has continued to grow long haul services at Gatwick, commencing new routes in Summer 2018 to Toronto and Las Vegas. However the majority of their growth in this period was with short haul services of 0.5 million passengers year on year, utilising the slots they purchased from Monarch. This enabled them to grow their total passengers at Gatwick to 7.5 million passengers, a 0.8 million growth in passengers from the previous year.

STRATEGIC REPORT (continued)

Route Development (continued)

- Norwegian delivered long haul growth during the period, adding a third daily service to New York, increasing their Buenos Aires flight to a daily service, and adding new services to Miami and Tampa. These additions brought their Gatwick based Boeing 787 fleet up to a total of 13 aircraft in March 2019. In total Norwegian's long haul passengers grew by 0.8 million in the year.

Other notable highlights during the past year include:

- China Eastern commenced a three weekly service to Shanghai in December 2018. They plan to increase this capacity during 2019;

- Wizz announced three new routes commencing Summer 2019 to Cluj in Romania, Gdansk in Poland, and Budapest in Hungary. Currently, only Budapest is served from Gatwick.

- Turkish Airlines launched year round flights to Ankara and Antalya and a seasonal service to Bodrum.

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 2019 £m	31 March 2018 £m
Capital expenditure	**249.3**	239.7

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 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. An updated Capital Investment Programme is due to be published in the Summer of 2019. The Group has continued to invest heavily in its Capital Investment Programme, spending £249.3 million in the year ended 31 March 2019 (2018: £239.7 million). Capital investment is forecast to be approximately £1.5 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.

STRATEGIC REPORT (continued)

Capital Investment Programme (continued)

Key capital investment projects and programmes completed and in construction during the year ended 31 March 2019 can be summarised as follows:

- **Pier 6 Programme:** Design and construction works continued during the year on a significant programme of works to extend Pier 6 in order to improve pier service levels. Enabling works underway during the year included taxiway alignment and stand reconfiguration. The scheme, once complete will include an additional 8 A321 compatible gates in order to meet the continued growth and up gauging of the airline fleets.

- **Terminals Programme:** Investment continued during the year on the airports terminals with a view to improving resilience, efficiency and passenger service. Works included expansion of check in facilities, expanding further the self-service bag drop offerings in both terminals, and replacing the ceiling in South Terminal check in areas. Trials with passengers have also commenced on a new automated boarding gate process, designed to utilise biometrics to make the future boarding process more efficient. Work continued in the South Terminal on a new facility for Common Travel Area ("CTA") and domestic passengers. This will create a segregated walking route from Pier 1 for these arriving passengers as well as a new baggage reclaim facility.

- **Baggage Programme:** An extensive programme of works continued during the period 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 across both terminals and includes upgrading the screening machines to the latest security standards along with associated reconfiguration of the baggage system.

- **Commercial Programme:** A number of projects were completed during the year which have improved the retail and catering offerings at the Airport. In North Terminal, Ann Summers, Rolling Luggage, Harry Potter, Dixons, JD Sports and WHSmith all had new stores opened in the period. Work commenced on a large extension to the mezzanine level in the international departure lounge which will accommodate new food and beverage offerings in addition to providing seating space for passengers. In South Terminal, Itsu began trading and a new WHSmith opened, accompanied by a range of pop-up units.

- **Asset Stewardship:** Investment to maintain the existing asset base of the Airport has been ongoing during the period. These works can be categorised into: Airfield, Facilities, Commercial, IT, Compliance and EHS and are considered critical to enhance the passenger experience whilst passing through the Airport. GAL's 2018 CIP is forecasting to spend over £350.0 million in this area over the next five years to 2023.

- **Airfield Programme:** There continues to be significant investment in airfield asset stewardship and resilience in terms of taxiway rehabilitation and reconfiguration of various stands to enable the Airport to meet the changing demands of the airlines. Substation and road works associated with the new aircraft hangar completed during the year while construction of the hangar itself is ongoing. This project, in partnership with Boeing will make available to airlines the necessary premium-line maintenance facilities to aid their expansion. The hangar will be large enough to accommodate two B777X aircraft and will offer significant employment, training and apprenticeship opportunities, including the creation of circa 100 jobs.

- **Resilience:** A programme of works to improve Gatwick's resilience has been ongoing, including projects to reduce risk associated with power, flooding, weather disruption events, terminal equipment failures, IT upgrades and security. This programme aims to ensure operational resilience remains a key component of our operational and capital investment plans going forward. GAL's 2018 CIP is forecasting to spend £44.0 million in this area over the next five years to 2023.

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.

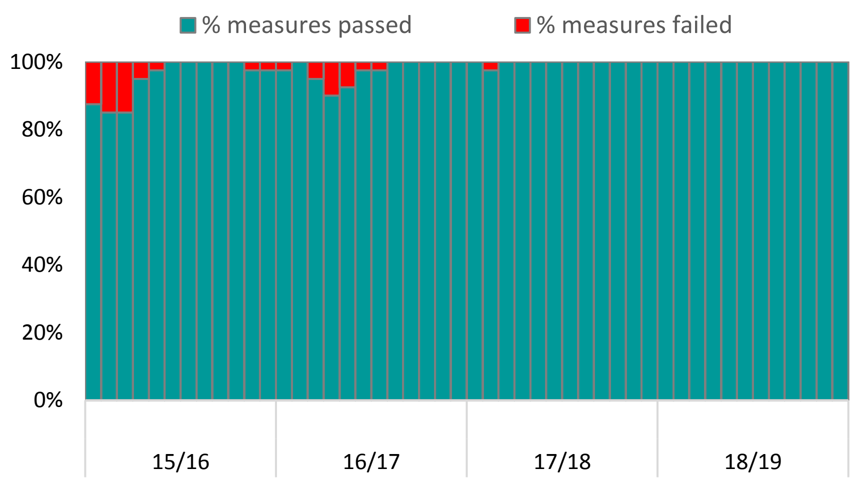
The Core Service Standards ("CSS") are stretching targets for a variety of measures impacting the passenger experience, from security queuing times to the availability of terminal and airfield assets, ensuring Gatwick is constantly focused on the performance in these key areas. The scheme also incorporates 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 100% of its CSS targets during the year ended 31 March 2019 compared to 99.6% in the prior year.

Percentage of Core Service Standards passed per month



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.

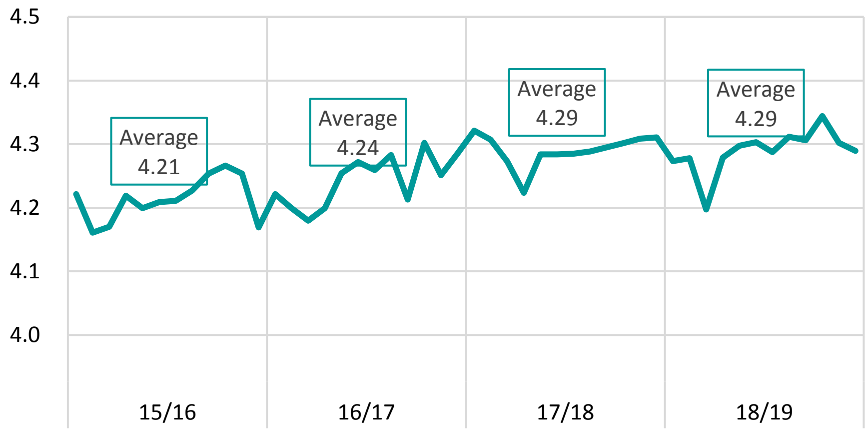
Gatwick's overall QSM score reached 4.29 at the end of 2017/18 and had remained consistently at 4.29 by the end of 2018/19 (5 = excellent; 4 = good; 3 = average; 2 = poor; 1 = extremely poor).

STRATEGIC REPORT (continued)

Operational Performance (continued)

Passenger Satisfaction (continued)

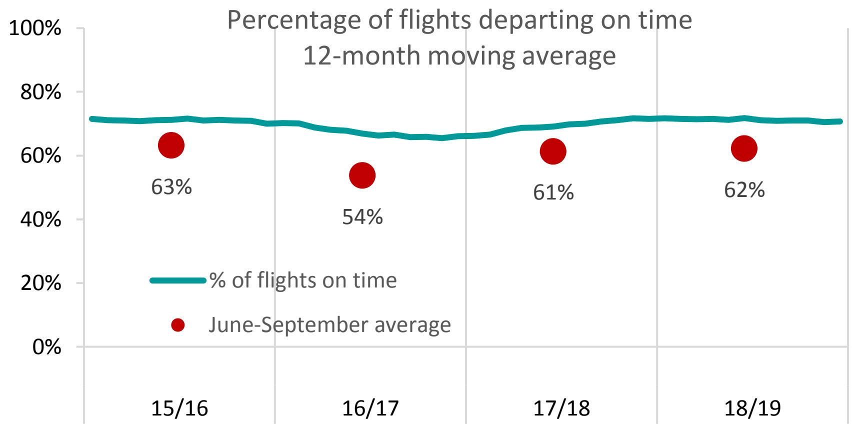
The following chart shows Gatwick's continued high performance over the last four years against a backdrop of increased passenger numbers using the Airport and its services.



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 2019, 70% of departures from Gatwick departed no later than 15 minutes after the scheduled time of departure, in line with performance for the year ended 31 March 2018 despite a higher exposure to airspace restrictions.

A number of factors can influence on time performance and a range of stakeholders including Gatwick, air traffic control providers, 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 destination airports; approximately 35% of departures were issued with an airspace restriction in Summer 2018 (up from 30% in Summer 2017); and (ii) pressures in the ground handling market, with some ground handlers continuing to find it challenging to deliver against scheduled turn times.

STRATEGIC REPORT (continued)

Operational Performance (continued)

Airfield Performance (continued)

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) scheduling adjustments, (ii) end to end process reviews of turn management and (iii) innovative and collaborative working with Gatwick and ground handling providers.

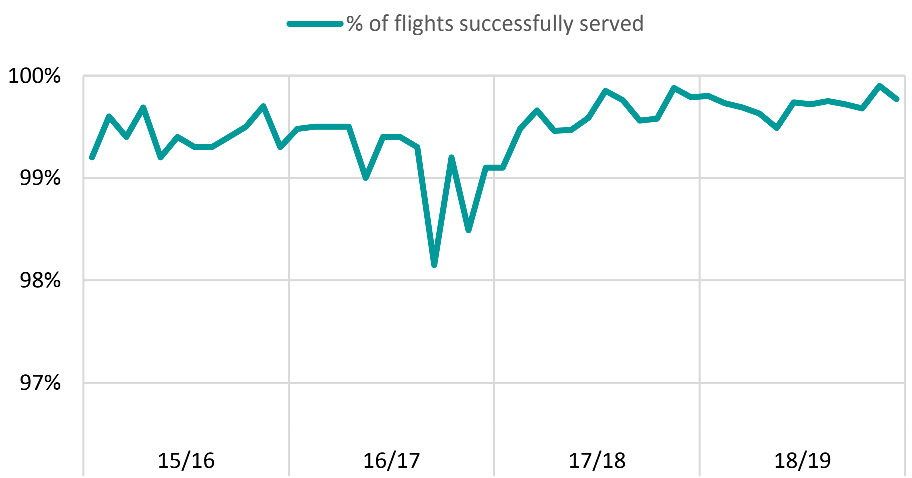
Gatwick's efforts to support an improvement in on time performance are continuing into 2019/20 with (i) investment in terminal and airfield infrastructure, including an extension to Pier 6, (ii) on-going investment in a dedicated airline performance team to support turn performance and (iii) continuation of the financial incentive scheme that rewards airlines 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.

Notwithstanding the higher levels of airspace restrictions that are anticipated – primarily as a result of on-going capacity and staffing issues in European airspace sectors – Gatwick is targeting a further improvement in on time performance in 2019/20.

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 2019, 99.7% 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 99.6% 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.

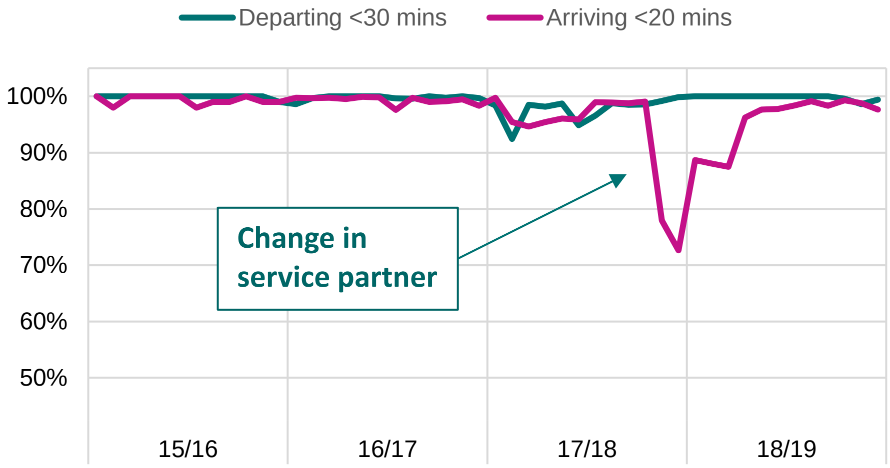


STRATEGIC REPORT (continued)

Operational Performance (continued)

Special Assistance Service

After a difficult start to the contract with the new service partner in February 2018, performance has been steadily improving since July 2018. All arrivals performance scores have been continuously improving and now remain at a steady score. The chart below shows for each month, the percentage of departing and arriving passengers requiring Special Assistance Services that were successfully served.



Airspace Change and Noise

Environmental Noise Directive Noise Action Plan

Under the Environmental Noise (England) Regulations 2006, Gatwick Airport Limited is required to produce a Noise Action Plan, intended to be the overarching instrument that provides a comprehensive and effective driver for aircraft noise management and mitigation around the Airport.

Gatwick's first Environmental Noise Directive (END) Noise Action Plan was published in June 2010 and covered the period 2010 - 2015. This action plan was subsequently updated to cover the period 2013 - 2018. During 2018, Gatwick consulted on the third revision to the action plan, building on the foundations set by the previous version. It was revised in line with the latest guidance provided to airport operators by the Department for Environment, Food and Rural Affairs.

In revising the END Noise Action Plan, Gatwick consulted with the Gatwick Airport Consultative Committee (GATCOM), Crawley Borough Council and West Sussex County Council; the local authorities being the 'Lead Authorities' for the purposes of the Section 106 Memorandum of Understanding with the other Local Authorities whose areas are significantly affected by the activities of the Airport.

This revised END Noise Action Plan, covering the period 2019-2024 builds significantly on the actions in the previous version - containing 32 new, 18 amended, and 8 retained actions. The END Noise Action Plan 2019-2024 was formally adopted by the Parliamentary under Secretary of State for the Environment on 11 February 2019 and Gatwick has already commenced the process of implementation of a number of the action plan actions contained within it; these action plan actions contained within the END Noise Action Plan continue to align with the S106 Legal Agreement with West Sussex County Council and Crawley Borough Council, the work plan of the Noise Management Board and Gatwick's Decade of Change Sustainability Strategy.

