IVY HOLDCO LIMITED

Report and Unaudited Condensed Interim Consolidated Financial Statements for the six months ended 30 September 2016

Company Registration Number 07497036

REPORT AND UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

CONTENTS **Page**

BUSINESS REVIEW

The Directors present their report and the unaudited condensed interim consolidated financial statements for Ivy Holdco Limited ("the Company") and its subsidiaries, together "the Group", for the six months ended 30 September 2016.

BASIS OF PREPARATION

As at 30 September 2016, Ivy Holdco Limited has four wholly-owned subsidiaries: Gatwick Airport Limited ("GAL"), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively known as ("the Group").

The Company's subsidiary, Gatwick Airport Limited, accounts for the significant majority of the Group's operations, Ivy Bidco Limited is an investment property holding company and Gatwick Funding Limited has financing transactions which are replicated in a "back-to-back" agreement with Gatwick Airport Limited (its parent). Collectively, the Group's operations are considered to represent those of Gatwick Airport ("Gatwick", the "Airport").

BUSINESS REVIEW (continued)

PASSENGER TRAFFIC TRENDS

	Six months ended 30 September 2016	Six months ended 30 September 2015
Passengers	**25,015,538**	23,528,059
Air transport movements ("ATMs")	**155,032**	148,877
Passengers per ATM	**161.4**	158.0
Seats per ATM	**185.1**	181.2
Average load factor (%)	**87.2%**	87.2%

Commercial passenger services only

During the six months ended 30 September 2016 a total of 25.0 million passengers travelled through Gatwick Airport, an increase of 1.5 million or 6.3% compared to the same period in the prior year.

This was the busiest six months in Gatwick's history, and included the two busiest months the Airport has seen: July (4.6 million passengers) and August (4.8 million). There were 45 days with over 900 ATMs, compared to 10 days in the same period last year.

There was a 4.1% increase in the number of ATMs compared to the same period in the prior year. This accounted for two thirds of the growth in passenger numbers. The remaining growth was achieved mainly through an increase in the average number of seats per aircraft from 181.2 to 185.1, whilst maintaining load factors of 87.2%.

A number of airlines have increased frequencies on European routes and introduced new destinations. As a result, there were 4.6% more ATMs on European routes than in the prior year, carrying an additional 1.0 million passengers. The biggest growth was seen in southern European destinations, most notably Spain, Italy, the Canary Islands and Greece.

North American routes showed a particularly strong growth in the period, with an increase of 0.5 million passengers or 39.5% compared to the prior year. Two airlines in particular contributed to this growth: the Canadian carrier WestJet began operating from Gatwick in May 2016, flying to six destinations in Canada, while Norwegian Air Shuttle more than doubled the number of passengers on its services to destinations across the USA.

Passenger numbers on domestic routes (i.e. the UK and Channel islands) grew by 0.1 million or 7.0%. Aer Lingus discontinued its flights to Belfast but this route was taken up by Ryanair, with both larger aircraft and a higher average load factor, leading to a net increase in passenger numbers on this route.

Traffic on North African routes has continued to decline, with 1,415 fewer ATMs: a reduction of 36.2% leading to a drop in passenger numbers of 0.3 million or 42.7%. Egypt was affected most: all flights to Sharm El Sheikh have been cancelled, with a reduction of 0.2 million passengers compared to the same period in the prior year.

BUSINESS REVIEW (continued)

CAPITAL INVESTMENT PROGRAMME

The key strategic objective for Gatwick is to compete to grow and become London's airport of choice. A key enabler in delivering this objective is continued focus on transforming the passenger and airline experience of using the Airport through both investment in modern infrastructure and improving service standards. This will ensure customers 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

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Capital expenditure	**125.7**	92.3

From April 2014, and following completion of GAL's £1.2 billion Q5 Capital Investment Programme, regulatory oversight of Gatwick has evolved into 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 being held to a fixed investment programme, the new framework allows flexibility, innovation and pace in making investments at the Airport to improve services for our passengers and airline customers. The framework includes a commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years.

In May 2016, GAL published its 2016 Capital Investment Programme for consultation with passengers and airlines, outlining the capital investment undertaken in the first two years under Commitments and the plan for the following five years. Gatwick has continued to invest heavily in its Capital Investment Programme, spending £125.7 million in the six months to 30 September 2016 (30 September 2015: £92.3 million). Capital investment is forecast to be approximately £1.6 billion over the seven year Commitments period, 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.

Key capital investment projects and programmes in construction during the first six months of the year can be summarised as follows:

- **Pier 1:** Construction of a new South Terminal Baggage Factory and Pier 1, including delivery of an automated baggage storage facility, continued from the prior year and was successfully opened on 1 June 2016. The innovative design solution includes an automated baggage storage facility, providing airlines and passengers with greater check-in and baggage processing capacity and flexibility, including enhanced early check in options, as well as modern gate rooms and segregated departures and arrivals routes.

- **North Terminal Development Programme:** A major programme to transform the North Terminal continued from the prior year with the World's largest self-bag drop check-in facility successfully completed and opened in April 2016. Construction of upgraded security facilities to the latest Gen II standards opened during June 2016 and a refurbished arrivals hall on the ground floor level is ongoing. The programme will go on to deliver a modern walkthrough duty free store and reconfigured departure lounge to match those facilities already successfully operating in the South Terminal.

