IVY HOLDCO LIMITED

Report and Unaudited Condensed Interim Consolidated Financial Statements for the six months ended 30 September 2018

Company Registration Number 07497036

REPORT AND UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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BUSINESS REVIEW

The Directors present their report and 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 2018.

BASIS OF PREPARATION

As at 30 September 2018, 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) and Ivy Holdco Limited. Collectively, the Group's operations are considered to represent those of Gatwick Airport ("Gatwick", the "Airport").

UK AVIATION STRATEGY

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

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

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

A Draft Airports National Policy Statement ("NPS") was published in February 2017 for consultation setting out the Government's policy on the need for new airport capacity in the South East of England. In October 2017 a revised draft NPS was published for consultation, to allow updated evidence in relation to aviation demand forecasts and the Government's final air quality plan to be taken into account.

The Revised Draft NPS demonstrates the need for additional airport capacity in the South East of England is greater and even more urgent than ever. This is largely due to faster than expected UK traffic growth and the need to maintain and improve global connectivity including exploiting new opportunities in a post-Brexit world.

BUSINESS REVIEW (continued)

UK AVIATION STRATEGY (continued)

Following the further period of consultation, on 5 June 2018 the Government published a final version of the NPS. This NPS was debated in Parliament and has been formally designated. The NPS is now subject to a number of judicial reviews.

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

In addition to the work on the NPS, in July 2017 the Government published for consultation a call for evidence in relation to a new Aviation Strategy. The Aviation Strategy has six objectives:

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

On 7 April 2018 the Government responded to the call for evidence and issued a “Next steps” towards an Aviation Strategy document outlining its plans to make the country’s aviation sector world-leading in prioritising passengers, fostering sustainable growth and promoting trade. The “Next steps” document makes clear the Government’s commitment to ensuring the aviation sector continues to grow.

During 2018, the Government will engage with industry on the proposals being outlined in the “Next steps” document prior to the formal consultation in the autumn, with the final strategy due for publication in 2019. This will then replace the Aviation Policy Framework (2013) and will include consideration of airport development requirements at all UK airports including Gatwick. Gatwick will be fully engaging the Government consultations in support of a new Aviation Strategy.

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

Gatwick’s last master plan was published in July 2012. Since then there have been significant changes within the industry. As highlighted above Government has decided to support a third runway at Heathrow, and announced policy supporting for all other airports to make best use of existing runways and is in the process of developing a new Aviation Strategy. 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 will be consulted on for a period of 12 weeks. The new draft master plan has 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 Group’s 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. We have 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 will review the feedback and prepare a Final Master Plan to be published in 2019.

BUSINESS REVIEW (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.

BUSINESS REVIEW (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. GAL intends to publish this year its proposals for extending commitments, including pricing, and to consult with airlines on these proposals.

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.

PASSENGER TRAFFIC TRENDS

	Six months ended 30 September 2018	Six months ended 30 September 2017
Passengers	**26,542,350**	26,400,937
Air transport movements (“ATMs”)	**156,835**	158,751
Passengers per ATM	**169.2**	166.3
Seats per ATM	**189.8**	186.9
Average load factor (%)	**89.2%**	89.0%

Commercial passenger services only

In the six months ended 30 September 2018, 26.5 million passengers travelled through the Airport, an increase of 0.1 million or 0.5% compared to the same period in the prior year. The number of ATMs flown was lower than in the prior year: on average, there were more seats per movement, as the airlines up gauge to larger aircraft in order to make better use of Gatwick’s existing infrastructure.

This growth has been achieved despite a number of challenges. In October 2017 Monarch Airlines ceased trading. Its traffic in the six months to September 2017 was 1.2 million passengers. The slots previously owned by Monarch were acquired in December 2017 by the IAG Group (which includes British Airways, Aer Lingus, Iberia, LEVEL and Vueling); however, these airlines were not able use all these slots to the same levels of slot utilisation at short notice. In addition there was a high level of disruption due to industrial action by European air traffic controllers, and adverse weather both in the UK and in Europe. Other challenges which restricted the potential for growth included technical problems with Boeing 787 engines and delays in delivery of Airbus A320neo and A321neo, also due to engine issues.

Long-haul traffic continues to be the major source of growth for Gatwick in the six months to 30 September 2018. Passenger numbers on long-haul routes grew by 0.8 million or 21.3% compared to the same period in the prior year.