STRATEGIC REPORT (continued)

Airspace Change and Noise (continued)

Flight Performance Team Review

In 2018 Gatwick commenced a review of its Flight Performance Team. The review developed into a £1.1 million upgrade program to fully replace its Noise and Track Keeping system (NTK) and the supporting processes. By utilising independent experts to conduct reviews and best practice studies, Gatwick intend to fully update its processes in-line with industry best practice. This included the Australian Noise Ombudsman who undertook a comprehensive review of Gatwick's noise complaint handling processes. A first for an airport outside of Australia.

Airspace Modernisation – FASI-South Programme

Following the completion and assurance of concept development work by NATS over 2017/18 the Government tasked the CAA with the development of an Airspace Modernisation Strategy. Gatwick contributed to the development of this strategy, which was published in December 2018. This strategy lists 15 linked initiatives which aim to address the decreasing airspace capacity in the face of steady passenger demand for more routes and schedule choices. Gatwick has presented its Statement of Need to the CAA in the September 2018. This set out the outcomes Gatwick wanted to achieve from this once-in-a-generation opportunity to secure an airspace design commensurate with the demands of 21st Century commercial aviation and in full recognition of the impact aviation can have on communities local to the Airport. Gatwick's ambitions were approved by the CAA and the Airport has commenced a two year programme of engagement with stakeholders on design principles and design options; ultimately the Airport expects to consult, along with many other airports, on a short list of designs in 2021. Implementation is expected to take place over the winter on 2024/25 and a considerable amount of effort is being expended to ensure that the implementation will be safe and delivers the hoped for benefits.

Route 4 Airspace Change

Work has now commenced on an airspace change on the initial portion of the Route 4 Standard Instrument Departure routes. This departure route off Runway 26 turns right shortly after take-off and tracks east. Over a number of years the flight path over the ground has changed and the CAA have asked Gatwick to look again at routeing to see if there are flight path options that could reduce the impact on local communities. This work is expected to take two years and could be implemented in 2021.

Noise Management Board Update

A formal Board Review process was commenced in April 2018 in order to comprehensively review the NMB's constitution, considering and taking into account the views of all NMB Members. The Review sought extensive feedback from members and shared the results and analysis of the independently reviewed feedback.

Changes are proposed to the NMB structure, governance and membership, to include an NMB Executive Committee and an NMB Community Forum. This structure will be a more effective means of drawing together all of the appropriate stakeholders, both local and industry, to collaborate on practical measures to reduce noise, and Gatwick looks forward to establishing this new structure and continuing to reduce noise at the Airport.

The NMB work plan is made up of key initiatives designed to manage noise impacts. The Reduced Night Noise trial for arriving aircraft, is one such initiative, which aims to increase the height of low flying aircraft so that the noise they make on the ground below is reduced. The trial would be scheduled to run between the hours of 0130-0500 and, based on the results of similar approaches at Schiphol and Dublin airports. The work plan also includes important work to reduce the noise of aircraft departing from Gatwick Airport, and further work to better understand the impacts of aircraft noise when moving into or around the area, including effects of building development around the area.

STRATEGIC REPORT (continued)

Airspace Change and Noise (continued)

Noise Management Board Update (continued)

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.

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.

Gatwick invests significant resources into protecting and maintaining the environment, and is keen to give the local community an insight into how the Airport looks after the habitat and range of species living on the doorstep of one of Europe's busiest airports. Gatwick is a founding partner of Gatwick Greenspace Partnership and over the last year the Partnership has worked with over 900 children, 100 young people (16-25), and 300 teachers and adult learners as a result of Gatwick's sponsorship. These individuals have made the most of Gatwick's landholdings as a resource for forest schools, guided walks, practical conservation and ecology training.

Gatwick is also working with the communities to ensure everyone can enjoy the local countryside. Over the next three years, Gatwick is sponsoring the 'Miles without Stiles' programme to increase awareness and the number of walking routes in the South Downs that are accessible to wheelchair users, families with pushchairs and less agile walkers. Gatwick's support of the South Downs National Park Authority will enable the expansion of the Miles without Stiles network, so more people can access and use these pathways, and experience the physical and mental benefits of getting closer to nature.

Gatwick's sponsorship of South & South East in Bloom presents a great opportunity to connect with a broad community of gardeners, supporting social inclusion, sustainability and conservation; and recognising horticultural achievements, environmental responsibility and community participation in an inclusive way.

Gatwick's Education Programme - Inform, Inspire, Invest, aims to open the world of opportunity that the Airport offers to everyone, and to help young people develop the right skills for the right job, with an emphasis on science, technology, engineering and maths (STEM).

To further promote careers in STEM, Gatwick continues to be the only UK airport to use the "Learn Live" streaming platform to provide monthly broadcasts for UK secondary schools about careers at the Airport. Since commencing the programme in late 2017, Gatwick is now averaging 50 schools joining each broadcast, and have had 50,000 student's views. Gatwick has also been able to promote the Airport on a wider scale by taking part in a UK wide incentive in promoting apprenticeship opportunities, through the National Apprenticeship Service. All past broadcasts are available on Gatwick's website.

In 2018, Gatwick Airport extended its headline sponsorship of the Big Bang South East event, and enabled the event, through sponsorship, to be held over two days. The event is the biggest single celebration of STEM for young people in the South East. The event was attended by over 9,000 9 to 19 year old students from 200 schools, all looking to be inspired by interactive workshops, shows and other STEM- related activities. Of those students who attended, two thirds were visitors to the Gatwick Zone which consisted of more than 20 interactive airport related activities, supported by a range of airport teams, including Airfield Operations and Engineering, Biodiversity and IT plus various partner organisations including easyJet and DHL. The event was supported by over 100 Gatwick employee volunteers.

Continuing on the theme of skills, 2018 also saw the launch of the One Destination Employability programme. With Gatwick in partnership with local Job Centres, employability partners and a training provider, the Airport successfully got 35 people back into the workplace within members of the Gatwick Family – several of whom had been long term unemployed. The programme is running at a 92.5% success rate.

STRATEGIC REPORT (continued)

Community Engagement (continued)

Gatwick continues its active membership of economic groups and partnerships, working together to build a strong local supply chain, boost business, and to strengthen opportunities for employment and skills development. Gatwick had again successfully partnered with Gatwick Diamond Initiative and Crawley Council to run the 18th Meet the Buyer programme.

Throughout the year Gatwick 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.

Throughout 2018 Gatwick has been involved with a whole host of local events and organisations, bringing local residents together which gives the Airport an opportunity to connect with and support its nearest neighbours. Regional events provide the Airport with opportunities to play a positive role across a wider area. Some of the regional events and organisations that Gatwick has supported this year have had audiences reaching several hundred thousand people, for example leading the Community Parade at Brighton Pride Festival in the city wide celebration of diversity, and partnering with the Brighton Marathon Weekend.

For the second year in a row Gatwick hosted ‘Gatwick Fun’ in association with the Gatwick Aviation Museum, which is a free to attend day for families, providing a behind the scenes look at some of the services which operate at the Airport. Our local community were given the opportunity to get close to the vehicles and equipment used by the Airport and to meet Gatwick teams and other third parties.

The Gatwick Foundation Fund, which was established to support local grassroots community and voluntary projects to make a difference to people’s lives and meet local need, was 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 60 projects supporting the needs of young people, families, and the elderly. This is in addition to the £218,000 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.

Gatwick announced its new charity partnerships for the next two years in early April. Following a staff vote, St Catherine's Hospice was re-selected as the Airport's charity partner, while Air Ambulance Kent, Surrey and Sussex was also chosen to replace the national charity Gatwick supported in the past. The two organisations join Gatwick's longstanding charity partnership with Gatwick TravelCare, Gatwick’s resident charity for passenger welfare. It comprises of a small team made up of volunteers who make a big difference to hundreds of passengers every year. The Airport has supported the charity since starting in 1986.

Future Developments

For planning purposes, Gatwick is currently projecting c.48 million passengers to travel through the Airport during the year ended 31 March 2020 (actual for year ended 31 March 2019: 46.4 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+2.5% has been applied to the Core Yield for the year ending 31 March 2020. A permitted adjustment relating to the installation of new hold baggage screening equipment has also been applied which is expected to have a yield impact of approximately 0.6%.

STRATEGIC REPORT (continued)

Brexit

Gatwick continues to monitor the effects of Brexit on the UK economy and the knock-on impact on traffic levels. While UK GDP out turned only slightly under expectations for fiscal year ending March 2019, expectations for fiscal year ending March 2020 remain cautious. The uncertainty around Brexit, and the future terms of a Brexit, has resulted in lower consumer confidence and discretionary spend. In turn, this could impact traffic levels in the short term.

Nevertheless, Gatwick continues to experience a greater mix of inbound passengers, which offsets some of the impact. Sterling currency depreciation against the Euro means that London continues to attract more inbound European travel due to its relative affordability compared to almost 3 years ago. In the medium and long term, passenger demand in the London system remains strong. London is the biggest Origin and Destination aviation market in the world and Europe's most visited city. Gatwick's position in the South East in a densely populated catchment area with excellent surface access to London mean it continues to be well-insulated to longer term macro-economic impacts as a result of future Brexit terms.

The UK and EU recently agreed to extend Article 50 until 31st October 2019 (at the latest). If the UK and EU ratify the Withdrawal Agreement before 31st October, then the UK would leave the EU on the first day of the following month. From an aviation perspective, this Withdrawal Agreement provides for a stand-still transition period (also known as the implementation period) and provides for a mechanism to extend the transition period, if required. During this transition period practically nothing changes - the UK will continue to participate in EASA, remains a member of the Single Aviation Market, remains part of the EU's one-stop security arrangements and remains part of the EU's Air Service Agreements with third countries, such as the US and Canada. A comprehensive Air Transport Agreement will need to be negotiated post transition, along with agreements with these third countries. Most of these bilateral arrangements have already been agreed, and the DfT are confident the remaining agreements will be agreed in advance of the UK leaving the EU.

If a Parliamentary consensus cannot be reached for a Brexit deal, then the EU has formally enacted no-deal contingencies for air connectivity & safety. For a period of 12 months, this broadly ensures airlines will be allowed to keep flying between the UK and the EU without any restrictions on capacity and under the same security and safety protocols. The UK has reciprocated these arrangements. Some consumer confidence will have been restored as a result of these temporary arrangements, particularly for people intending to travel after 29th March 2019, although wider indicators show that forward sales have been impacted.

There also remains the possibility that the UK could revoke Article 50 itself, without having to ask the other 27 EU countries for permission. Under this scenario, the European Court of Justice have stated the UK would then remain a member of the EU on the same terms as it has now.

Financing activities

As at year ended 31 March 2019, the average interest rate payable on borrowings was 4.71% p.a. (2018: 4.89% p.a.).

During the year ended 31 March 2019 the Group has not issued any new bonds. On 21 June 2018, the Group executed a new Authorised Credit Facility ("ACF") and terminated the existing facility. The new ACF Agreement has a Revolving Credit Facility of £300.0 million and a tenor of five years (with two, one year extension options) giving a termination date of 21 June 2023 (and extension options to 21 June 2024 and 21 June 2025 respectively). Further information is included in note 24 of the financial statements.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW

During the year ended 31 March 2019 the Group made a profit after tax of £208.1 million (2018: £202.3 million profit).

Revenue

In the year to 31 March 2019, the Group's revenue increased as a result of the increased passenger numbers benefitting aeronautical, retail and car parking income.

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Aeronautical income	**427.8**	396.6
Retail income	**191.3**	177.3
Car parking income	**88.3**	87.8
Property income	**31.9**	29.1
Operational facilities and utilities income	**32.5**	34.5
Other income	**39.0**	38.9
Total revenue	**810.8**	764.2

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 2019, aeronautical income increased by 7.9% or £31.2 million to £427.8 million. This was mainly due to an increase in the level of published airport charges and a 0.7 million or 1.6% increase in passengers, 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 5.6% (equivalent to RPI+1.1%, plus a permitted security cost adjustment of 0.6%) for the year commencing 1 April 2018. Any permitted security cost adjustments are outside of the underlying price commitment.

Including the impact of bilateral pricing agreements, the aeronautical income per passenger for the year ended 31 March 2019 was £9.22 (2018: £8.68), an increase of 6.2% over the year.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Retail Income

Net retail income increased by £13.1 million or 7.5% during the year ended 31 March 2019 compared to a 1.6% increase in passengers. Net retail income per passenger is calculated as follows:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Retail income		
Duty and tax-free	**59.1**	53.5
Specialist shops	**44.1**	42.9
Catering	**41.8**	37.5
Bureau de change	**26.6**	26.8
Other retail	**19.7**	16.6
	191.3	177.3
Less: retail expenditure	**(3.4)**	(2.5)
Net retail income	**187.9**	174.8
Passengers (m)	**46.4**	45.7
Net retail income per passenger	**£4.05**	£3.82

Net retail income per passenger increased by £0.23 or 6.0% to £4.05 (2018: £3.82).

Duty and tax-free performance saw income levels increase in the year by 10.5%. The opening of the North Terminal walkthrough in September 2017 has driven the performance of World Duty Free (WDF) in the first half of the year. The opening of a new WDF collections store in North Terminal and an extension to the WDF contract on improved terms has sustained growth into the second half.

In summer 2018, four new retail units opened in the space World Duty Free vacated after the walkthrough store opened. The four new units were World Duty Free Collections, WHSmith, JD Sports and Dixons. This has led to further unit changeovers in North Terminal. New brands included Rolling Luggage, Harry Potter, Ann Summers and Oliver Bonas. In addition, some of our existing brands have refurbished their outlets or moved location. These stores have improved the choice available for customers and reflect the ongoing optimisation of the retail proposition at the Airport.

The strength of the catering category continued with income up 11.5%, and delivered a 9.8% increase in income per passenger. To meet demand, Pret a Manger in North Terminal was extended and there is an ongoing development to extend Pret a Manger in South Terminal. Itsu opened in South Terminal in the early autumn. In March, a new restaurant concept ‘Sonoma’, operated by The Restaurant Group, opened in the North terminal to replace Garfunkels and Armadillo. The second phase of this project has just started and later in the year two new catering outlets will open in the space previously occupied by Eat and Shake a Hula.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Car Parking Income

Net car parking income increased by 1.3% during the year ended 31 March 2019 through a combination of income growth and continued focus on cost reduction. Net car parking income per passenger is calculated as follows:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Car parking income	**88.3**	87.8
Less: car parking expenditure	**(19.1)**	(19.5)
Net car parking income	**69.2**	68.3
Passengers (m)	**46.4**	45.7
Net car parking income per passenger	**£1.49**	£1.49

Net car parking income per passenger for the year to 31 March 2019 remained at a similar level to last year despite some challenging market conditions.

The most significant of these was the decline in UK resident non-transfer departing passengers, the primary market relevant to the car parks business. Gatwick market research data showed an average decline in these passengers of 3.9% across the year compared to last year. However, this masks a 5.1% decline in the first six months of the year as a result of macro-economic factors and continuing to experience the loss of Monarch passengers. There was an improvement in the second half of the year (to a decline of 2.1%) reflecting the annualisation of the Monarch loss.