BUSINESS REVIEW (continued)

CAPITAL INVESTMENT PROGRAMME (continued)

- **Commercial:** A number of projects were commenced during the year which will enhance the retail and food and beverage offerings at the Airport. Catering remains a key focus with an extension to the Flying Horse pub, a change in coffee shop offering and construction of a new restaurant underway. Within retail, there were new stores for Next in the South Terminal while the North Terminal Development programme is enabling ongoing developments with the creation of a walkthrough duty free store.

- **Airport Transformation Programme:** An extensive programme of works began during the prior year which will see British Airways relocating to the South Terminal, Virgin relocating to the North Terminal and easyJet consolidating its entire operation in the North Terminal. The programme is designed to enhance the passenger experience through upgrading existing facilities, simplifying the passenger journey and providing improved offerings. The project will affect a number of areas within the airport including; check-in desks, crew report facilities, engineering facilities, airline lounges, piers, gate rooms and stands through the 42 associated construction projects. The programme is due for substantial completion with a committed move date in January 2017.

- **Asset Stewardship:** Investment to maintain the existing asset base of the Airport has been ongoing during the year. The works can be categorised into: Airfield, Facilities, Commercial, IT and Compliance and EH&S and are considered critical to enhance the passenger experience whilst passing through the Airport. Investment during the year is forecast to be in excess of £40.0 million including works to the taxiway, North Terminal roof, stand reconfiguration and upgrades to plant rooms.

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

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

BUSINESS REVIEW (continued)

AIRPORTS COMMISSION

The Airports Commission, chaired by Sir Howard Davies, was established by Government in September 2012 to identify the scale and timing of any requirement for additional airport capacity. The Airports Commission was also asked to recommend to the Government options for delivering additional UK airport capacity in the short, medium and long term and to make its final recommendations by 2015.

In December 2013, the Airports Commission published its Interim Report which, among other things, concluded that there is a need for at least one additional runway to be in operation in the South East of the UK by 2030. The Airports Commission shortlisted three proposals for new runways:

- at Gatwick Airport, a new runway spaced sufficiently south of the existing runway to permit full independent operation;
- at Heathrow Airport, either a new runway constructed northwest of the existing airport or an extension of the existing northern runway to the west, lengthening it and enabling it to operate as two separate runways.

Following shortlisting, Gatwick carried out a public consultation during April and May 2014. A Report of Consultation was published in July 2014 which confirmed Gatwick's preference for a wide spaced runway of the type preferred by the Airports Commission.

At the request of the Airports Commission, the proposers of the shortlisted options submitted scheme designs in May 2014. The Airports Commission undertook its own analysis of the shortlisted options and on 11 November 2014 published its analysis. The consultation ran for twelve weeks to 3 February 2015. Prior to reporting, the Commission also undertook a three week consultation on its analysis of the air quality implications of additional runways at Heathrow and Gatwick.

The Airports Commission issued its final report on 1 July 2015. It recommended the Heathrow northwest scheme to the Government subject to a number of conditions. These conditions relate, for example, to the management of noise by banning all scheduled night flights, and by requiring capacity to be released only where compliance with UK and EU air quality legislation can be achieved. The Commission also said that Gatwick was a credible, deliverable and financeable option.

The Prime Minister confirmed in Parliament in July 2015 that the Government would take a decision by the end of 2015. In parallel, the Department for Transport continued to engage with Gatwick and the other short listed options between July and December 2015.

On 14 December 2015 the Secretary of State for Transport made a statement to the House of Commons on the Government's emerging airport's policy. He confirmed the Government's acceptance of the case for airport expansion and its acceptance of the shortlist of expansion options drawn up by the Airports Commission. He explained that, before making a decision on which option should be taken forward, the Government would carry out further work on air quality, noise, carbon and community impacts, and compensation. The Government concluded this work in the summer of 2016.

The Government announced on Tuesday 25 October 2016 that it would accept the recommendation of the Airports Commission. The Government has confirmed that it intends to produce a draft airports National Policy Statement ("NPS") which will be published for public consultation early in 2017. This will include details of the Heathrow airport north-west runway, and, Gatwick understands, will also need to set out the basis on which the Government believes it is preferred relative to other alternatives. As required under legislation, it will be subject to extensive public consultation, followed by a period of parliamentary scrutiny. Only once Parliament have approved the final national policy statement, and it has been designated, will Heathrow airport be able to make a detailed planning application in accordance with the Planning Act 2008 for Nationally Significant Infrastructure Projects ("NSIPs"). This also involves public consultation and an examination in public following which a recommendation is made to Government to make a final decision. These processes will take several years to complete. In his announcement, the Secretary of State for Transport recognised that Gatwick is, and will continue to be, a key part of the UK's national transport infrastructure.

BUSINESS REVIEW (continued)

REGULATORY ENVIRONMENT

On 1 April 2014 the new regulatory framework based on Commitments backed by a licence, supplemented by a monitoring regime, came into operation at Gatwick. The Commitments are a set of legally enforceable undertakings, made by GAL to airlines, covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The Commitments also enable GAL 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 GAL complies with its obligations in the Commitments. This includes that GAL complies with its commitment to incorporate a maximum average revenue yield over the next seven years, based on published prices at RPI+1.0% per year, and average prices (taking into account bilateral contracts) at RPI+0.0% per year (i.e. the "blended price"). It also includes that GAL complies with its Commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years. Obligations on third parties, contained in the Commitments do not form part of the licence.