The North American sector contributed 0.5 million of this growth, with both Norwegian and BA introducing new routes (Norwegian: Chicago, Denver, Austin, BA: Oakland and Toronto) and increasing their frequencies on existing routes.

The Far East was another notable area of growth for Gatwick, contributing 0.1 million additional passengers compared to the prior year. Air China began flying to Chengdu from Gatwick in July, and in December 2017 China Airlines began its flights to Taiwan, while Cathay’s Hong Kong service, which began in September 2016, continued to perform well. Tianjin Airlines ceased flying from Gatwick in August.

BUSINESS REVIEW (continued)

PASSENGER TRAFFIC TRENDS (continued)

Traffic to the Middle East also grew by 0.2 million passengers. Emirates' service to the UAE grew by 11.5%, and in May 2018 Qatar Airways started double daily flights to Doha from Gatwick, increasing to three per day on Fridays and Saturdays.

Flights to North Africa increased compared to the same period last year, with a 21.1% growth in passenger numbers to the region, with traffic to Tunisia in particular more than trebling; this reflects a substantial recovery in this market, which was badly affected in recent years by security risks.

Traffic on domestic routes has reduced by 0.2 million passengers, as Ryanair have discontinued their service to Belfast. European routes also suffered a reduction, with 0.5 million fewer passengers, mainly as a result of the collapse of Monarch and the delay in utilisation of its vacated slots.

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 that airlines can operate efficiently and 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 2018 £m	Six months ended 30 September 2017 £m
Capital expenditure	**114.6**	98.1

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 a fixed capital investment programme, the new framework allows flexibility, innovation and pace in making investments at the Airport to improve services to its passengers and airline customers. The framework includes a commitment to undertake capital investment expenditure of at least £100.0 million per annum over a seven year period ending 31 March 2021.

Gatwick has continued to invest heavily in its Capital Investment Programme, spending £114.6 million in the six months to 30 September 2018 (30 September 2017: £98.1 million). Capital investment is forecast to be approximately £1.6 billion over the seven year Commitments period (starting April 2014) thereby continuing a similar rate of investment and improvement since the Airport changed ownership in December 2009, and in excess of the minimum level required under the Commitments framework. In May 2018, GAL published its 2018 Capital Investment Programme ("CIP") for consultation with passengers and airlines, outlining plans to invest £1.1 billion over the next 5 years through to 2023.

Gatwick controls and delivers its Capital Investment Programme through seven individual programmes covering the key elements of the Airport. This approach allows Gatwick to deliver against its key investment drivers whilst maintaining its operations. Key capital investment projects and programmes completed and in construction during the period ended 30 September 2018 can be summarised as follows:

BUSINESS REVIEW (continued)

CAPITAL INVESTMENT PROGRAMME (continued)

- **Pier 6 Programme:** Design and construction works continued on an extension to Pier 6 in order to improve pier service levels. The scheme, due to complete in 2022, will include an additional 8 A321 compatible gates in order to meet continued passenger growth and up gauging of the fleet, while maintaining pier service levels.

- **Terminals Programme:** Investment continued during the period with a focus on improving resilience, efficiency and passenger service. Works included expansion of check in facilities and expanding further the self-service bag drop offerings in both terminals. 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 Retail Programme:** A number of projects were completed during the period which have improved the retail and food and beverage offerings at the Airport. In North Terminal, Dixons, JD Sports and WHSmiths 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, a new WHSmiths opened, accompanied by a range of pop-up units and a project commenced to expand Pret A Manger further enhancing capacity in the 'grab and go' sector.

- **Commercial Surface Transport and Car Park Programme:** Work continued on a new public access project in South Terminal; aimed at providing a safer access for passengers who travel to Gatwick by bus. Increasing car park capacity continues to be a focus, with work completed on a long stay car park decking project in the South Terminal, providing an additional 1,565 spaces. In addition, design work began on two new multi-storey car parks supporting the diverse parking product range at the Airport.

- **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. Works also continued in the period on the creation of a new aircraft hangar in partnership with Boeing to 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.

- **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 recently published CIP is forecasting to spend over £350.0 million in this area over the next five years to 2023.

- **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 recently published 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.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW

Revenue

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m (As restated)*
Aeronautical income	**298.0**	279.4
Retail income	**107.9**	98.1
Car parking income	**53.8**	55.7
Property rental income	**15.3**	13.8
Operational facilities and utilities income	**18.0**	18.8
Other income	**19.5**	20.3
Total revenue	**512.5**	486.1

* Results for the six months ended 30 September 2017 restated due to the application of IFRS 15 Revenue from Contracts with Customers.