In terms of supply, Gatwick continues to invest in new car park capacity. A major project to build decking in the South Terminal Long Stay car park completed in August and delivered 1,100 incremental spaces for passengers. During the year, our competitors also developed additional capacity of a similar scale.

The Gatwick sales strategy continues to focus on sales direct to our dedicated website, resulting in lower sales costs year on year. In particular for this year, targeted customer segmentation pricing initiatives drove considerable yield growth and despite lower transactions over the winter period, this resulted in revenue growth.

Other Income Categories

Other income categories (i.e. excluding aeronautical, retail and car parking) increased by £0.9 million (0.9%) to £103.4 million in 2019 (2018: £102.5 million) primarily as a result of increased passenger numbers.

Income per Passenger

Income per passenger for the year ended 31 March 2019 increased by £0.75 (4.5%) to £17.47 (2018: £16.72).

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Operating Costs

Operating costs have increased by £18.8 million or 3.6% to £539.4 million during the year ended 31 March 2019 (2018: £520.6 million).

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Staff costs	**203.6**	201.9
Retail expenditure	**3.4**	2.5
Car parking expenditure	**19.1**	19.5
Maintenance and IT expenditure	**45.2**	40.6
Utility costs	**23.1**	21.1
Rent and rates	**32.8**	30.3
Other operating expenses	**42.2**	37.1
Depreciation and amortisation	**170.0**	167.6
Total operating costs	**539.4**	520.6

Staff costs increased by £1.7 million or 0.8% for the year ended 31 March 2019, primarily due to a cost of living increase in average salaries which is partly offset by a 1.3% decrease in the number of full-time equivalent (“FTE”) employees in the current year.

Staff costs associated with the capital expenditure programme decreased by £1.0 million (2.4%) as a result of a different capital works programme. Overall, total staff costs capitalised were £40.9 million in the year ended 31 March 2019 (2018: £41.9 million).

Average FTE employee numbers decreased from 3,078 in the prior year to 3,037 in the current year; across our operational areas, FTE employee numbers decreased from 2,594 to 2,570 during the year (mainly due to more efficient resourcing), and non-operational FTE employees decreased from 484 to 467.

Retail expenditure comprises cost of sales relating to Gatwick Connects, e-commerce and advertising revenue streams; the increase in expenditure reflects revenue growth across these areas. In contrast, Car Parking expenditure has reduced by £0.4 million (2.1%) year on year. This stems from a deliberate move away from using third party consolidators which in turn has significantly lowered commission costs.

Maintenance and IT expenditure rose by £4.6 million (11.3%), due to increases in IT licence and maintenance costs, compliance activities associated with the introduction of GDPR and growth in project costs.

In terms of utilities costs, the combination of higher commodity prices and to a lesser extent, greater consumption volume, led to a £2.0 million (9.5%) rise in costs.

Rent and rates increased by £2.5 million (8.3%) for the year ended 31 March 2019 primarily due to an inflationary increase in the rates multiplier applied to all valuations. In addition, the number of rateable assets was higher in the current financial year (following their return from construction and the addition of new areas and spaces), leading to increased costs year on year.

Growth in other operating expenses was largely due to writing off legacy design costs in relation to specific capital projects as well as an increase in Special Assistance Service costs reflecting the change in contracted supplier and scope.

Depreciation and amortisation increased £2.4 million (1.4%) due to continued capital investment in the Airport.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

EBITDA

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

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Operating profit	**271.4**	243.6
Add back: depreciation and amortisation	**170.0**	167.6
EBITDA	**441.4**	411.2

The Group define EBITDA as profit for the year before depreciation, amortisation, profit/(loss) on disposal of fixed assets, exceptional items, net finance costs, and tax. EBITDA is a non-IFRS measure and not a uniformly or legally defined financial measure. EBITDA is not a substitute for IFRS measures in assessing our overall financial performance.

EBITDA is included in this Annual Report because it is a measure of the Group's operating performance and believe that EBITDA is useful to investors as it is frequently used by securities analysts, investors and other interested parties. EBITDA is useful to management and investors as a measure of comparative operating performance from year to year as it is reflective of changes in pricing decisions, cost controls and other factors that affect operating performance, and it removes the effect of the Group's asset base (primarily depreciation and amortisation), capital structure (primarily finance costs), and items outside the control of management (primarily taxes).

EBITDA is used as a financial metric when assessing the credit worthiness of the Group by credit rating analysts and utilised to calculate the Group's debt leverage position and interest coverage under the financial covenants as defined within the Common Terms Agreement.

EBITDA increased by £30.2 million in the year ended 31 March 2019, as a result of continued strong financial performance throughout all areas.

Going Concern

The Group's net asset position has increased to £238.3 million (2018: £191.0 million).

All the Group's financial covenants (see page 23) have been met for the year ended 31 March 2019 and are forecast to be met for the years ending 31 March 2020, 2021 and 2022.

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 5 July 2018 the Directors declared and paid dividends of 59.0p per share, amounting to £150.0 million. (2018: 68.78p per share amounting to £175.0 million on 31 August 2017 and 12 October 2017, and 115.16p per share amounting to £293.0 million on 27 February 2018, totalling £643.0 million during the year). The Directors did not recommend the payment of a final dividend (2018: £nil).

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

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 2019, the Group’s Senior RAR ratio was 0.59 (2018: 0.61). The Senior ICR for the year ended 31 March 2019 was 2.93 (2018: 3.59).

KEY PERFORMANCE INDICATORS

The following are the key performance indicators (“KPIs”) that Gatwick’s Executive Management Board and Board of Directors use to monitor the performance of the Group. 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 Group’s strategic decisions and operations. The Group 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 Group’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 Group’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 Group.

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

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

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

Environment, Health and Safety

Continuing to build on a strong Environment Health and Safety culture, Gatwick remains committed to the reduction of risk associated with its people, assets and environment. As a responsible business, the vision is to deliver a customer focussed operation in the healthiest and safest way, while ensuring minimal adverse environmental impact.

For the year ended 31 March 2019, Gatwick carried out a Safety Culture Assessment. Around 2000 Gatwick staff completed surveys and 250 of those attended face to face sessions. The overall participation rate of close to 70% provides an insight into current attitudes, values and beliefs towards safety. Gatwick will now put the analysis into a clear roadmap designed to improve in the areas that matter to our staff

Gatwick is pleased to report 19% overall reduction in passenger accidents compared to the year ended 31 March 2018, which is a tremendous achievement considering the Airport welcomed and additional 0.7 million passengers through its doors. Gatwick also saw a 17% reduction in the most common cause of accident; slips, trips and falls.

Gatwick’s online training continues to improve performance and compliance, including new mandatory Airside Awareness training. Gatwick has also introduced mandatory Emergency Awareness eLearning on dealing with significant incidents to support the Government’s Run, Hide, Tell programme.

Gatwick Airport achieved Gold status by The Royal Society for the Prevention of Accidents (RoSPA) for the seventh consecutive year. Gatwick is recognised for its commitment to helping staff, customers and contractors to keep safe.

Gatwick has a strong safety record with plans to further reduce accidents on its airfield by 25% and drive proactive behaviours. The Airside Telematics project will introduce new automated tracking and reporting systems (monitoring 2,600 key airside vehicles) to identify speeding on airside roads and non-compliant airside parking. The goal is to reduce RTIs (Road Traffic Incidents) through improved driver accountability. The system will be operational by May 2019.

Gatwick has continued to monitor its environmental performance, competence and compliance against relevant legislation. Gatwick has maintained its environmental permits and licenses and have had no formal reportable environmental incidents for the year ended 31 March 2019. Gatwick was also praised by the Environment Agency for providing assistance in re-oxygenating the River Mole during an extreme weather episode, demonstrating successful partnership working.

The Biodiversity Benchmark Award has been awarded to Gatwick for the fifth consecutive year. Underpinning efforts in conserving and managing its biodiversity areas, Gatwick has had a successful year of volunteering with 435 volunteers involved, 105 volunteering and education days held in and around Gatwick’s estate. Gatwick also commenced its new Biodiversity Action Plan for 2018-2023, following a review of the previous five years, confirming the majority of habitat conditions have improved at the Airport.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Regulatory Environment, Legal and Reputational Risks

CAA Regulation

The Group's operations, and in particular Gatwick'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 Group, 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.

UK Aviation Strategy

With increasing demand for air travel, securing permissions for new infrastructure is key to ensure Gatwick can meet such demand. Gatwick's active participation in Government policy consultations and extensive engagement with community groups and local authorities is a key enabler to ensure Gatwick receives the support it requires to continue to meet its ambition to grow. This ambition is further supported by a Section 106 agreement with Crawley Borough Council and West Sussex County Council which was renewed in April 2019.

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 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.

In December 2018, the Government published for consultation policy proposals for a new Aviation Strategy entitled "Aviation 2050 – The future of UK aviation" (Cm9714). The policy measures are designed to develop a long term Aviation Strategy to 2050 and beyond which aim to achieve a safe, secure and sustainable aviation sector that meets the needs of consumers and of a global, outward-looking Britain. The objectives of the strategy are to:

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

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Regulatory Environment, Legal and Reputational Risks (continued)

UK Aviation Strategy (continued)

This consultation is due to close in June 2019 with a final Aviation Strategy being published by the end of 2019. Gatwick supports the development of a new Aviation Strategy and its recognition that the aviation industry is important to the whole of the UK as it creates jobs, facilitates trade and promotes economic growth, supports inbound and outbound tourism, and connects the UK with the rest of the world.

The government has also in recent years taken action to capitalise on the UK aviation sector's record of success and build for the future. It established the Airports Commission to examine the scale and timing of any requirement for additional capacity, designated the Airports National Policy Statement (June 2018) and has also consulted on plans to modernise airspace – publishing the Airspace Modernisation Strategy (CAP 1711) in December 2018.

Gatwick's last master plan was published in July 2012. Since then there have been significant changes within the industry. Government decided to support a third runway at Heathrow, and announced policy supporting for all other airports to make best use of existing runways ('Beyond the Horizon – The future of UK aviation. Making best use of existing runways' June 2018), subject to environmental issues being addressed. The government considers that any proposals should be judged taking account of all relevant considerations, particularly economic and environmental impact and proposed mitigations.

It is best practice to provide regular updates about how Gatwick might develop, and Gatwick believes now the time is right to set out our current thinking. On 18 October 2018 Gatwick published its draft master plan which was consulted on for a period of 12 weeks. The new draft master plan had two main sections, covering (1) the next five years, and (2) Growth scenarios looking 5-15 years ahead. The latter describes three scenarios:

- One where it remains a single runway operation using the existing main runway
- One where the existing standby runway is routinely used together with the main runway
- One where we continue to safeguard for an additional runway to the south

The overall vision is for Gatwick is to be the airport of the future, and a model for sustainable growth.

The work on how the existing standby runway is routinely used together with the main runway is not yet fully completed. Gatwick has however included preliminary information on how it might affect the operation, passenger throughput, how the infrastructure might need to change and how it might affect the environmental footprint of the airport. If it was decided to take this scheme forward it would be in the form of a Development Consent Order application, and if engagement were commenced in 2019 and if permission were granted, the runway could be brought into routine use by the mid-2020's.

Following feedback from the consultation, Gatwick is reviewing the feedback and will prepare a Final Master Plan to be published in 2019.

Capital Projects

Gatwick recognises that failure to control key capital project costs and delivery could damage its financial standing and reputation. The Airport 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 these recognised trade unions. Our emphasis is 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. In addition, there are formal agreements designed to resolve disputes.

During 2018/19 there were protracted pay negotiations over several months, however this ultimately resulted in a pay deal which was accepted by our workforce.

We will continue our focus on maintaining strong relationships with the full time union officials, and building solid working relationships with representatives.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Financial Risk Management

The Group's principal financial instruments comprise external borrowings and derivatives.

The Board of Directors approves prudent treasury policies for the 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 Group's business operations and funding. To achieve this, the 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 Group are:

(a) Cash Flow Interest Rate Risk

The Group maintains a mix of fixed and floating rate debt. As at 31 March 2019, fixed rate debt after hedging with derivatives represented 96.9% (2018: 100.8%) 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 £409.0 million for the year ended 31 March 2019 (2018: £363.6 million). As at 31 March 2019, cash at bank was £2.6 million (2018: £17.5 million), undrawn headroom under bank revolving facilities was £180.0 million (2018: £280.0 million) and undrawn headroom under the liquidity facility was £150.0 million (2018: £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 2001. In December 2008 the legal agreement was renewed for seven years and in December 2015 it was extended until the end of 2018. In April 2019 a further extension was agreed until the end of 2021. 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.

Nine years on from launching the strategy Gatwick continues to work collaboratively with its partners, and is on track to meet the 2020 objectives and has set a strong foundation for the next decade. 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 10%, and Airport water consumption by 29%, since 2010;
- Reusing or recycling 64% 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% compared to the 1990 baseline, and by 57% since 2010. Gatwick maintains 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 fifth 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.

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). The jobs portal, where any job across all employers can be posted and applied for has increased to 52 employers and gives us the opportunity to promote and support the Gatwick Campus. In addition a second Gatwick Jobs Fair was staged in Crawley with 50 employers attending with 1,700 jobs on offer from across the Gatwick Campus. 850 prospective employees attended with a strong number of applications and hire conversions as a result. Based on this success planning has already started on the third Gatwick Jobs Fair.

At the end of the financial year, the Gatwick workforce was at 3,037 full time equivalent employees. 247 permanent employees left the organisation compared with 360 permanent employees leaving the previous year. The previous year had seen a special severance programme related to pension reform that increased leavers. Annual attrition remains 8.0% 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. Over the last year 120 security officers and 178 other roles from a range of different disciplines were recruited. In-house capability continues to grow resulting in continued low reliance on recruitment agency fees despite recruiting in highly competitive technical areas such as Information Technology and Construction. Gatwick continues to focus on both emerging and professional talent with another successful intake of Engineering graduates and Apprentices due to start in the autumn of 2019.

STRATEGIC REPORT (continued)

DEVELOPING OUR PEOPLE (continued)

Review of the Year (continued)

A particular focus of the Gatwick team has been on promoting flexible working solutions and to encourage more diversity in applications (with specific focus on STEM roles) by investing in technology which encourages gender neutral language in advertising, using a more diverse range of images on the careers webpage and diversifying the job boards used to encourage more women to apply. In addition working with a partnership of job centres across the region, Croydon Works, and Employ Crawley, the Careers Transition Partnership for Armed Forces, and local schools and colleges, Gatwick is committed to opening up employment opportunities for all.

The business continues to grow internal talent with 116 internal moves aided by the roll out of succession planning and potential review planning across all leader grades. In particular internal appointments made were with the Head of Strategy Development and Head of Sales and Ops Planning.

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. A new syllabus for new security officers is being piloted at Gatwick Airport following the award of “outstanding training provider” status last year (as assessed externally through the CAA). The new syllabus will contribute to setting the standard for the wider security training industry.