In the Decision, the CAA set out, amongst other things, its view of the "fair price" for the period from 1 April 2014 of RPI-1.6% per year. The CAA also considered that GAL should undertake capital investment expenditure of at least £160.0 million per annum on average (in 2011/12 price base). The CAA stated that it intends to monitor GAL's pricing and other behaviours (such as capital investment expenditure), on an annual basis to assess the extent to which the out-turn average prices (taking into account bilateral contracts) is consistent with its assessment of the "fair price" at RPI-1.6% and capital investment expenditure is at least £160.0 million per annum on average. If, as part of the CAA's monitoring of the Commitments, the CAA considers that the introduction of further licence conditions, or modifications to existing licence conditions, is in the passenger interest, then the CAA can propose such modifications at that time. This could be for example, to introduce a requirement for GAL to set its charges consistent with the CAA's view of its "fair price" or its view of minimum capital investment expenditure. Such licence modifications could be appealed by the Airport or airlines, to the Competition and Markets Authority. As planned, the CAA is undertaking 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 is expected to be concluded by the end of 2016.

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

Requirements as to operational resilience are included within GAL's Commitments and as such are not subject to a separate licence condition. However, 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, GAL 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.

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.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW

Revenue

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Aeronautical income	**250.9**	228.9
Retail income	**90.6**	85.5
Car parking income	**53.4**	47.7
Property rental income	**12.5**	12.5
Operational facilities and utilities income	**17.9**	17.7
Other income	**19.9**	19.5
Total revenue	**445.2**	411.8

The increase in revenue for the six months ended 30 September 2016 was largely the result of period-on-period traffic growth discussed in passenger traffic trends above and the increased aeronautical yield as discussed below. Growth in passenger traffic affects aeronautical, retail and car parking income.

Aeronautical income

Aeronautical income is driven by traffic volume, the level of airport charges and the terms of bilateral contracts. In the six months ended 30 September 2016, aeronautical income increased by 9.6% or £22.0 million to £250.9 million. This was mainly due to a 6.3% or 0.8 million period-on-period increase in departing passengers and an increase in the level of published airport charges, partly offset by an increase in the discounts offered to airlines through bilateral contracts.

As noted above, the CAA granted a licence under section 15(5) of the Civil Aviation Act 2012 which came into effect on 1 April 2014. The new regulatory approach for GAL 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.

GAL'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.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Aeronautical income (continued)

Following a period of consultation with the airline community, the planned gross yield (i.e. the planned aeronautical revenue per passenger excluding the terms of bilateral contracts) was increased by +2.0% (equivalent to RPI+0.9%) for the year commencing 1 April 2016. This represented a +3.2% increase relative to the actual yield in the prior financial year; as noted in the report and consolidated financial statements for the year ending 31 March 2016, the actual yield was lower than the planned gross yield for that year as a result of various traffic mix impacts.

Including the impact of bilateral pricing agreements, the aeronautical yield for the six months ended 30 September 2016 was £10.031 (six months ended 30 September 2015: £9.728) but as in prior years, the yield will be lower in the second half of the year as a result of the structure of charges; during the winter season (November – March), take-off and landing charges do not apply to the majority of aircraft movements and aircraft parking charges are lower.

Retail income

Net retail income per passenger is calculated as follows:

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Duty and tax-free	**28.1**	27.4
Specialist shops	**22.1**	21.8
Catering	**18.4**	15.2
Bureau de Change	**13.7**	13.0
Other retail	**8.3**	8.1
	90.6	85.5
Less: retail expenditure	**(1.3)**	(1.0)
Net retail income	**89.3**	84.5
Passengers (m)	**25.0**	23.5
Net retail income per passenger	**£3.57**	£3.60

In the six months ended 30 September 2016, net retail income increased by 5.7% period-on-period to £89.3 million with a decrease in income per passenger of 0.8% to £3.57.

Duty and tax-free performance has improved and grown 2.5% period-on-period. However, whilst overall income has increased, a continued challenging trading environment for duty and tax-free goods has contributed to the overall decrease in income per passenger of 3p.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Retail income (continued)

Specialist shops have continued to deliver period-on-period growth, despite the temporary loss of space during the redevelopment of the North Terminal, but has contributed to the overall decrease in income per passenger. New units include a Next in South Terminal which opened in September 2016, and we continue to innovate with new "pop-up" trials in both Terminals. These deliver exceptional sales per square metre whilst enhancing the choice of retail brands for the passenger. Units that opened late last year in the North Terminal Arrivals and Check In developments are also now contributing to period-on-period growth (including a new Boots, London News Company and Excess Baggage Company).

Catering has continued to perform strongly following the addition of new space and new brands over the winter including a Wagamama restaurant and The Grain Store restaurant in the South Terminal, and The Nicholas Culpeper bar and grill in the North Terminal. We are continuing to develop our customer proposition with further new openings planned next year.

Over 84% of passengers continue to rate both our Food & Beverage outlets and our Retail offer as Excellent or Good.

Car parking income

Net car parking income per passenger is calculated as follows:

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Car parking income	**53.4**	47.7
Less: car parking expenditure	**(10.4)**	(10.2)
Net car parking income	**43.0**	37.5
Passengers (m)	**25.0**	23.5
Net car parking income per passenger	**£ 1.72**	£ 1.60

In the six months ended 30 September 2016 net car parking income increased by 14.7% as a result of increased passenger numbers and the partial reintroduction of Multi Storey Car Park 6 during the peak period, which increased additional high yield product capacity. Pre-book revenues also remain strong and have increased 20.0% period-on-period. Despite the increase in passenger numbers, car parking expenditure is only marginally higher due to continued effective cost management.