Pension Consultation

Early 2019 saw the final opportunity for employees to transfer out of the Defined Benefit pension scheme (and into the defined contribution plan) with preferential defined contribution rates. One further employee took this opportunity. Gatwick delivered the reform arising from consultation in 2016. 43 Defined Benefit Plan members now remain in the Revised Defined Benefit Plan (1,200 as at January 2017). Remaining members show an average age of 48 years and average length of service of 17 years. Going forward the administration of the scheme has just been subject of a review and tender process as part of the strong governance approach by the trustees. The transfer to a new Administration, Actuarial and investment provider is now underway and due to be completed by November 2019.

Attendance Management

Gatwick continued during year to focus on employee productivity and health and wellbeing. In particular the implementation of a new People system (CoreHR) in November 2018 has given the organisation much greater transparency of current attendance levels within the business. As a result during the following year more time/focus will be spent on managing attendance throughout the organisation.

Gender Pay

Companies with over 250 employees are required to report their Gender Pay Gap information. In 2019 Gatwick reported a reduced Mean Gender Pay Gap of 8.7%, down from 13.3% last year.

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 rather than equal pay which 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.

STRATEGIC REPORT (continued)

DEVELOPING OUR PEOPLE (continued)

Gender Pay (continued)

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.

The reasons for the movement in the Gender Pay Gap are multiple but most significantly that the Group has more higher paid women in the lower pay quartiles, as women are pursuing careers at Gatwick after joining into entry level roles. Gatwick has hired and promoted two new female Executive members over the last 12 months.

Gatwick held its second annual event to mark International Women's Day (IWD) in March 2019 taking the opportunity to focus the conversation on Work Life and Tech Life balance in line with the IWD theme. The opportunity was taken to communicate and share the commitment to the Gender Diversity. These include growing female confidence at Gatwick in every day interactions, to increase representation of applicants for internal moves, to encourage female applicants to apply for roles at Gatwick at all levels and in all functions.

On behalf of the Board

William Woodburn
Director
17 June 2019

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 March 2019.

OWNERSHIP

As at 31 March 2019, Ivy Holdco Limited ("the Company") has four wholly-owned subsidiaries: Gatwick Airport Limited ("Gatwick", "GAL", "the Airport"), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively "the Group".

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

The Company's subsidiary, Gatwick Airport Limited, provides the significant majority of the Group's operations.

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.

The consortium that ultimately owned the Group at 31 March 2019 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 2,892 employers in the state of California, United States of America. CalPERS also manages health benefits for nearly 1.5 million members. The CalPERS fund invests in a range of asset classes, with a market value of approximately US$361 billion at 10 April 2019.

[4] National Pension Service of Korea ("NPS") is a public pension fund for the general public in Korea with assets of KRW 639 trillion (c.US$576 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$147 billion as at 31 December 2018, reflecting a return of 9.7% per annum over the last ten years. At 31 December 2018, the organisation also managed A$31bn in four other public asset funds. From 1 February 2019 the Future Fund Board of Guardians also took on management of the A$2bn Aboriginal and Torres Strait Islander Land and Sea Future Fund.

DIRECTORS' REPORT (continued)

OWNERSHIP (continued)

On 13 May 2019, Ivy Guernsey Holding L.P completed the sale of 50.01% of Ivy Topco Limited (intermediate parent of Ivy Holdco Limited) to CRUISER Bidco Limited, a UK incorporated company. CRUISER Bidco Limited is ultimately owed by VINCI SA, a company incorporated in France.

The remaining 49.99% interest in GAL will remain ultimately managed by GIP.

BOARD OF DIRECTORS

The Directors of the Company who served during the year are as follows:

Andrew Gillespie-Smith
Michael McGhee
William Woodburn
John McCarthy

The following non-executive directors oversee Gatwick Airport Limited on behalf of the consortium:

- Andrew Gillespie-Smith;
- Michael McGhee;
- William Woodburn;
- Justin Ginnivan; (appointed 12 April 2018)
- Karim Mourad (appointed 30 April 2019)
- John McCarthy; and (resigned 30 April 2019)
- Wendy Norris (resigned 12 April 2018)

As most of the Airport's operations occur within Gatwick Airport Limited, below lists the directors that served on the Board of Gatwick Airport Limited during the year.

Sir David Higgins (Non-executive Chairman)
Sir David Higgins was appointed non-executive Chairman in January 2017. Sir David was non-executive Chairman of High Speed 2 from March 2014 to July 2018 and previously, 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) (retired 31 December 2018)
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.

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS (continued)

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.

Andrew Gillespie-Smith (Non-executive Director, GIP representative)
Andrew is a Partner at Global Infrastructure Partners ("GIP") and is based in London. Andrew focuses 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.

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 and EnLink Midstream.

Justin Ginnivan (Non-executive Director, Future Fund representative)
Justin Ginnivan joined the Future Fund in May 2014 and is a Director in the Infrastructure and Timberland group. Prior to this, Justin held transaction origination roles in Capella Capital, Warakirri Asset Management and IFM Investors where he was responsible for infrastructure and institutional agriculture investments in Australia, the UK and the US. Justin holds a BE(Civil)(Hons) and BCom from the University of Melbourne, is a CFA Charterholder, and a Graduate of the Australian Institute of Company Directors.

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.

Wendy Norris (Non-executive Director, Future Fund representative)
Wendy Norris joined the Future Fund in April 2010 and is the Deputy Chief Investment Officer, Private Markets. Wendy is responsible for managing the strategy for the Private Markets portfolio which includes Infrastructure & Timberland, Private Equity and Property. Prior to this role, Wendy was Head 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.

Following the completion of the sale of 50.01% interest in GAL on 13 May 2019 the following changes were made to the Board of Directors of Gatwick Airport Limited on the same day:

Appointments:
Nicolas Notebaert
Benoît Trochu
Rémi Maumon de Longevialle
Pierre-Hugues Schmit
Olivier Mathieu

Resignations:
James van Hoften
Andrew Jurenko
Justin Ginnivan

DIRECTORS' REPORT (continued)

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 is responsible for the independent oversight of corporate governance, the system of internal control, risk management and the financial reporting processes of the Group.

The Capital Investment Board Sub-Committee 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 is responsible for reviewing the Group's strategy with respect to health and safety, operational resilience and business continuity. The Committee monitors the Group's performance against targets and drives management commitment and accountability with respect to managing risks.

The Nomination and Remuneration Committee is responsible for overseeing Board and Senior Management appointments, remuneration and succession planning.

These committees meet at least twice per annum.

EXECUTIVE MANAGEMENT BOARD

Gatwick 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 Group. In particular, the Executive Management Board has collective responsibility for assisting the Board of Directors in the performance of their duties for the Group 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 Group's ethics and business standards and health, safety, security and environmental policies and procedures.

DIVIDENDS

On 5 July 2018 the Directors declared and paid dividends of 59.0p per share, amounting to £150.0 million. (2018: 68.78p per share amounting to £175.0 million on 31 August 2017 and 12 October 2017, and 115.16p per share amounting to £293.0 million on 27 February 2018, totalling £643.0 million during the year). The Directors did not recommend the payment of a final dividend (2018: £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.

DIRECTORS' REPORT (continued)

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.

On behalf of the Board

William Woodburn
Director
17 June 2019

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

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

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

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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company 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 Group and parent 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 Group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED

1 Our opinion is unmodified

We have audited the financial statements of Ivy Holdco Limited ("the Company") for the year ended 31 March 2019 which comprise Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement, the related consolidated financial statements' notes, including the Group accounting policies in note 3, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Cash Flow Statement and the related company financial statements' notes, including the Company accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The impact of uncertainties due to the UK exiting the European Union on our audit
Refer to Audit Committee Report, and page 17

The risk - Unprecedented levels of uncertainty

- All audits assess and challenge the reasonableness of estimates, in particular as described in recoverability of parent company's investment in subsidiaries below, and related disclosures. All of these depend on assessments of the future economic environment and the group's future prospects and performance.
  Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

Our response – We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

- Our Brexit knowledge – We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks;

2 Key audit matters: including our assessment of risks of material misstatement (continued)

The impact of uncertainties due to the UK exiting the European Union on our audit (continued)

- Sensitivity analysis – When addressing recoverability of parent company's investment in subsidiaries, goodwill and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; and

- Assessing transparency – As well as assessing individual disclosures as part of our procedures on recoverability of parent company's investment in subsidiaries, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

Assets in the course of construction: Cost classification
(£249.3 million (2018: £239.7 million))
Refer to Audit Committee Report, page 54-55 (accounting policy) and page 70-71 (financial disclosures)

The risk - Cost classification between capital expenditure and operating expenditure

- Given the size and nature of capital expenditure within the business, judgement is required to ensure an appropriate allocation of costs between capital and operating expenditure. There is a significant risk that incorrect classification of expenditure between operating costs and fixed assets could impact the income statement and balance sheet.

Our response - Our procedures included:

- Accounting analysis: We assessed whether the Group's accounting policies for capitalisation are in accordance with relevant accounting standards and assessed the application of these accounting policies for a sample of additions into assets in the course of construction;

- Tests of details: On a sample basis, we agreed capitalised projects to supporting documentation including project analysis sheets and approval by cost engineers to ensure projects have been appropriately accounted for in accordance with relevant accounting standards;

- Tests of details: On a sample basis, we agreed capitalised overheads to supporting documentation to ensure that the capitalisation criteria has been met; and

- Assessing transparency: Assessing the adequacy of the disclosures made in relation to the Group's policy of capitalisation or expensing of costs and the judgements involved.

Valuation of investment property
(£1,148.3 million (2018: £995.7 million))
Refer to Audit Committee Report, page 55 (accounting policy) and page 72 (financial disclosures)

The risk – Subjective valuation

– The Group holds investment properties including Car Parks, Offices and Non-operational Land, which represents a significant proportion of the Group's total assets. The valuation of the Group's property portfolio is inherently subjective in nature due to the estimated rental value and rental yields which are both sensitive to change in assumptions.

Our response - Our procedures included:

- Assessing valuer's credentials: We evaluated the competence and independence of management's external expert used to perform the valuation;

2 Key audit matters: including our assessment of risks of material misstatement (continued)

Valuation of investment property (continued)

- Personnel interviews: With the assistance of our internal valuation specialists, we enquired of management and their valuation experts to understand any key changes in the valuation methodology and assumptions;
- Our sector experience: With the assistance of our internal valuation specialists, we critically assessed the valuation approach used by management's expert to determine whether the valuation approach was in accordance with professional valuation standards;
- Tests of details: On a sample basis, we vouched information provided to managements' valuation expert to supporting documentation;
- Valuations expertise: With the assistance of our internal valuation specialists, we challenged significant assumptions and judgements applied in the valuation model including budgeted revenues, yields and rents; and
- Assessing transparency: Assessing the adequacy of the disclosures in relation to the valuation methodologies and assumptions adopted and the judgement involved.

Recoverability of parent company's investment in subsidiaries
(£683.1 million (2018: £683.1 million)
Refer to Audit Committee Report, page 94 (accounting policy) and page 96 (financial disclosures)

The risk – Low Risk, High Value

– The carrying amount of the parent company's investments in subsidiaries represents a significant proportion of the company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

Our response - Our procedures included:

- Tests of details: We compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making;

- Assessing subsidiary audits: We considered the work performed by the audit team on all of those subsidiaries and considering the results of that work on those subsidiaries' profits and net assets; and

- Test of details: We compared the transaction value to the carrying amount of 100% of investments.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £14m (2018: £14m), determined with reference to a benchmark of total assets (of which it represents 0.38% (2018: 0.41%).

Materiality for the parent company financial statements as a whole was set at £6.7m (2018: £6.7m), determined with reference to a benchmark of company total assets, of which it represents 0.98% (2018: 0.98%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.7m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed full scope audits for group purposes for all 4 of the group's reporting components, as well as the audit of the parent company, covering 100% of the Group's total revenue, profit before tax and net assets.

The Group team approved the component materialities, which ranged from £6.7m to £13.5m, having regard to the mix of size and risk profile of the Group across the components.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease its operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was the impact of Brexit.

As these were risks that could potentially cast significant doubt on the Group's and Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, 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 a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information:

- 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.

6 We have nothing to report on the other 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

7 Respective responsibilities

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 including 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 Group and parent 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 Group or the parent 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.

8 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
RH11 9PT

17 June 2019

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2019

	Note	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Revenue	5	**810.8**	764.2
Operating costs	6	**(539.4)**	(520.6)
Operating profit		**271.4**	243.6
Investment property revaluation	16	**126.6**	93.4
Loss on disposal of fixed assets	8	**(5.2)**	(9.6)
Financing			
Fair value (loss)/gain on derivative financial instruments	9	**(20.5)**	4.3
Finance income	10	**20.8**	20.6
Finance costs	11	**(133.2)**	(118.6)
Profit before tax		**259.9**	233.7
Income tax charge	12	**(51.8)**	(31.4)
Profit for the year		**208.1**	202.3

The notes on pages 49 to 89 form an integral part of these financial statements.

All income and expenses recognised during the current and prior year are from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Note	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Profit for the year		**208.1**	202.3
Other comprehensive income			
Items that will not be reclassified to the consolidated income statement			
Actuarial loss on retirement benefit obligations	25	**(13.6)**	(2.8)
Tax credit	23	**2.3**	0.5
Other comprehensive loss for the year		**(11.3)**	(2.3)
Total comprehensive income for the year		**196.8**	200.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Note	**Share capital £m**	**Merger reserve £m**	**Retained earnings £m**	**Total £m**
Balance at 1 April 2017		254.4	(260.8)	639.9	633.5
Profit for the year		-	-	202.3	202.3
Other comprehensive income		-	-	(2.3)	(2.3)
Share based payments	14	-	-	0.5	0.5
Dividends	13	-	-	(643.0)	(643.0)
Balance at 31 March 2018		254.4	(260.8)	197.4	191.0
Profit for the year		**-**	**-**	**208.1**	**208.1**
Other comprehensive income		**-**	**-**	**(11.3)**	**(11.3)**
Share based payments	14	**-**	**-**	**0.5**	**0.5**
Dividends	13	**-**	**-**	**(150.0)**	**(150.0)**
Balance at 31 March 2019		**254.4**	**(260.8)**	**244.7**	**238.3**

The notes on pages 49 to 89 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	**31 March 2019 £m**	31 March 2018 £m
Assets			
Non-current assets			
Property, plant and equipment	15	**2,347.3**	2,305.1
Investment properties	16	**1,148.3**	995.7
Intangible assets	17	**24.8**	10.3
Finance lease receivables	21	**16.9**	16.9
Other non-current assets	22	**0.1**	0.1
		3,537.4	3,328.1
Current assets			
Inventories		**6.0**	4.6
Trade and other receivables	18	**43.4**	42.5
Cash and cash equivalents	19	**2.6**	17.5
		52.0	64.6
Total assets		**3,589.4**	3,392.7
Liabilities			
Non-current liabilities			
Borrowings	24	**(2,580.4)**	(2,479.9)
Derivative financial liabilities	20	**(228.6)**	(208.1)
Finance lease liabilities	21	**(50.3)**	(47.1)
Deferred tax	23	**(300.3)**	(264.3)
Retirement benefit obligations	25	**(37.6)**	(37.9)
		(3,197.2)	(3,037.3)
Current liabilities			
Finance lease liabilities	21	**(1.0)**	(0.8)
Trade and other payables	26	**(133.9)**	(145.8)
Current tax liabilities		**(4.1)**	(3.7)
Deferred income		**(14.9)**	(14.1)
		(153.9)	(164.4)
Total liabilities		**(3,351.1)**	(3,201.7)
Net assets		**238.3**	191.0
Equity			
Share capital	27	**254.4**	254.4
Retained earnings		**244.7**	197.4
Merger reserve		**(260.8)**	(260.8)
Total equity		**238.3**	191.0

The notes on pages 49 to 89 form an integral part of these financial statements.