Other income categories

For the six months ended 30 September 2016, income from other categories increased by 1.2% to £50.3 million (six months ended 30 September 2015: £49.7 million). This is predominantly as a result of passenger growth and increased ATMs.

BUSINESS REVIEW (continued)

Operating costs

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Staff costs	**98.3**	84.8
Retail expenditure	**1.3**	1.0
Car parking expenditure	**10.4**	10.2
Depreciation	**70.8**	62.3
Maintenance and IT expenditure	**18.2**	16.3
Utility costs	**9.6**	8.6
Rent and rates	**15.7**	14.5
General expenses	**27.2**	35.4
Total operating costs pre-exceptional items	**251.5**	233.1

In the six months ended 30 September 2016 total operating costs pre-exceptional items increased by 7.9% period-on-period.

Staff costs have increased by £13.5 million, 15.9% period-on-period. This is largely due to an increase in the average number of full time equivalent ("FTE") employees from 2,428 to 2,757 compared to the same period in the prior year. Within this, average operational FTE employees increased from 2,093 to 2,318, mostly in security, due to the volume of additional passengers processed. Non-operational FTE employees increased from 335 to 439.

Staff costs associated with the Capital Investment Programme have increased by £6.4 million in the 6 months ended 30 September 2016. These incremental costs are offset by the subsequent capitalisation of these costs, which appears as part of general expenses.

Within overall staff costs the underlying average pay rates for employees and contractors has fallen by £2.1 million, reflecting a change in November 2014 to basic salaries and pension contribution rates for new starters, this is offset in part by an inflationary pay increase for permanent employees, and operational over time during the busy summer peak months of July through to September.

Utility costs increased by £1.0 million; £0.6 million in electricity, and £0.4 million in waste and recycling costs. The waste and recycling cost increase is driven by the increase in passenger numbers. The increase in electricity costs were due to an increase in the volume of units consumed (driven by the increase in passenger numbers and ATMs, and also a number of new areas coming into operation; the most significant being Pier 1).

General expenses decreased by £8.2 million period-on-period; £6.4 million as a result of the increase in staff costs capitalised (above) with the remaining decrease due to a combination of operational efficiencies and productivity savings.

BUSINESS REVIEW (continued)

Operating profit and EBITDA

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

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Operating profit before exceptional items	**193.7**	178.7
Add back: depreciation	**70.8**	62.3
EBITDA	**264.5**	241.0

Operating profit before exceptional items increased £15.0m to £193.7 million in the six months ended 30 September 2016 (six months ended 30 September 2015: £178.7 million).

EBITDA increased £23.5 million or 9.8% to £264.5 million in the six months ended 30 September 2016 (six months ended 30 September 2015: £241.0 million) as a result of continued strong financial performance throughout all areas.

Principal risks and uncertainties

The principal risks, as identified by the Board of Directors, have not changed since 31 March 2016. They are explained in more detail in the Company's annual report and consolidated financial statements for the year ended 31 March 2016 and relate to the following key areas:

- Health and safety and security
- CAA regulation
- Competition rules
- Permission to grow
- Environment
- Noise management
- Capital projects
- Changes in demand
- Industrial relations
- Financial risk

The principal risks for the Group are also explained in more detail in the Gatwick Funding Limited prospectus published on 30 September 2016.

Going concern

All the Group's financial covenants have been met and are forecast to be met for the foreseeable future.

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

.

REPORT OF THE DIRECTORS

BASIS OF PREPARATION

The attached unaudited condensed interim consolidated financial statements of Ivy Holdco Limited, comprising the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and other explanatory notes have been prepared in accordance with the requirements of the Ivy Holdco Limited Common Terms Agreement and are considered to fairly represent the financial condition and operations of Ivy Holdco Limited and its subsidiaries as at 30 September 2016 and for the six months then ended.

We confirm that, to the best of our knowledge:

- these condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as adopted by the EU; and

- the accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2016 which are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 March 2016 within the meaning of Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year is available on the Airport's website and will be filed with the Registrar of Companies. The auditor's report on the 31 March 2016 financial statements is unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

SIGNIFICANT BOARD CHANGES

There have been no changes to the members of the Board in the period 1 April 2016 to 30 September 2016.

By order of the Board

Andrew Gillespie-Smith
Director

22 November 2016

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2016

	Note	**Unaudited six months ended 30 September 2016 £m**	Unaudited six months ended 30 September 2015 £m	Audited year ended 31 March 2016 £m
Revenue	4	**445.2**	411.8	673.1
Operating costs	5	**(251.5)**	(239.0)	(476.3)
Operating profit		**193.7**	172.8	196.8
Analysed as:				
Operating profit before exceptional items		**193.7**	178.7	202.7
Operating costs – exceptional	6	**-**	(5.9)	(5.9)
Investment property revaluation		**-**	-	28.7
Loss on disposal of fixed assets	7	**-**	-	(6.4)
Fair value (loss)/gain on derivative financial instruments		**(37.0)**	4.2	4.1
Finance income	8	**10.3**	10.5	21.3
Finance costs	9	**(51.0)**	(53.5)	(103.5)
Profit before tax		**116.0**	134.0	141.0
Tax (charge)/credit	10	**(10.1)**	(39.0)	1.2
Profit for the period		**105.9**	95.0	142.2

The notes on pages 17 to 28 form an integral part of these unaudited condensed interim consolidated financial statements.
All income and expenses recognised during the current and prior periods are from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2016

	Unaudited six months ended 30 September 2016 £m	Unaudited six months ended 30 September 2015 £m	Audited year ended 31 March 2016 £m
Profit for the period	**105.9**	95.0	142.2
Other comprehensive income			
Actuarial (loss)/gain on retirement benefit obligations	**(91.9)**	17.0	3.7
Tax credit/(charge)	**15.5**	(3.4)	(0.9)
Other comprehensive (loss)/income for the period	**(76.4)**	13.6	2.8
Total comprehensive income for the period	**29.5**	108.6	145.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2016

	Share capital £m	**Merger reserve £m**	**Retained earnings £m**	**Total £m**
Balance at 30 September 2015 (unaudited)	254.4	(260.8)	669.6	663.2
Profit for the period	-	-	47.2	47.2
Other comprehensive expense	-	-	(10.8)	(10.8)
Capital contribution	-	-	0.2	0.2
Dividends	-	-	(48.0)	(48.0)
Balance at 31 March 2016 (audited)	254.4	(260.8)	658.2	651.8
Profit for the period	-	-	105.9	105.9
Other comprehensive income	-	-	(76.4)	(76.4)
Capital contribution	-	-	0.3	0.3
Dividends	-	-	(75.0)	(75.0)
Balance at 30 September 2016 (unaudited)	**254.4**	**(260.8)**	**613.0**	**606.6**

The notes on pages 17 to 28 form an integral part of these unaudited condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2016

	Note	**Unaudited 30 September 2016 £m**	Unaudited 30 September 2015 £m	Audited 31 March 2016 £m
Assets				
Non-current assets				
Property, plant and equipment	11	**2,201.8**	2,084.5	2,138.1
Investment properties	12	**802.0**	762.8	801.3
Intangible assets	13	**9.6**	12.0	12.3
Finance lease receivables		**17.0**	17.0	17.0
Other non-current assets		**0.1**	0.1	0.1
		3,030.5	2,876.4	2,968.8
Current assets				
Inventories		**3.0**	3.6	2.9
Trade and other receivables		**67.1**	67.6	44.5
Cash and cash equivalents		**5.5**	0.8	3.1
		75.6	72.0	50.5
Total assets		**3,106.1**	2,948.4	3,019.3
Liabilities				
Non-current liabilities				
Borrowings	14	**(1,717.6)**	(1,598.0)	(1,753.8)
Derivative financial instruments	16	**(192.8)**	(182.5)	(155.8)
Finance lease liabilities		**(44.8)**	(43.9)	(44.0)
Deferred tax liabilities		**(238.5)**	(286.7)	(243.9)
Retirement benefit obligations	15	**(141.0)**	(28.4)	(45.2)
		(2,334.7)	(2,139.5)	(2,242.7)
Current liabilities				
Finance lease liabilities		**(0.4)**	(0.7)	(0.3)
Trade and other payables	18	**(148.9)**	(130.5)	(109.4)
Current tax liabilities		**(3.7)**	(3.1)	(3.3)
Deferred income		**(11.8)**	(11.4)	(11.8)
		(164.8)	(145.7)	(124.8)
Total liabilities		**(2,499.5)**	(2,285.2)	(2,367.5)
Net assets		**606.6**	663.2	651.8
Equity				
Share capital		**254.4**	254.4	254.4
Retained earnings		**613.0**	669.6	658.2
Merger reserve		**(260.8)**	(260.8)	(260.8)
Total equity		**606.6**	663.2	651.8

The notes on pages 17 to 28 form an integral part of these unaudited condensed interim consolidated financial statements.

These condensed interim consolidated financial statements of Ivy Holdco Limited (Company registration number: 07497036) were approved by the Board of Directors on 22 November 2016 and were signed on its behalf by:

Michael McGhee
Director

Andrew Gillespie-Smith
Director

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2016

	Unaudited six months ended 30 September 2016 £m	Unaudited six months ended 30 September 2015 £m	Audited year ended 31 March 2016 £m
Cash flows from operating activities			
Profit before tax	**116.0**	134.0	141.0
Adjustments for:			
Investment property revaluation	**-**	-	(28.7)
Loss on disposal of fixed assets	**-**	-	6.4
Fair value loss/(gain) on financial instruments	**37.0**	(4.2)	(4.1)
Finance income	**(10.3)**	(10.5)	(21.3)
Finance costs	**51.0**	53.5	103.5
Depreciation and amortisation	**70.8**	62.3	128.3
Impairment of fixed assets	**-**	5.9	5.9
(Increase)/decrease in stock, trade and other receivables	**(13.4)**	(9.2)	4.0
Increase/(decrease) in trade and other payables	**2.3**	(10.1)	(2.3)
Increase in net pension liability	**3.1**	4.7	6.8
Other provision movements	**-**	-	0.7
Net cash from operating activities	**256.5**	226.4	340.2
Cash flows from investing activities			
Interest received	**0.6**	-	1.4
Purchase of fixed assets	**(130.0)**	(100.3)	(213.8)
Net cash from investing activities	**(129.4)**	(100.3)	(212.4)
Cash flows from financing activities			
Interest paid	**(12.7)**	(64.1)	(93.3)
Increase in external borrowings	**(37.0)**	(64.5)	90.0
Payment of inflation accretion	**-**	-	(26.7)
Repayment of related party borrowings	**-**	-	(50.0)
Equity dividends paid	**(75.0)**	-	(48.0)
Net cash from financing activities	**(124.7)**	(128.6)	(128.0)
Net increase/(decrease) in cash and cash equivalents	**2.4**	(2.5)	(0.2)
Cash and cash equivalents at the beginning of the period	**3.1**	3.3	3.3
Cash and cash equivalents at the end of the period	**5.5**	0.8	3.1