The financial statements of Ivy Holdco Limited (Company registration number 07497036) were approved by the Board of Directors on 17 June 2019 and were signed on its behalf by:

William Woodburn
Director

Michael McGhee
Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2019

	Note	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Cash flows from operating activities			
Profit before tax		**259.9**	233.7
Adjustments for:			
Investment property revaluation		**(126.6)**	(93.4)
Loss on disposal of fixed assets		**5.2**	9.6
Fair value loss/(gain) on financial instruments		**20.5**	(4.3)
Finance income		**(20.8)**	(20.6)
Finance costs		**133.2**	118.6
Depreciation and amortisation		**170.0**	167.6
Increase in inventories, trade and other receivables		**(0.9)**	(10.8)
Decrease in trade and other payables		**(4.3)**	(21.2)
Defined benefit pension contributions		**(15.0)**	(11.0)
Other non-cash movements		**0.1**	(0.1)
Cash generated from operations		**421.3**	368.1
Corporation tax paid		**(12.3)**	(4.5)
Net cash from operating activities		**409.0**	363.6
Cash flows from investing activities			
Interest received		**0.8**	1.1
Sale of tangible fixed assets		**1.1**	0.7
Purchase of fixed assets		**(256.5)**	(221.9)
Net cash from investing activities		**(254.6)**	(220.1)
Cash flows from financing activities			
Interest paid		**(116.9)**	(96.1)
Increase in external borrowings		**97.6**	610.1
Equity dividends paid		**(150.0)**	(643.0)
Net cash from financing activities		**(169.3)**	(129.0)
Net (decrease)/increase in cash and cash equivalents		**(14.9)**	14.5
Cash and cash equivalents at the beginning of the year		**17.5**	3.0
Cash and cash equivalents at the end of the year	19	**2.6**	17.5

The notes on pages 49 to 89 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. BASIS OF PREPARATION

Ivy Holdco Limited ("the Company") is a private company, limited by shares, and is registered and incorporated in England, United Kingdom. The registered number is 07497036 and the registered address is 5th Floor, 6 St Andrew Street, London, EC4A 3AE.

These are the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 March 2019. The comparative year is the year ended 31 March 2018. They are presented in sterling and rounded to the nearest £0.1million. 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, 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 as adopted by the EU and as permitted by the Fair Value Directive as implemented in 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 Group has adequate resources to continue in operational existence for the foreseeable future.

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

- the forecast passenger numbers, revenue and operating cash flows from the underlying operations;
- the forecast level of capital expenditure;
- the Group's funding structure and the facilities that are available to the Group (refer to note 24); and
- the Group's financial covenants.

All of the Group's financial covenants (refer to note 24) have been met for the year ended 31 March 2019 and are forecast to be met for the years ending 31 March 2020, 2021 and 2022.

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 Group'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 Group 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 17 June 2019.

The principal accounting policies, set out in note 3, have been applied consistently by the Group through the current and prior year except for the changes set out in note 2.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* has replaced IAS 39 *Financial Instruments: Recognition and Measurement*, effective on or after 1 January 2018. This standard establishes a single comprehensive framework for classification and recognition of financial instruments. It also introduces a new impairment model for financial assets.

IFRS 9 largely carries forward the scope of IAS 39 for categories of financial assets, measuring at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through income statement (FVTPL). This classification is based on the business model in which a financial asset is managed and its cash flow characteristics. IFRS 9 eliminates the categories of held-to-maturity, loans and receivables, and available-for-sale.

The Group's financial assets consist of:

- Finance lease receivables
- Trade receivables
- Other receivables
- Cash and cash equivalents

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

IFRS 9 largely retains the existing requirements of IAS 39 for the classification and measurement of financial liabilities.

The Group's financial liabilities consist of:

- Borrowings
- Derivative financial liabilities
- Finance lease liabilities
- Trade payables
- Capital creditors
- Other payables

All financial liabilities with the exception of derivative financial liabilities continue to be measured at amortised cost as they meet the condition for classification at amortised cost under IFRS 9. Derivative financial liabilities continue to be measured at fair value through income statement as they meet the condition for classification of 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.

IFRS 9 introduces a new impairment model that replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group applies a provision matrix using historical loss experience, adjusting for current conditions and reasonable forecasts. The Group uses three years of historical data to establish an average default rate. This probability is applied to current information, taking into account adjustments for current external conditions and reasonable forecasts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 9 Financial Instruments (continued)

The Group's adjustment for current external conditions and reasonable forecasts extend to assessing individual financial assets for indicators of impairment, 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 asset 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.

The Group's definition of default is based on the ageing of debts and will also consider the financial status of the customer. The Group considers any debts over 180 days overdue, or any customer that falls into receivership, in default.

The application of the expected losses model has not resulted in a change to the impairment provision held by the Group at 31 March 2018 of £3.4 million.

On the application of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which requires the disclosure of significant accounting policies comprising the measurement basis or bases used in preparing the financial statements.

The application of IFRS 9 has not had a significant impact on the Group's financial position or financial performance for the year ended 31 March 2019 or the year ended 31 March 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* has replaced IAS 18 *Revenue* and IAS 11 *Construction Contracts* as well as various interpretations previously issued by the IFRS Interpretations Committee, effective on or after 1 January 2018. It provides 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 revenue when each obligation is fulfilled.

The Group's main revenue streams are:

- Airport and other traffic charges
- Retail income
- Car parking income
- Property income
- Operational facilities, utilities and other income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

- Airport and other traffic charges: there are four distinct performance obligations, these are landing, parking, departing and other charges (i.e. fixed electrical ground power). The revenue from these charges is recognised on the day the movement takes place or services are rendered.

  There are a number of airline contracts in place with discounts which vary by season (Summer/Winter). Previously the Group would recognise the discount associated with each contract by pro-rating the discount in line with passenger volumes across the year. In accordance with IFRS 15, the Group now recognises the discount over the period during which it is earned. Discounts are typically focussed on the Winter season and the application of IFRS 15 results in a lower discount being recognised during the first six months of the financial year. The impact of the timing of airline discounts at the end of the financial year is nil.

- 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.

- Car parking income: car parking revenue is recognised either
  a) on the date of arrival at the car parking in the case of pre-booked reservation; or
  b) on the date of departure from the car park in the case of pay-on-exit (roll up).

  The performance obligation is the provision of a car parking space in return for a fee.

- 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 turnover in the case of the hotel and petrol stations.

- Operational facilities, utilities and other income: this revenue is derived from the recovery of certain costs incurred by the Group.

Upon transition to IFRS 15 the Group applied the full retrospective method, restating information for the year ended 31 March 2018. The application of IFRS 15 has not had a significant impact on the Group's financial position or financial performance for the year ended 31 March 2019 or the year ended 31 March 2018.

An explanation of how the transition to IFRS 9 and IFRS 15 has affected the reported financial position and financial performance of the Group is provided in note 34.

The following standard is not yet effective and has not been adopted early by the Group:

IFRS 16 Leases

IFRS 16 *Leases* is effective for periods beginning on or after 1 January 2019, and which replaces IAS 17 *Leases*.

IFRS 16 introduces a single lease accounting model for lessees, bringing leases on balance sheet. A lessee recognises a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and low value assets. Lessor accounting remains unchanged from IAS 17 which makes the classification between operating and finance leases.

There is no impact for leases in which the Group is the lessor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 16 Leases (continued)

For leases in which the Group is a lessee, the Group will now recognise a right-of-use asset and lease liability on a number of property, vehicle and maintenance contracts. The nature of the expenses related to these leases will change. Previously, the Group recognised an operating expense on a straight line basis in operating costs. Under IFRS 16, the Group will recognise a depreciation charge for the right-of-use assets and an interest expense on the lease liabilities.

There is no impact expected on the Group's finance leases.

The Group has chosen the simplified transition approach of IFRS 16 in accordance with IFRS 16:C5(b). Consequently, the Group will not restate comparative information in the year of adoption. The Group has assessed the impact of IFRS 16 on its contracts, and has estimated that upon transition it will recognise right-of-use assets and lease liabilities between £14.0 million and £15.0 million with no adjustment to retained earnings.

The Group expects annual operating costs to decrease by an estimated £1.7 million, along with an estimated increase in depreciation of £1.1 million and an estimated increase in interest expense of £0.7 million.

Under the Common Terms Agreement ("CTA"), the Group is required to comply with certain financial and information covenants. The application of IFRS 16 does not affect the minimum interest cover ratio ("Senior ICR") as interest on leased assets is excluded from the calculation.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Ownership

On 3 December 2009, BAA (AH) Limited ("BAA") completed the sale of the Gatwick Airport Limited 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.

Ivy Holdco Limited, a United Kingdom ("UK") incorporated company, 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" or "the Group".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 and take-off charges levied according to noise certification;
- Aircraft parking charges based on a combination of weight and time parked; and
- Other charges levied (i.e. fixed electrical ground power) when these services are rendered.

- 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 parking income recognised either:
  (a) on the date of arrival at the car parking in the case of pre-booked reservation; or
  (b) on the date of departure from the car park in the case of pay-on-exit (roll up).

- 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 Group'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.

(d) Property, Plant and Equipment

Property, plant and equipment constitutes the Group's operational asset base including terminal complexes, airfield assets, plant, equipment and Group occupied properties. The Group 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 at 1 April 2014 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

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 Group.

The Group 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, travellators	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 Group 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 Group 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 Group 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 Group occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(g) Impairment of Assets

The Group 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 Group 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.

(h) Leases

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

Operating Leases

1. Group as lessor

Leases where the Group 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. Group 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases (continued)

Finance Leases

1. Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group'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 Group's net investment outstanding in respect of the leases.

2. Group as lessee

Assets held under finance leases are recognised as assets of the Group 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 Group's policy on borrowing costs.

(i) Inventories

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

(j) 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.

(k) Provisions

Provisions are recognised when the Group 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.

(l) Financial Instruments

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments (continued)

Financial Assets (continued)

The Group's financial assets are measured at amortised cost. Classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

1. Amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as amortised cost. 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

IFRS 9 introduces a new impairment model that replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost.

The Group applies a provision matrix using historical loss experience, adjusting for current conditions and reasonable forecasts. The Group uses three years of historical data to establish an average default rate. This probability is applied to current information, taking into account adjustments for current external conditions and reasonable forecasts.

The Group's adjustment of current external conditions and reasonable forecasts extend to assessing individual financial assets for indicators of impairment, 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 assets 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.

The Group's definition of default is based on the ageing of debts and will also consider the financial status of the customer. The Group considers any debts over 180 days overdue, or any customer that falls into receivership, in default.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments (continued)

Financial liabilities (continued)

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.

4. Derivative financial instruments

The Group 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 Group 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 airport 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments (continued)

Financial liabilities (continued)

4. Derivative financial instruments (continued)

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 Group’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, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9. 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.

(m) Retirement Benefit Obligations

The Group 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 on retirement benefit obligations are recognised in Other Comprehensive Income under IAS 19 *Employee Benefits*.

The Group 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.

(n) Share-Based Payments

Certain employees of the Group participate in a long term incentive plan (“LTIP”). Under this equity-settled plan, the Group 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 from the group entity ultimately issuing the equity instruments. During the year ended 31 March 2019, 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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

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 timing differences are expected to reverse.

(p) 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.

(q) Dividend Distribution

A dividend distribution to the Group's shareholders is recognised in the Group'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the Group'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.

a) Investment Properties

Investment properties were valued at fair value at 31 March 2019 by Jones Lang LaSalle Limited (2018: 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. The directors consider car park assets meet this classification criteria therefore hold them as investment property.

b) Retirement Benefit Obligations

Certain assumptions have been adopted for factors that determine the valuation of the Group'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 Group'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 Group'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 25.

c) 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.

d) 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

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

(a) Nature of services

The Group's main revenue streams are:

- Airport and other traffic charges
- Retail income
- Car parking income
- Property income
- Operational facilities, utilities and other income

- Airport and other traffic charges: there are four distinct performance obligations, these are landing, parking, departing and other charges (i.e. fixed electrical ground power). The revenue from these charges is recognised on the day the movement takes place or services are rendered.

  The revenue from these charges is recognised on the day the movement takes place. There are a number of airline contracts in place with discounts which vary by season (Summer/Winter). The Group recognises the discount over the period during which it is earned. Discounts are typically focussed on the Winter season.

- Retail income: the Group deems that 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 performance obligation is satisfied by the customer occupying the retail space.

- Car parking income: car parking revenue is recognised either
  a) on the date of arrival at the car parking in the case of pre-booked reservation; or
  b) on the date of departure from the car park in the case of pay-on-exit (roll up).

  The performance obligation is the provision of a car parking space in return for a fee.

- 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 turnover in the case of the hotel and petrol stations. The Group considers the performance obligation is satisfied by the customer occupying the office space or land.

- Operational facilities, utilities and other income: this revenue is derived from the recovery of certain costs incurred by the Group. The Group considers the performance obligation is satisfied when the customers make use of the facilities and utilities provided by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

5. REVENUE (continued)

Disaggregation of revenue

In the following table, revenue is disaggregated by the Group's primary service lines:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Airport and other traffic charges	**427.8**	396.6
Retail	**191.3**	177.3
- Duty and tax-free	**59.1**	53.5
- Specialist shops	**44.1**	42.9
- Catering	**41.8**	37.5
- Bureaux de change	**26.6**	26.8
- Other retail	**19.7**	16.6
Car parking	**88.3**	87.8
Property income	**31.9**	29.1
Operational facilities and utilities income	**32.5**	34.5
Other	**39.0**	38.9
	810.8	764.2

More than 10% of the Group's total revenue is derived from easyJet.

(b) Contract balances

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Receivables (note 18)	**32.2**	26.7
Contract assets	**16.6**	15.9
Contract liabilities	**(14.9)**	(14.1)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers, for which revenue is recognised over time, when the Group's performance obligations have been satisfied.

The amount of revenue recognised in the year to 31 March 2019 from performance obligations satisfied in previous periods is £1.4 million (2018: £1.7 million). This is due to annual reconciliation of various aeronautical and retail contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

5. REVENUE (continued)

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	31 March 2019 £m		31 March 2018 £m	
	Contract assets	**Contract liabilities**	Contract assets	Contract liabilities
Revenue recognised that was included in contract liability balance at the beginning of the period	**-**	**12.8**	-	10.8
Increases due to cash received (excluding amounts recognised as revenue in the period)	**-**	**(13.6)**	-	(11.9)
Transfers from contract assets recognised at the beginning of the period to receivables	**(16.3)**	**-**	(13.0)	-
Increases as a result of changes in the measure of progress	**17.1**	-	16.3	-

Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient in paragraph 121 of IFRS 15, and does not disclose information about the remaining performance obligations that have original expected durations of one year or less.