The notes on pages 17 to 28 form an integral part of these unaudited condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2016

1. BASIS OF PREPARATION

These financial statements are the interim consolidated financial statements of Ivy Holdco Limited and its subsidiaries for the six months ended 30 September 2016. The comparative periods are the six months ended 30 September 2015 and the year ended 31 March 2016. They have been prepared applying the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") and IAS 34 as adopted by the EU, and are prepared under the historical cost convention, except for investment properties, available-for-sale assets, derivative financial instruments and financial liabilities that qualify as hedged items under a fair value hedge accounting system. These exceptions to the historic cost convention have been measured at fair value in accordance with IFRS and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

Going Concern

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.

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 (see note 14); and
- the Group's financial covenants.

All of the Group's financial covenants (see note 14) have been met and are forecast to be met for the years ending 31 March 2017, 2018 and 2019.

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 requirement over a period of at least 12 months from the date of the condensed interim consolidated 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.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2016.

3. GENERAL INFORMATION

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 March 2016 within the meaning of Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been filed with the Registrar of Companies. The auditor's report on the 31 March 2016 financial statements is unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

4. REVENUE

The Directors consider the business has 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 turnover arises in the United Kingdom and is from continuing operations. Additional details of the turnover generated by each of the Group's key activities are given below.

	Unaudited six months ended 30 September 2016 £m	Unaudited six months ended 30 September 2015 £m	Audited year ended 31 March 2016 £m
Airport and other traffic charges	**250.9**	228.9	350.8
Retail	**90.6**	85.5	152.5
Car parking	**53.4**	47.7	77.9
Property income	**12.5**	12.5	24.7
Operational facilities and utilities income	**17.9**	17.7	31.9
Other	**19.9**	19.5	35.3
	445.2	411.8	673.1

5. OPERATING COSTS

	Unaudited six months ended 30 September 2016 £m	Unaudited six months ended 30 September 2015 £m	Audited year ended 31 March 2016 £m
Wages and salaries	**77.9**	65.8	138.9
Social security costs	**7.1**	5.7	11.9
Pension costs	**10.0**	10.7	20.4
Share based payments	**0.3**	0.3	0.5
Other staff related costs	**3.0**	2.3	6.5
Staff costs	**98.3**	84.8	178.2
Retail expenditure	**1.3**	1.0	2.6
Car parking expenditure	**10.4**	10.2	17.8
Depreciation or amortisation	**70.8**	62.3	128.3
Maintenance expenditure	**18.2**	16.3	33.5
Rent and rates	**15.7**	14.5	29.5
Utility costs	**9.6**	8.6	18.2
Police costs	**6.4**	6.3	12.7
General expenses	**14.4**	18.7	29.6
Aerodrome navigation service costs	**6.4**	10.4	20.0
Operating costs – exceptional (note 6)	**-**	5.9	5.9
	251.5	239.0	476.3

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

6. OPERATING COSTS - EXCEPTIONAL

	Unaudited six months ended 30 September 2016 £m	Unaudited six months ended 30 September 2015 £m	Audited year ended 31 March 2016 £m
Impairment of fixed assets	**-**	5.9	5.9

In the period ended 30 September 2015 and the year ended 31 March 2016 the Group impaired Investment Property by £5.9 million relating to a structural defect identified in a car park.

7. LOSS ON DISPOSAL OF FIXED ASSETS

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

	Unaudited six months ended 30 September 2016 £m	Unaudited six months ended 30 September 2015 £m	Audited year ended 31 March 2016 £m
Loss on disposal of fixed assets	**-**	-	6.4

8. FINANCE INCOME

	Unaudited six months ended 30 September 2016 £m	Unaudited six months ended 30 September 2015 £m	Audited year ended 31 March 2016 £m
Interest receivable on derivative financial instruments (a)	**9.9**	10.1	20.4
Finance lease income	**0.4**	0.4	0.9
	10.3	10.5	21.3

(a) These amounts relate to interest receivable on £396.0 million interest to index-linked derivatives. Refer to note 16 for detail on the nominal value of the Group's swaps.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

9. FINANCE COSTS

	Unaudited six months ended 30 September 2016 £m	Unaudited six months ended 30 September 2015 £m	Audited year ended 31 March 2016 £m
Interest on fixed rate bonds	**43.6**	43.6	87.1
Interest on bank borrowings (a)	**1.8**	0.9	1.7
Interest on borrowings from other group undertakings (b)	**-**	2.0	2.0
Interest payable on derivative financial instruments (c)	**5.5**	5.6	11.4
Amortisation of debt costs	**0.8**	0.8	1.6
Non-utilisation fees on bank facilities	**0.8**	0.9	1.9
Finance lease expense	**4.5**	4.4	9.6
Net return on pension scheme	**0.8**	0.7	1.4
Capitalised borrowings costs (d)	**(6.8)**	(5.4)	(13.2)
	51.0	53.5	103.5

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

(b) This amount relates to interest on borrowings from Ivy Midco Limited.

(c) These amounts relate to interest payable on £396.0 million interest to index-linked derivatives. Refer to note 16 for more detail on the nominal value of the Group's swaps.