The Group applies the practical expedient in paragraph C5(c) of IFRS 15, and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 31 March 2018.

6. OPERATING COSTS

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Wages and salaries	**170.1**	169.3
Social security costs	**16.2**	15.2
Pension costs	**10.4**	9.8
Share-based payments	**0.5**	0.5
Other staff related costs	**6.4**	7.1
Staff costs	**203.6**	201.9
Retail expenditure	**3.4**	2.5
Car parking expenditure	**19.1**	19.5
Depreciation and amortisation	**170.0**	167.6
Maintenance and IT expenditure	**45.2**	40.6
Rent and rates	**32.8**	30.3
Utility costs	**23.1**	21.1
Police costs	**14.2**	13.4
Other operating expenses [(a)]	**15.5**	12.1
Aerodrome navigation service costs	**12.5**	11.6
	539.4	520.6

(a) Other operating costs includes impairment of trade receivables amounting to £0.5 million in the year (2018: £1.0 million credit)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

6. OPERATING COSTS (continued)

Average full-time equivalent ("FTE") employee numbers decreased from 3,078 in the prior year to 3,037 in the current year. Average operational FTE employees decreased from 2,594 to 2,570 during the year, and non-operational FTE employees decreased from 484 to 467. 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 £40.9 million in the year ended 31 March 2019 (2018: £41.9 million).

Average employee headcount decreased from 3,231 in the prior year to 3,190 in the current year. Average operational employee headcount decreased from 2,713 to 2,710 during the year, and non-operational employee headcount decreased from 518 to 481.

Amounts receivable by the Group's auditor in respect of audit services to the Group totalled £0.2 million in 2019 (2018: £0.2 million). There were no amounts receivable by the Group's auditor in respect of non-audit services in 2019 (2018: £0.5 million).

7. DIRECTORS' EMOLUMENTS

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Directors' emoluments		
Aggregate emoluments	**2.5**	2.9

An amount of £nil (2018: £nil) was paid into money purchase schemes in respect of the Directors. Aggregate amounts receivable under long-term incentive schemes were £0.2 million (2018: £0.4 million).

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Highest paid Director		
Aggregate emoluments and benefits	**1.1**	1.2

Five Directors (2018: five) were not remunerated during the year for services to the Group. No Directors exercised share options during the year (2018: nil). No Directors are members of the Gatwick Airport Limited defined benefit pension plan (2018: nil). No compensation was received by former Directors for loss of office during the year (2018: nil). Two Directors had awards receivable in the form of shares under the Group's LTIP (2018: two). These two Directors are party to a loan agreement with Gatwick Airport Limited, amounting to £1.9 million (2018: £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 14.

8. LOSS ON DISPOSAL OF FIXED ASSETS

Loss on disposal of fixed assets relate to assets no longer in use by the Group.

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Loss on disposal of fixed assets	**5.2**	9.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

9. FAIR VALUE MOVEMENT ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value (loss)/gain 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 20).

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Fair value (loss)/gain on derivative financial instruments	**(20.5)**	4.3

10. FINANCE INCOME

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Interest receivable on money markets and bank deposits	**0.1**	0.1
Interest receivable on derivative financial instruments [(a)]	**19.8**	19.6
Finance lease income	**0.9**	0.9
	20.8	20.6

(a) These amounts relate to interest receivable on £396.0 million interest to index-linked derivatives. Refer to note 20 for detail on the nominal value of the Group's swaps.

11. FINANCE COSTS

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Interest on fixed rate bonds	**115.6**	101.4
Interest on bank borrowings [(a)]	**0.9**	0.3
Interest payable on derivative financial instruments [(b)]	**11.8**	11.3
Amortisation of debt costs	**2.8**	2.1
Non-utilisation fees on bank facilities	**1.4**	2.0
Finance lease expense	**9.6**	9.4
Net charge on pension scheme	**0.8**	1.2
Capitalised borrowing costs [(c)]	**(9.7)**	(9.1)
	133.2	118.6

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

(b) These amounts relate to interest payable on £396.0 million interest to index-linked derivatives. Refer to note 20 for detail on the nominal value of the Group's swaps.

(c) Borrowing costs have been capitalised using a rate of 4.96% (2018: 5.39%), which is the weighted average of rates applicable to the Group'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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

12. INCOME TAX

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Current tax		
Total current tax charge	**(14.1)**	(13.9)
Adjustment in respect of prior years	**0.6**	-
Total current tax charge	**(13.5)**	(13.9)
Deferred tax		
Current year	**(40.8)**	(32.9)
Adjustment in respect of prior years	**(1.2)**	3.8
Effect of change in tax rate	**3.7**	11.6
Total deferred tax charge	**(38.3)**	(17.5)
Income tax charge	**(51.8)**	(31.4)

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% (2018: 19%). The actual tax charge for the current and prior year differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Profit before tax	**259.9**	233.7
Tax on profit at 19% (2018: 19%)	**(49.4)**	(44.4)
Effect of:		
Adjustment in respect of prior years	**(0.6)**	3.8
Expenses not deductible for tax purposes [(a)]	**(5.0)**	(5.6)
Movements in deferred tax with no current tax impact	**-**	0.1
Tax rate changes	**3.7**	11.6
Effects of group relief	**-**	2.9
Revaluation on investment property	**(0.5)**	0.2
Total tax charge	**(51.8)**	(31.4)

(a) Expenses not deductible for tax purposes is primarily due to capital expenditure which does not qualify for tax relief amounting to £3.1 million (2018: £5.4 million).

A reductions in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. These will reduce the Group's future current tax charge and deferred tax liability accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

13. DIVIDENDS

On 5 July 2018 the Directors declared and paid dividends of 59.0p per share, amounting to £150.0 million. (2018: 68.78p per share amounting to £175.0 million on 31 August 2017 and 12 October 2017, and 115.16p per share amounting to £293.0 million on 27 February 2018, totalling £643.0 million during the year). The Directors did not recommend the payment of a final dividend (2018: £nil).

14. SHARE BASED PAYMENTS

The Group has an LTIP for certain members of its Executive Management Board. During the year ended 31 March 2019 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 Group's controlling shareholder from acquisition to sale of their investment in the Group. 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 Group, including dividend cash flows, and the timing and level of any future sale. The Group recognised total expenses of £0.5 million related to equity-settled share-based payment transactions in the year ended 31 March 2019 (2018: expense of £0.5 million).

The participants in the scheme are party to a loan agreement with Gatwick Airport Limited, amounting to £2.8 million (2018: £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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

15. PROPERTY, PLANT AND EQUIPMENT

Cost	Terminal complexes	Airfield assets	Group occupied properties	Plant, equipment & other assets	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m
1 April 2017	1,426.6	499.8	125.3	432.6	184.9	2,669.2
Additions at cost	-	-	-	-	239.7	239.7
Interest capitalised	-	-	-	-	9.1	9.1
Transfers to completed assets	66.5	15.1	6.1	120.4	(237.7)	(29.6)
Disposals	(18.0)	(1.4)	(1.3)	(22.6)	-	(43.3)
31 March 2018	1,475.1	513.5	130.1	530.4	196.0	2,845.1
Additions at cost	-	-	-	-	249.3	249.3
Interest capitalised	-	-	-	-	9.7	9.7
Transfers to completed assets	53.1	30.0	9.5	70.2	(213.5)	(50.7)
Disposals	(5.9)	(1.3)	(0.1)	(3.6)	-	(10.9)
31 March 2019	**1,522.3**	**542.2**	**139.5**	**597.0**	**241.5**	**3,042.5**
Depreciation						
1 April 2017						
Additions at cost	(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
1 April 2018	(276.2)	(116.1)	(16.6)	(131.1)	-	(540.0)
Charge for the year	(79.8)	(31.1)	(5.9)	(44.4)	-	(161.2)
Disposals	2.7	0.4	0.1	2.8	-	6.0
31 March 2019	**(353.3)**	**(146.8)**	**(22.4)**	**(172.7)**	**-**	**(695.2)**
Net book value						
31 March 2019	**1,169.0**	**395.4**	**117.1**	**424.3**	**241.5**	**2,347.3**
31 March 2018	1,198.9	397.4	113.5	399.3	196.0	2,305.1
1 April 2017	1,218.2	413.2	113.6	324.7	184.9	2,254.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation

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

Capitalised interest

Interest costs of £9.7 million (2018: £9.1 million) have been capitalised in the year at a capitalisation rate of 4.96% (2018: 5.39%) based on a weighted average cost of borrowings.

Leased assets

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

	31 March 2019 £m	31 March 2018 £m
Cost or valuation	**179.2**	**174.5**
Accumulated depreciation	**(14.8)**	**(11.7)**
Net book value	**164.4**	**162.8**

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

	31 March 2019 Land and buildings £m	**31 March 2019 Other £m**	31 March 2018 Land and buildings £m	31 March 2018 Other £m
Within one year	**8.8**	**1.3**	8.7	1.0
Within two to five years	**30.3**	**5.5**	29.7	4.4
After five years	**103.3**	**-**	101.2	0.1
	142.4	**6.8**	139.6	5.5

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 present value of 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 Group nor UKPNS are able to split the base fee between a capital and maintenance charge.

Security

As part of the financing agreements outlined in note 24, the Group have granted security over its assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

16. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 April 2017	882.4
Transfers to completed assets (from Assets in the course of construction)	21.5
Reclass between categories	(1.6)
Revaluation gain	93.4
31 March 2018	995.7
Transfers to completed assets (from Assets in the course of construction)	27.4
Disposals	(1.4)
Revaluation gain	126.6
31 March 2019	**1,148.3**

Net book value	
31 March 2019	**1,148.3**
31 March 2018	995.7
1 April 2017	882.4

Valuation

Investment properties and land held for development were valued at open market value at 31 March 2019 by Jones Lang LaSalle Limited at £1,148.3 million. (2018: £995.7 million valued by Deloitte LLP). 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 gain of £126.6 million is recognised in the income statement (2018: £93.4 million).

The Group'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 21). 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

17. INTANGIBLE ASSETS

Cost	Intangible assets £m
1 April 2017	46.7
Transfers to completed assets (from Assets in the course of construction)	8.1
Disposals	(4.2)
31 March 2018	50.6
Transfers to completed assets (from Assets in the course of construction)	23.3
Disposals	(4.5)
31 March 2019	**69.4**
Amortisation	
1 April 2017	(36.9)
Charge for the year	(7.6)
Disposals	4.2
31 March 2018	(40.3)
Charge for the year	(8.8)
Disposals	4.5
31 March 2019	**(44.6)**
Net book value	
31 March 2019	**24.8**
31 March 2018	10.3
1 April 2017	9.8

18. TRADE AND OTHER RECEIVABLES

	31 March 2019 £m	31 March 2018 £m
Trade receivables	**32.2**	26.7
Less: provision for impairment of trade receivables (refer to note 21)	**(3.4)**	(3.4)
Net trade receivables	**28.8**	23.3
Accrued interest receivable	**2.3**	1.4
Other receivables	**3.5**	5.8
Prepayments and accrued income [(a)]	**8.1**	11.5
Amounts owed by group undertakings – interest free	**0.5**	0.4
Amounts owed by group undertakings – interest bearing	**0.2**	0.1
	43.4	42.5

(a) Includes contract assets.

The carrying value of trade and other receivables is classified at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

18. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are assessed monthly for any impairments. For trade receivables and other assets that are in scope of the IFRS 9 impairment model, an expected credit loss model has been applied, taking into account current conditions and reasonable forecasts.

Trade receivables are non-interest bearing and are generally on 14 day payment terms.

For further information about the Group's exposure to credit and market risks, and impairment losses for trade receivables, refer to note 21.

19. CASH AND CASH EQUIVALENTS

	31 March 2019 £m	31 March 2018 £m
Cash at bank and in hand	**2.6**	9.8
Cash held in debt service reserve deposit	**-**	7.7
	2.6	17.5

As at 31 March 2019 the Group held no cash in a Liquidity Standby Account (2018: £7.7 million).

20. DERIVATIVE FINANCIAL LIABILITIES

	31 March 2019 Notional £m	**31 March 2019 Fair value £m**	31 March 2018 Notional £m	31 March 2018 Fair value £m
Variable rate to index-linked swaps	**40.0**	**33.3**	40.0	30.9
Fixed rate to index-linked swaps	**356.0**	**195.3**	356.0	177.2
	396.0	**228.6**	396.0	208.1

Variable rate to index-linked swaps
Variable rate to index-linked swaps have been entered into to economically hedge borrowings and inflation-linked revenue.

Fixed rate to index-linked swaps
Fixed rate to index-linked swaps have been entered into to economically hedge borrowings and inflation-linked revenue.

The above swaps are designated as financial instruments which are fair valued through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9.

The Group has recognised £20.5 million loss in financial derivatives through the income statement for the year ended 31 March 2019 (2018: £4.3 million gain), incorporating a £8.5 million gain for the year (2018: £6.2 million loss) to reflect the credit risk of the Group on its swap position.

The Group has recognised a total cumulative gain of £32.4 million at 31 March 2019 (2018: 23.9 million) to reflect the credit risk on the Group's external swap position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

21. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group'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 Group's operations.

The Group 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 Group's operations and its sources of finance.

The Group 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 Group's business operations and funding.

The main risks arising from the Group'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 Group's income and expenditure or the value of its holdings of financial instruments.

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group'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 Group enters into interest rate swaps. These swaps may be designated to hedge underlying debt obligations. The Group 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 2019, the Group's fixed: floating interest rate profile, after hedging, on gross debt was 97:3 (2018: 100:0).

As at 31 March 2019, 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 2019 Income statement impact £m	**31 March 2019 Equity impact £m**	31 March 2018 Income statement impact £m	31 March 2018 Equity impact £m
0.5% increase in interest rates	**2.7**	**-**	3.1	-
0.5% decrease in interest rates	**(2.7)**	**-**	(3.1)	-
0.5% increase in inflation indices	**(59.6)**	**-**	(64.3)	-
0.5% decrease in inflation indices	**56.0**	**-**	59.8	-

Credit risk

Credit risk is the risk of financial loss to the Group 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 Group has no significant concentrations of 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 and ensuring only counterparties within defined credit risk parameters are used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

a) Trade receivables

For the financial assets that are in scope of the IFRS 9 impairment model, the Group applies a provision matrix using historical loss experience, adjusting for current conditions and reasonable forecasts. The assets assessed by the Group are the trade receivables, and the Group uses three years of historical data to establish an average default rate.

The Group's adjustment for current external conditions and reasonable forecasts extend to assessing individual financial assets for indicators of impairment, 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 asset 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.