(d) Borrowing costs have been capitalised using a rate of 5.1% (30 September 2015: 5.6%, 31 March 2016: 5.1%), 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.

10. TAX ON PROFIT

The taxation charge for the six months ended 30 September 2016 is based on an effective tax rate of 8.7% (30 September 2015: 29.1%). This is driven by the estimated effective tax rate for the full year and a change in substantively enacted tax rates impacting the Group's deferred tax liabilities.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

11. PROPERTY, PLANT AND EQUIPMENT

Cost	Terminal complexes £m	Airfield assets £m	Group occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	Total £m
1 April 2016 (audited)	1,195.1	461.3	75.5	316.5	374.0	2,422.4
Additions at cost	-	-	-	-	125.7	125.7
Interest capitalised	-	-	-	-	6.8	6.8
Transfers to completed assets (to investment properties and intangible assets)	125.8	24.6	1.4	25.6	(178.2)	(0.8)
Disposals	(4.1)	(0.3)	-	(2.1)	-	(6.5)
30 September 2016 (unaudited)	**1,316.8**	**485.6**	**76.9**	**340.0**	**328.3**	**2,547.6**
Depreciation						
1 April 2016 (audited)	(134.8)	(58.4)	(7.2)	(83.9)	-	(284.3)
Charge for the period	(39.8)	(14.4)	(1.9)	(11.9)	-	(68.0)
Disposals	4.1	0.3	-	2.1	-	6.5
30 September 2016 (unaudited)	**(170.5)**	**(72.5)**	**(9.1)**	**(93.7)**	**-**	**(345.8)**
Net book value						
30 September 2016 (unaudited)	**1,146.3**	**413.1**	**67.8**	**246.3**	**328.3**	**2,201.8**
30 September 2015 (unaudited)	1,098.3	423.4	57.7	219.2	285.9	2,084.5
31 March 2016 (audited)	1,060.3	402.9	68.3	232.6	374.0	2,138.1

Security

As part of the financing agreements outlined in note 14, 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

12. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 April 2016 (audited)	801.3
Transfers to completed assets (from assets in the course of construction)	0.7
30 September 2016 (unaudited)	**802.0**

Net book value

30 September 2016 (unaudited)	**802.0**
30 September 2015 (unaudited)	762.8
31 March 2016 (audited)	801.3

13. INTANGIBLE ASSETS

Cost	Intangible assets £m
1 April 2016 (audited)	43.5
Transfers to completed assets (from assets in the course of construction)	0.1
Disposals	(0.1)
30 September 2016 (unaudited)	**43.5**

Amortisation

1 April 2016 (audited)	(31.2)
Charge for the period	(2.8)
Disposals	0.1
30 September 2016 (unaudited)	**(33.9)**

Net book value

30 September 2016 (unaudited)	**9.6**
30 September 2015 (unaudited)	12.0
31 March 2016 (audited)	12.3

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

14. BORROWINGS

	Unaudited 30 September 2016 £m	Unaudited 30 September 2015 £m	Audited 31 March 2016 £m
Borrower Loan Agreement			
- Fixed rate borrowings	**1,526.0**	1,525.0	1,525.5
Authorised Credit Facility–Revolving Facility (a)	**191.6**	73.0	228.3
	1,717.6	1,598.0	1,753.8

Maturity Profile:			
Repayable between 1 and 2 years	**-**	-	-
Repayable between 2 and 5 years	**191.6**	73.0	228.3
Repayable in more than 5 years	**1,526.0**	1,525.0	1,525.5
	1,717.6	1,598.0	1,753.8

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

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

Ivy Holdco Group Facilities

The Group entered into a Common Terms Agreement ("CTA") with, *inter alia*, the Royal Bank of Scotland plc as ACF agent and previously the Initial ACF agent. The CTA together with a Master Definitions Agreement covers, *inter alia*, the Initial Authorised Credit Facility Agreement (the "Initial ACF Agreement") and the Authorised Credit Facility Agreement (the "ACF Agreement").

The ACF Agreement entered into on 27 March 2014 has a Revolving Credit Facility of £300.0 million. The ACF Agreement terminates on 27 March 2019.

At 30 September 2016, Gatwick Funding Limited had issued £1,550.0 million of publicly listed fixed rate secured Bonds comprising: £300.0 million Class A 6.125 per cent. Bonds with scheduled and legal maturities of 2026 and 2028 respectively; £300.0 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively; £300.0 million Class A 5.25 per cent. Bonds with scheduled and legal maturities of 2024 and 2026 respectively; £300.0 million Class A 5.75 per cent. Bonds with scheduled and legal maturities of 2037 and 2039 respectively; and £350.0 million of publicly listed fixed rate secured bonds comprising £350.0 million Class A 4.625 per cent. Bonds with scheduled and legal maturities of 2034 and 2036 respectively.

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

14. BORROWINGS (continued)

At 30 September 2016, the average interest rate payable on borrowings was 4.96% (30 September 2015: 5.13%, 31 March 2016: 4.85% p.a.).

At 30 September 2016, the Group had £107.0 million (30 September 2015: £225.0 million, 31 March 2016: £70.0 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 30 September 2016 (30 September 2015: all covenants tested and complied with, 31 March 2016: all covenants tested and complied with).

The following table summarises the Group's financial covenants compliance as at 30 September 2016 under the CTA, and lists the trigger and default levels:

Covenant	Unaudited 30 September 2016	Audited 31 March 2016	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**3.79**	**3.51**	<1.50	<1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.49**	**0.54**	>0.70	>0.85

15. RETIREMENT BENEFIT OBLIGATIONS

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.