The Group's definition of default is based on the ageing of debts and will also consider the financial status of the customer. The Group considers any debts over 180 days overdue, or any customer that falls into receivership, in default.

The Group has recognised a provision based on current external factors of £3.4 million for the year ended 31 March 2019 (2018: £3.4 million).

Movements in impairment allowance for trade receivables are as follows:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
At 1 April	**3.4**	3.3
Increase during the year	**1.0**	1.9
Receivable written off as uncollectible	**(0.3)**	(0.1)
Reversal of amounts previously impaired	**(0.7)**	(1.7)
As at 31 March	**3.4**	3.4

Credit risk exposure

The table below summarises the Group's exposure to credit risk by customer group calculated as a portion of impairment of trade receivables over the annual revenue.

	Year ended 31 March 2019 %	Year ended 31 March 2018 %
Airport and other traffic charges	**-**	0.1
Retail	**0.1**	-
Car park	**-**	0.1
Property [(a)]	**0.2**	-
Other [(a)]	**0.3**	-

(a) Nil for the year ended 31 March 2018 due to reversal of amounts previously impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

As the Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer group, the Group analyses each customer for creditworthiness by using external ratings. The Group can also adjust payment terms to mitigate its exposure to credit risk.

The airport charges and payment terms for airlines are published in the Conditions of Use. As the charges are significantly based on the number of departing passengers, the outstanding debt can escalate quickly. Therefore financial security is requested from all new customers, invoices are raised on a five day cycle and where credit is granted, it is on 14 day payment terms or less. Airline credit exposure is monitored on a daily basis and payment terms and financial security requirements amended as appropriate.

Many of the retail concessionaires have a significant high street presence and are affected by the changes in their market place. The performance of their contracts at the airport are constantly monitored and the broader impact of their overall business is considered. Additional financial security is requested where there is an indication of increased credit risk.

Passenger car parking charges are either paid in advance or paid prior to exit from the car park. Parking charges for contractors and service providers are billed on a monthly cycle and where credit is granted, it is on 14 day payment terms.

Certain customers and suppliers are critical to the operation of the airport, such as ground handling agents and failure of such company can have a significant impact on the operation of the airport. The credit risk of these companies is constantly monitored and where an increase in credit risk is identified an appropriate action plan is agreed with that company in order to ensure a stable operation of the airport and to minimise any financial loss.

b) Cash and Cash equivalents

The Group maintains a prudent split of cash and cash equivalents across a range of market counterparties in order to mitigate counterparty credit risk.

c) Debt securities

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 Group monitors the credit rating of derivative counterparties regularly and ensures no positions are entered into with counterparties with a long-term credit rating below BBB+(S&P), BBB+(Fitch) or Baa1 (Moody's).

As at 31 March 2019, the Group 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 (2018: nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Group 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 Group is not exposed to excessive refinancing risk in any one year.

Financial instruments by category

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

Amortised cost	**31 March 2019 £m**	31 March 2018 £m
Finance lease receivables	**16.9**	16.9
Trade receivables	**28.8**	23.3
Other receivables	**3.5**	5.8
Cash and cash equivalents	**2.6**	17.5
Total financial assets	**51.8**	63.5

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

	31 March 2019 £m	31 March 2018 £m
Less than one year	**0.9**	0.9
Between one and five years	**3.6**	3.6
More than five years	**78.0**	78.9
	82.5	83.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group regularly reviews and maintains or adjusts the capital structure as appropriate in order to achieve these objectives.

	31 March 2019	**31 March 2019**	31 March 2018	31 March 2018
	Other financial liabilities at amortised cost £m	**Liabilities at fair value through income statement £m**	Other financial liabilities at amortised cost £m	Liabilities at fair value through income statement £m
Borrowings	**2,580.4**	**-**	2,479.9	-
Derivative financial liabilities	**-**	**228.6**	-	208.1
Finance lease liabilities	**51.3**	**-**	47.9	-
Trade payables	**12.7**	**-**	14.6	-
Other payables	**4.4**	**-**	4.2	-
Capital creditors	**58.9**	**-**	69.7	-
Total financial liabilities	**2,707.7**	**228.6**	2,616.3	208.1

Changes in the fair value of derivative financial instruments are recognised immediately in the Income Statement, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9.

The Group has recognised £20.5 million loss (2018: £4.3 million gain) in financial derivatives through the income statement for the year ended 31 March 2019.

At 31 March 2019, the Group 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Capital risk management (continued)

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and net settled derivative financial instruments as at 31 March 2019 to the contract maturity date.

	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
31 March 2019				
Class A Bonds – Principal payments	**-**	**-**	**300.0**	**2,200.0**
Class A Bonds – Interest payments	**115.6**	**115.6**	**346.9**	**1,344.5**
Derivative financial instruments	**30.2**	**24.5**	**(19.0)**	**205.9**
	145.8	**140.1**	**627.9**	**3,750.4**
31 March 2018				
Class A Bonds – Principal payments	-	-	-	2,500.0
Class A Bonds – Interest payments	115.6	115.6	346.9	1,460.1
Derivative financial instruments	(7.8)	30.0	11.7	219.2
	107.8	145.6	358.6	4,179.3

Fair value estimation

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Trade receivables
- Trade payables
- Cash and cash equivalents

	31 March 2019 Book value £m	31 March 2019 Fair value £m
Fair value of borrowings		
Class A Bonds	**2,580.4**	**2,964.9**

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

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 Group'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 2019, all of the resulting fair value estimates in the Group are included at Level 2 except for Bonds which are valued at Level 1, consistent with previous years (31 March 2018: Level 2 except for Bonds which are valued at Level 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

22. OTHER NON-CURRENT ASSETS

Other non-current assets relate to amounts due from group undertakings.

	31 March 2019 £m	31 March 2018 £m
Other non-current assets	**0.1**	0.1

23. DEFERRED TAX

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

	Losses £m	Fixed assets £m	Retirement benefit obligations £m	Short term timing differences £m	Total £m
1 April 2017	36.0	(288.3)	8.4	(3.4)	(247.3)
Adjustment in respect of prior years	2.9	0.7	-	0.2	3.8
(Charge)/credit to income	(10.8)	(8.5)	(1.7)	(0.3)	(21.3)
Charge to equity	-	-	0.5	-	0.5
31 March 2018	28.1	(296.1)	7.2	(3.5)	(264.3)
Adjustment in respect of prior years	0.8	(2.0)	(0.6)	0.6	(1.2)
(Charge)/credit to income	(14.9)	(20.2)	(2.4)	0.4	(37.1)
Credit to equity	-	-	2.3	-	2.3
31 March 2019	**14.0**	**(318.3)**	**6.5**	**(2.5)**	**(300.3)**

24. BORROWINGS

	31 March 2019 £m	31 March 2018 £m
Fixed rate borrowings	**2,462.5**	2,460.4
Authorised Credit Facility–Revolving Facility [(a)]	**117.9**	19.5
	2,580.4	2,479.9
Maturity Profile:		
Repayable between 1 and 2 years	**-**	19.5
Repayable between 2 and 5 years	**416.2**	-
Repayable in more than 5 years	**2,164.2**	2,460.4
	2,580.4	2,479.9

(a) This amount includes capitalised upfront costs in relation to the bank facilities entered into on 21 June 2018. These costs are being amortised over the term of the facility.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

24. BORROWINGS (continued)

Ivy Holdco Group Facilities

The Group is party to a Common Terms Agreement (“CTA”) with, *inter alia*, the National Westminster Bank 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 21 June 2018 has a Revolving Credit Facility of £300.0 million and a tenor of five years (with two, one year extension options) giving a termination date of 21 June 2023 (and extension options to 21 June 2024 and 21 June 2025 respectively). There are £120.0 million drawings outstanding on the Revolving Credit Facility at 31 March 2019 (31 March 2018: £20.0 million).

The Group’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 2019 £m**	As at 31 March 2018 £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**	**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**	**300.0**	Ivy Holdco Limited
				2,500.0	**2,500.0**	

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

At 31 March 2019, the average interest rate payable on borrowings was 4.71% (31 March 2018: 4.89% p.a.).

At 31 March 2019, the Group had £180.0 million (2018: £280.0 million) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

24. BORROWINGS (continued)

Financial covenants

Under the CTA, the Group is required to comply with certain financial and information covenants. All financial covenants have been tested and complied with as at 31 March 2019 (2018: all covenants tested and complied with).

The following table summarises the Group's financial covenants as at 31 March 2019 under the CTA, and lists the trigger and default levels:

Covenant	**31 March 2019**	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**2.93**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.59**	> 0.70	> 0.85

25. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

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

The total cost charged to the Income Statement of £9.2 million (2018: £8.9 million) represents contributions payable to this scheme by the Group at rates specified in the rules of the plans. As at 31 March 2019, £0.8 million of contributions (2018: £0.7 million) due in respect of the current reporting period remain unpaid to the scheme.

Defined benefit pension plan

For some employees, the Group 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 2019 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 2020 is £15.2 million (actual for year ended 2019: £15.4 million).

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

	31 March 2019 %	31 March 2018 %
Rate of increase in salaries – to 31 March 2019	**1.5**	1.5
– from 31 March 2019	**1.5**	1.5
– thereafter	**1.5**	1.5
Rate of increase in pensions in payment (RPI)	**3.3**	3.2
Rate of increase in pensions in payment (5% LPI)	**3.1**	3.1
Discount rate	**2.6**	2.7
Retail Prices Index inflation	**3.3**	3.2
Consumer Prices Index inflation	**2.2**	2.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

The mortality assumptions used were as follows:

	31 March 2019 Years	31 March 2018 Years
Life expectancy of male aged 60 at the Statement of Financial Position date	**26.3**	26.8
Life expectancy of male aged 60 in 20 years' time	**27.8**	28.4

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

Assumptions	Change in assumption	Impact on plan liabilities at 31 March 2019 £m
Discount rate	+0.5%	(51.4)
	-0.5%	59.7
Life expectancy	+ 1 year	15.8
	- 1 year	(15.2)

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

	31 March 2019 £m	31 March 2018 £m
Present value of plan liabilities	**(495.9)**	(465.8)
Fair value of plan assets	**458.3**	427.9
Deficit	**(37.6)**	(37.9)

Reconciliation of present value of plan liabilities

	31 March 2019 £m	31 March 2018 £m
Opening present value of plan liabilities	**(465.8)**	(477.0)
Current service cost	**(0.2)**	(0.3)
Interest cost	**(12.6)**	(13.3)
GMP equalisation allowance	**(0.5)**	-
Contributions from plan members [a]	**(0.2)**	(0.2)
Benefits paid	**10.6**	22.9
Actuarial (loss)/gain	**(27.2)**	2.1
Closing present value of plan liabilities	**(495.9)**	(465.8)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Reconciliation of fair value of plan assets

	31 March 2019 £m	31 March 2018 £m
Opening fair value of plan assets	**427.9**	432.2
Interest on plan assets	**11.8**	12.1
Actuarial gain/(loss)	**13.6**	(4.9)
Benefits paid	**(10.6)**	(22.9)
Admin expenses	**-**	(0.6)
Contributions paid by employer	**15.4**	11.8
Contributions paid by members	**0.2**	0.2
Closing fair value of plan assets	**458.3**	427.9

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

	31 March 2019	31 March 2018
Equities	**26%**	28%
Index-linked gilts	**4%**	3%
Diversified growth funds - emerging market multi-asset funds	**9%**	10%
Diversified growth funds	**30%**	32%
Liability driven investment	**30%**	26%
Cash/other	**1%**	1%
	100%	100%

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

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.

The amounts recognised in the income statement are as follows:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Admin expenses	**-**	(0.6)
GMP equalisation allowance	**(0.5)**	-
Employer's part of current service cost	**(0.2)**	(0.3)
Net interest charge	**(0.8)**	(1.2)
	(1.5)	(2.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Actuarial gains and losses

The amount recognised in other comprehensive income are as follows:

	31 March 2019 £m	31 March 2018 £m
Changes in financial assumptions	**(34.5)**	(7.2)
Changes in demographic assumptions	**8.8**	1.6
Experience adjustments on benefit obligations	**(1.6)**	7.7
Return on plan assets less interest on plan assets	**13.7**	(4.9)
Loss recognised in comprehensive income	**(13.6)**	(2.8)

Amounts for current year and prior years

	31 March 2019 £m	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m	31 March 2015 £m
Present value of plan liabilities	**(495.9)**	(465.8)	(477.0)	(396.0)	(390.8)
Fair value of plan assets	**458.3**	427.9	432.2	350.8	350.1
Deficit	**(37.6)**	(37.9)	(44.8)	(45.2)	(40.7)

The Group 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 Group. If investment experience is worse than expected, the Group's obligations increase.

26. TRADE AND OTHER PAYABLES

	31 March 2019 £m	31 March 2018 £m
Trade payables	**12.7**	14.6
Accruals	**29.8**	30.6
Capital payables	**58.9**	69.7
Accrued financing charges	**-**	0.3
Accrued interest payable	**21.1**	20.6
Other payables	**4.4**	4.2
Corporation tax payable	**7.0**	5.8
	133.9	145.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

27. SHARE CAPITAL

	31 March 2019 £m	31 March 2018 £m
Called up, allotted and fully paid		
254,417,261 (2018: 254,417,261) ordinary shares of £1.00 each	**254.4**	254.4

28. RECONCILIATION IN NET DEBT

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

	As at 1 April 2018 £m	Cash flow £m	Other non-cash changes £m	As at 31 March 2019 £m
Cash and cash equivalents	**17.5**	**(14.9)**	**-**	**2.6**
Derivative financial liabilities	**(208.1)**	**-**	**(20.5)**	**(228.6)**
Borrowings	**(2,479.9)**	**(97.6)**	**(2.9)**	**(2,580.4)**
	(2,670.5)	**(112.5)**	**(23.4)**	**(2,806.4)**

	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	14.5	-	17.5
Derivative financial liabilities	(212.4)	-	4.3	(208.1)
Borrowings	(1,867.8)	(610.1)	(2.0)	(2,479.9)
	(2,077.2)	(595.6)	2.3	(2,670.5)

29. RELATED PARTY TRANSACTIONS

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

	Interest payable to related party		Amounts owed from related party	
	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m	**As at 31 March 2019 £m**	As at 31 March 2018 £m
Ivy Midco Limited	**-**	-	**0.7**	0.6

Ivy Midco Limited is the Group's ultimate parent entity in the UK (see note 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

30. COMMITMENTS

Capital commitments

Contracted commitments for capital expenditure amount to £90.1 million (2018: £93.8 million).

Commitments under operating leases

At 31 March 2019, the Group has commitments under non-cancellable operating leases which are payable as follows:

	Land & Buildings 31 March 2019 £m	**Other leases 31 March 2019 £m**	Land & Buildings 31 March 2018 £m	Other leases 31 March 2018 £m
Within one year	**1.4**	**-**	1.5	-
Within two to five years	**5.2**	**-**	5.8	-
After five years	**2.8**	**-**	3.8	-
	9.4	**-**	11.1	-

Other commitments

During the year ended 31 March 2014, the Group 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 Group announces its intention to pursue a planning application for a new runway. At this time, no decisions have been made.