Plan assets and liabilities at 30 September 2016 have been recognised at their fair value based on an interim valuation prepared by an independent qualified actuary in accordance with IAS 19.

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

	Unaudited 30 September 2016 £m	Unaudited 30 September 2015 £m	Audited 31 March 2016 £m
Present value of plan liabilities	**(554.5)**	(361.1)	(396.0)
Fair value of plan assets	**413.5**	332.7	350.8
Deficit	**(141.0)**	(28.4)	(45.2)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

16. DERIVATIVE FINANCIAL LIABILITIES

	Notional	**Unaudited 30 September 2016**	Notional	Unaudited 30 September 2015	Notional	Audited 31 March 2016
	£m	**£m**	£m	£m	£m	£m
Interest rate swaps	**40.0**	**35.4**	-	25.2	40.0	26.6
Fixed rate to index-linked swaps	**356.0**	**157.4**	396.0	157.3	356.0	129.2
	396.0	**192.8**	396.0	182.5	396.0	155.8

Interest rate swaps
Interest rate swaps are maintained by the Group to hedge against its exposure to cash flow interest rate risk on variable rate borrowings.

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

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

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

17. 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

17. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category

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

		Loans and receivables	
	Unaudited 30 September 2016 £m	Unaudited 30 September 2015 £m	Audited 31 March 2016 £m
Finance lease receivables	**17.0**	17.0	17.0
Trade receivables	**40.6**	39.2	26.6
Other receivables	**4.5**	2.8	5.4
Cash and cash equivalents	**5.5**	0.8	3.1
Total financial assets	**67.6**	59.8	52.1

	Unaudited 30 September 2016		Unaudited 30 September 2015		Audited 31 March 2016	
	Other financial liabilities at amortised cost	**Liabilities at fair value through income statement**	Other financial liabilities at amortised cost	Liabilities at fair value through income statement	Other financial liabilities at amortised cost	Liabilities at fair value through income statement
	£m	**£m**	£m	£m	£m	£m
Borrowings	**1,717.6**	**-**	1,598.0	-	1,753.8	-
Derivative financial liabilities	**-**	**192.8**	-	182.5	-	155.8
Finance lease liabilities	**45.2**	**-**	44.6	-	44.3	-
Trade payables	**21.6**	**-**	18.4	-	19.7	-
Other payables	**2.3**	**-**	2.7	-	2.6	-
Capital creditors	**48.8**	**-**	38.9	-	54.3	-
Total financial liabilities	**1,835.5**	**192.8**	1,702.6	182.5	1,874.7	155.8

At 30 September 2016, 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

17. FINANCIAL INSTRUMENTS (continued)

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Company's financial liabilities and net settled derivative financial instruments as at 30 September 2016 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
30 September 2016 (unaudited)				
Class A Bonds – Principal payments	**-**	**-**	**-**	**1,550.0**
Class A Bonds – Interest payments	**87.1**	**87.1**	**261.2**	**1,015.6**
Derivative financial instruments	**(8.2)**	**(7.8)**	**35.9**	**131.9**
	78.9	**79.3**	**297.1**	**2,697.5**
30 September 2015 (unaudited)				
Class A Bonds – Principal payments	-	-	-	1,550.0
Class A Bonds – Interest payments	87.1	87.1	261.2	1,102.6
Derivative financial instruments	17.9	(8.4)	16.4	139.0
	105.0	78.7	277.6	2,791.6
31 March 2016 (audited)				
Class A Bonds – Principal payments	-	-	-	1,550.0
Class A Bonds – Interest payments	87.1	87.1	261.2	1,015.6
Derivative financial instruments	(8.5)	(8.1)	35.0	136.7
	78.6	79.0	296.2	2,702.3

	30 September 2016 Book value £m	30 September 2016 Fair value £m
Fair value of borrowings		
Class A Bonds	**1,526.0**	**2,040.1**

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

Fair value estimation

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

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

The fair value of the Group's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 30 September 2016, 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 (30 September 2015: Level 2, 31 March 2016: Level 2).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2016

18. TRADE AND OTHER PAYABLES

	Unaudited 30 September 2016 £m	Unaudited 30 September 2015 £m	Audited 31 March 2016 £m
Trade payables	**21.6**	18.4	19.7
Accruals	**22.0**	16.6	22.3
Capital payables	**48.8**	38.9	54.3
Amounts owed to group undertakings – interest free	**-**	(0.3)	-
Accrued financing charges	**0.1**	0.2	0.1
Accrued interest payable	**54.1**	54.0	10.5
Other payables	**2.3**	2.7	2.5
	148.9	130.5	109.4

19. CLAIMS AND CONTINGENT LIABILITIES

As part of the Group's financing agreements, 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 30 September 2016.

20. SUBSEQUENT EVENTS

On 7 October 2016, Gatwick Funding Limited, issued £300.0 million of publicly listed fixed rate secured bonds comprising £300 million Class A 2.625 per cent; bonds with scheduled and legal maturities of 2046 and 2048 respectively.

The proceeds of the bond issuance by Gatwick Funding Limited were lent to Gatwick Airport Limited under the Borrower Loan Agreement, the terms of which are "back-to-back" with those of the Bonds.

There have been no other material events or circumstances that have occurred after the Statement of Financial Position date, but prior to the signing of the condensed interim consolidated financial statements, that require disclosure or adjustment to balances and transactions that existed at the Statement of Financial Position date.