31. CLAIMS AND CONTINGENT LIABILTIES

As part of the refinancing agreements outlined in note 24, the Group have granted security over their assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

Other than the above, the Group 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 2019 (2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

32. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 March 2019 the Group's ultimate parent is Ivy Guernsey Holdings, L.P., a limited partnership registered in Guernsey.

The Group's ultimate parent in the UK is Ivy Midco Limited. The consortium that ultimately own and control the Group and Ivy Midco Limited comprises Global Infrastructure Partners, LP (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 Group's results are included in the audited consolidated financial statements of Ivy Midco Limited for the year ended 31 March 2019 (the largest and smallest group to consolidate these financial statements).

33. SUBSEQUENT EVENTS

Global Infrastructure Partners, LP ("GIP 1"), together with its four co-shareholders (Abu Dhabi Investment Authority, National Pension Service of the Republic of Korea, California Public Employees' Retirement System and the Future Fund) (collectively, the "Existing Gatwick Shareholders"), on 13 May 2019 completed the sale of a 50.01% interest in GAL to CRUISER Bidco Limited (a wholly owned subsidiary of VINCI SA) (a company incorporated in France) for a total equity consideration of approximately £2.9 billion (the "VINCI Transaction").

The Existing Gatwick Shareholders intend to sell their remaining 49.99% interest to a combination of separate accounts and limited partnerships, all of which will be managed by Global Infrastructure Management, LLC ("GIM"), the manager of GIP 1.

34. TRANSITION TO NEW ACCOUNTING STANDARDS

During the year the Group adopted two new accounting standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

Impact of IFRS 9 Financial Instruments

The adoption of IFRS 9 had no impact to the equity and total comprehensive income previously reported at 31 March 2018.

Impact of IFRS 15 Revenue from Contracts with Customers

There are a number of airline contracts in place with discounts which vary by season (Summer/Winter). Under IAS 18 the Group would recognise the discount associated with each contract by pro-rating the discount in line with passenger volumes across the year. In accordance with IFRS 15, the Group now recognises the discount over the period during which it is earned. Discounts are typically focussed on the Winter season and the application of IFRS 15 results in a lower discount being recognised during the first six months of the financial year.

The impact of the timing of airline discounts for the year ended 31 March 2018 is nil.

The adoption of IFRS 15 had no impact to the equity and total comprehensive income previously reported at 31 March 2018.

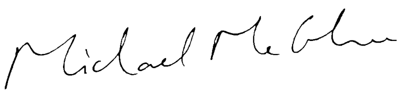
COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	**31 March 2019 £m**	31 March 2018 £m
Assets			
Non-current assets			
Investment in subsidiaries	7	**604.9**	604.9
Current assets			
Cash and cash equivalents		**0.7**	0.7
Total assets		**605.6**	605.6
Liabilities			
Non-current liabilities			
Borrowings	9	**(293.0)**	(292.7)
Current liabilities			
Trade and other payables		**(11.5)**	(1.9)
Total liabilities		**(304.5)**	(294.6)
Net assets		**301.1**	311.0
Equity			
Share capital	10	**254.4**	254.4
Retained earnings		**46.7**	56.6
Total equity		**301.1**	311.0

The notes on pages 93 to 101 form an integral part of these parent company financial statements.

These parent company financial statements were approved by the Board of Directors on 17 June 2019 and were signed on its behalf by:

William Woodburn
Director



Michael McGhee
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Note	Share capital £m	Retained earnings £m	Total £m
Balance at 1 April 2017		254.4	350.5	604.9
Profit for the year	5	-	349.1	349.1
Dividends	6	-	(643.0)	(643.0)
Balance at 31 March 2018		254.4	56.6	311.0
Profit for the year	**5**	**-**	**140.1**	**140.1**
Dividends	**6**	**-**	**(150.0)**	**(150.0)**
Balance at 31 March 2019		**254.4**	**46.7**	**301.1**

The notes on pages 93 to 101 form an integral part of these parent company financial statements.

COMPANY CASH FLOW STATEMENT
For the year ended 31 March 2019

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Cash flows from operating activities		
Profit before tax	**140.1**	349.1
Adjustments for:		
Dividend income	**(150.0)**	(350.0)
Finance expense	**9.9**	0.9
Increase in trade and other payables	**-**	1.0
Net cash from operating activities	**-**	1.0
Cash flows from investing activities		
Equity dividends received	**150.0**	350.0
Net cash from investing activities	**150.0**	350.0
Cash flows from financing activities		
Increase in borrowings	**-**	292.7
Equity dividends paid	**(150.0)**	(643.0)
Net cash from financing activities	**(150.0)**	(350.3)
Net increase in cash and cash equivalents	**-**	0.7
Cash and cash equivalents at the beginning of the year	**0.7**	-
Cash and cash equivalents at the end of the year	**0.7**	0.7

The notes on pages 93 to 101 form an integral part of these parent company financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. BASIS OF PREPARATION

Ivy Holdco Limited ("the Company") is a private company, limited by shares, and is registered and incorporated in England, United Kingdom. The registered number is 07497036 and the registered address is 5th Floor, 6 St Andrew Street, London, EC4A 3AE.

These financial statements are the financial statements of Ivy Holdco Limited ("the Company") for the year ended 31 March 2019. The comparative period is the year ended 31 March 2018. 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 as adopted by the EU and as permitted by the Fair Value Directive as implemented in 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.

As at 31 March 2019 the Company had net current liabilities of £10.8 million (2018: £1.2 million net current liabilities) and net assets of £301.1 million (2018: £311.0 million). Having made enquiries of management, and taking into account the net asset position of the Company, 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 17 June 2019.

The principal accounting policies, which have been applied consistently throughout the period, are set out below.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

During the year, the Company adopted the new IFRS 9 standard. The impact is detailed below:

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* has replaced IAS 39 *Financial Instruments: Recognition and Measurement*, effective on or after 1 January 2018. This standard establishes a single comprehensive framework for classification and recognition of financial instruments. It also introduces a new impairment model for financial assets.

IFRS 9 largely carries forward the scope of IAS 39 for categories of financial assets, measuring at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through income statement (FVTPL). This classification is based on the business model in which a financial asset is managed and its cash flow characteristics. IFRS 9 eliminates the categories of held-to-maturity, loans and receivables, and available-for-sale.

The Company's financial assets consist of cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 9 Financial Instruments (continued)

The Company's financial liabilities consist of:
- Borrowings
- Trade and other payables

All financial liabilities will continue to be measured at amortised cost as they meet the condition for classification at amortised cost under IFRS 9. The derecognition rules have been carried forward from IAS 39 and have not changed under IFRS 9.

There is no impact on the Company' financial position or financial performance from the application of IFRS 9.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in subsidiaries

Investments are held as fixed assets and are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(b) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

(c) Current and deferred taxation

The tax expense for the year comprises current and deferred income tax. 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) 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.

Payables excluding borrowings are non-interest bearing and are stated at their fair value and subsequently measured at amortised cost using the effective interest method.

(e) 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.

(f) 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.

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 presents the greatest level of uncertainty.

a) Taxation

Provision for tax contingencies require management to make judgements and estimates in relation to tax issues and exposures. Amounts provided are based on management's interpretation of the specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. In arriving at this position, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. All such provisions are included in current tax liabilities.

b) Investments in subsidiaries

Management regularly assesses the performance of the subsidiaries of the Company and takes into account forecast future cash flows and activities. Management believe that the carrying value of the investments are supported by their future trade.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

5. COMPANY RESULT FOR THE YEAR

The profit for the year ended 31 March 2019 was £140.1 million (2018: £349.1 million)

As permitted by Section 408 of the Companies Act 2006, no separate Income Statement is presented in respect of the Company.

Employee information

The Company had no employees during the period. All staff costs are borne by Gatwick Airport Limited, the Company's subsidiary.

No Directors were remunerated during the period.

6. DIVIDENDS

On 5 July 2018 the Directors declared and paid dividends of 59.0p per share, amounting to £150.0 million. (2018: 68.78p per share amounting to £175.0 million on 31 August 2017 and 12 October 2017, and 115.16p per share amounting to £293.0 million on 27 February 2018, totalling £643.0 million during the year). The Directors did not recommend the payment of a final dividend (2018: £nil).

On 5 July 2018 the Company received dividends of £150.0 million from its wholly-owned subsidiary, Gatwick Airport Limited. (2018: £175.0 million on 31 august 2017 and 12 October 2017, totaling £350.0 million during the year).

7. INVESTMENT IN SUBSIDIARIES

	31 March 2019 £m	31 March 2018 £m
Investment in subsidiaries	**604.9**	604.9

The Company has investments in the following subsidiary undertakings:

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

† Held by a subsidiary undertaking

All subsidiaries (except for Gatwick Funding Limited ("GFL")) are incorporated and operate in England, United Kingdom. Gatwick Airport Limited and Ivy Bidco Limited have 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 is incorporated in Jersey and has registered office 44 Esplanade, St Helier, Jersey, JE4 9WG.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

8. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 2 March 2011, as part of the Group's refinancing, Ivy Bidco Limited transferred ownership of Gatwick Airport Limited to the Company, for consideration of £597,117,801, the carrying value of Ivy Bidco Limited's investment in Gatwick Airport Limited as at that date. This consideration was satisfied by the Company issuing an additional 597,117,801 ordinary shares at £1.00 per share to Ivy Bidco Limited.

As a result of the acquisition of Gatwick Airport Limited, the Company indirectly acquired ownership of Gatwick Funding Limited, being a wholly-owned subsidiary of Gatwick Airport Limited, incorporated in Jersey.

On 31 March 2015 the Company acquired 100% of the issued share capital of Ivy Bidco Limited from Ivy Midco Limited (the Company's ultimate parent in the UK), for consideration of £7,779,360 in the form of a share for share exchange. Immediately following this transaction, the company sold 100% of the issued share capital of Ivy Bidco Limited to Gatwick Airport Limited in exchange for 7,779,360 ordinary shares in Gatwick Airport Limited issued at £1 per share. As a result of the above transaction, the Company indirectly acquired ownership of Gatwick Airport Pension Trustees Limited, being a wholly-owned subsidiary of Ivy Bidco Limited, incorporated in the United Kingdom.

9. BORROWINGS

	31 March 2019 £m	31 March 2018 £m
Fixed rate borrowings	**293.0**	292.7
Maturity Profile:		
Repayable between 1 and 2 years	**-**	-
Repayable between 2 and 5 years	**-**	-
Repayable in more than 5 years	**293.0**	292.7
	293.0	292.7

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

Ivy Holdco Group Facilities

Gatwick Airport Limited and the Company are party to a Common Terms Agreement ("CTA") with, *inter alia*, the National Westminster Bank 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 21 June 2018 has a Revolving Credit Facility of £300.0 million and a tenor of five years (with two, one year extension options) giving a termination date of 21 June 2023 (and extension options to 21 June 2024 and 21 June 2025 respectively). There are £120.0 million drawings outstanding on the Revolving Credit Facility at 31 March 2019 (31 March 2018: £20.0 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

9. BORROWINGS (continued)

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 2019 £m**	As at 31 March 2018 £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**	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**	300.0	Ivy Holdco Limited
				2,500.0	2,500.0	

The proceeds of all bond issuances by Gatwick Funding Limited (together "the Bonds") are lent to either Gatwick Airport Limited or the Company under the Borrower Loan Agreement, the terms of which are "back-to-back" with those of the Bonds.

At 31 March 2019, the average interest rate payable on borrowings was 4.71% (31 March 2018: 4.89% p.a.).

At 31 March 2019, the Group had £180.0 million (2018: £280.0 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 Group is required to comply with certain financial and information covenants. All financial covenants have been tested and complied with as at 31 March 2019 (2018: all covenants tested and complied with).

The following table summarises the Group's financial covenants as at 31 March 2019 under the CTA, and lists the trigger and default levels:

Covenant	**31 March 2019**	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**2.93**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.59**	> 0.70	> 0.85

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

10. CALLED UP SHARE CAPITAL

	31 March 2019 £m	31 March 2018 £m
Called up, allotted and fully paid		
254,417,261 (2018: 254,417,261) ordinary shares of £1.00 each	**254.4**	254.4

11. RELATED PARTY TRANSACTIONS

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

	Interest payable with related party		Amounts owed to related party	
	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m	**As at 31 March 2019 £m**	As at 31 March 2018 £m
Gatwick Airport Limited	**-**	-	**(10.6)**	(1.0)
Gatwick Funding Limited	**(9.9)**	(0.9)	**(293.9)**	(293.7)
	(9.9)	(0.9)	**(304.5)**	(294.7)

Gatwick Airport Limited is a subsidiary of the Company (refer to note 7). Ivy Topco Limited and Ivy Guernsey Holdings, L.P. are both parent companies of the Company (refer to note 14).

12. CLAIMS AND CONTINGENT LIABILITIES

As part of the Group's financing agreements, the Company has granted security over their assets and share capital to the Group'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 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

13. RECONCILIATION IN NET DEBT

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

	As at 1 April 2018 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 March 2019 £m**
Cash and cash equivalents	**0.7**	**-**	**-**	**0.7**
Borrowings	**(292.7)**	**-**	**(0.3)**	**(293.0)**
	(292.0)	**-**	**(0.3)**	**(292.3)**

	As at 1 April 2017 £m	Cash flow £m	Other non-cash changes £m	As at 31 March 2018 £m
Cash and cash equivalents	-	0.7	-	0.7
Borrowings	-	(292.7)	-	(292.7)
	-	(292.0)	-	(292.0)

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 March 2019 the Company's ultimate parent is Ivy Guernsey Holdings, L.P., a limited partnership registered in Guernsey.

The Company's parent is Ivy Midco Limited. The consortium that ultimately own and control the Company are Global Infrastructure Partners, LP (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 results of the Company are included in the audited consolidated financial statements of Ivy Midco Limited for the year ended 31 March 2019, the largest and smallest group to consolidate these financial statements.

Copies of the financial statements of Ivy Midco Limited may be obtained by writing to the Company Secretary of Gatwick Airport Limited at 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex, RH6 0NP.

15. TRANSITION TO NEW ACCOUNTING STANDARDS

During the year the Company adopted a new accounting standards, IFRS 9 Financial Instruments.

The adoption of IFRS 9 had no impact to the equity and total comprehensive income previously reported at 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

16. SUBSEQUENT EVENTS

Global Infrastructure Partners, LP (“GIP 1”), together with its four co-shareholders (Abu Dhabi Investment Authority, National Pension Service of the Republic of Korea, California Public Employees’ Retirement System and the Future Fund) (collectively, the “Existing Gatwick Shareholders”), on 13 May 2019 completed the sale of a 50.01% interest in GAL to CRUISER Bidco Limited (a wholly owned subsidiary of VINCI SA) (a company incorporated in France) for a total equity consideration of approximately £2.9 billion (the “VINCI Transaction”).

The Existing Gatwick Shareholders intend to sell their remaining 49.99% interest to a combination of separate accounts and limited partnerships, all of which will be managed by Global Infrastructure Management, LLC (“GIM”), the manager of GIP 1.