The increase in revenue for the six months ended 30 September 2018 of 5.4% was the result of period-on-period growth in passengers coupled with increased retail income per passenger and increased aeronautical yield, as discussed below.

Aeronautical income

Aeronautical income is driven by traffic volume, the level of airport charges and the terms of bilateral contracts with airlines. In the six months ended 30 September 2018, aeronautical income increased by 6.7% or £18.6 million to £298.0 million. This was mainly due to a 0.1 million or 0.5% period-on-period increase in passengers and an increase in the level of published airport charges.

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 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.

The Airport's Commitments limit the increase in airport charges per passenger, measured over the seven 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 seven year Commitments period may be higher or lower than the average price limits over the seven 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) increased by 5.6% for the year commencing 1 April 2018; this increase comprised RPI at 3.9% plus 1.1% and a permitted security cost adjustment associated with a hold baggage screening project (plus 0.6%).

Including the impact of bilateral pricing agreements, the aeronautical yield for the six months ended 30 September 2018 was £11.23 (2017: £10.58) 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 and the terms of airline contracts; during the winter season (November – March) demand charges do not apply to the majority of aircraft movements, aircraft parking charges are lower and airline discounts are typically higher.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Retail income

Net retail income per passenger is calculated as follows:

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m
Duty and tax-free	**32.8**	29.1
Specialist shops	**25.1**	24.0
Catering	**23.7**	20.5
Bureau de change	**15.4**	15.7
Other retail	**10.9**	8.8
	107.9	98.1
Less: retail expenditure	**(1.8)**	(1.1)
Net retail income	**106.1**	97.0
Passengers (m)	**26.5**	26.4
Net retail income per passenger	**£4.00**	£3.67

In the six months ended 30 September 2018, net retail income increased by 9.4% period-on-period to £106.1 million with an increase in income per passenger of 9.0% to £4.00.

The Airports customer survey shows customer satisfaction has been at record levels in both retail, and food and beverage outlets over the last 12 months, with 88% of Gatwick's passengers now rating both selections as either 'Good' or 'Excellent'.

Duty and tax-free income performance has grown 12.7% period-on-period with income per passenger having increased 12.0%. The opening of the North Terminal walkthrough store has continued to drive increased sales in World Duty Free ("WDF") in the first half of the year with the opening of this store annualising in September 2018. The opening of the new World Duty Free operated "Collections" store and new contract terms have also driven income growth.

Specialist shops income has grown 4.6% which exceeded passenger growth and increased income per passenger by 4.0%. The final phase of the North Terminal redevelopment delivered new units for Dixons, JD Sports and WHSmiths. A number of new or refurbished stores have opened across the airport as space is optimised to meet passenger demand through ongoing churn of stores including Accessorize and Rolling Luggage in the North Terminal and the new WHSmiths bookshop and confectionery, tobacco and news in the South Terminal. Units which opened last year, such as WHSmiths Atrium store in the South Terminal and various pop-up units, have also positively impacted average spend per passenger in the period.

Catering continued to perform strongly delivering 15.6% income growth and 15.1% increase in income per passenger. The completion of the project to expand the Red Lion pub in the North Terminal has resulted in increased capacity and sales. New contract terms for a number of units has also driven income growth.

Bureau de change income has decreased by 2.0% as a results of change in passenger mix and currency fluctuations.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Car parking income

Net car parking income per passenger is calculated as follows:

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m
Car parking income	**53.8**	55.7
Less: car parking expenditure	**(10.9)**	(10.6)
Net car parking income	**42.9**	45.1
Passengers (m)	**26.5**	26.4
Net car parking income per passenger	**£1.62**	£1.71

Net car parking income decreased by 4.9% period-on-period and income per passenger decreased by £0.09 or 5.3%.

For the six months ended 30 September 2018, Gatwick market research data showed a decline in UK resident non transfer departing passengers of 5.1% points compared to the same period last year, impacting both pre-book and roll-up revenue. Against this overall lower market demand, pre-book volumes and yields were down 0.7% and 1.6% respectively. Roll-up and other car park revenue was down 4.2%.

The Gatwick sales strategy continues to focus on sales direct to the Gatwick website.

Car park expenditure increased by £0.3 million or 2.8% which includes operating and sales costs.

Other income categories

For the six months ended 30 September 2018, income from other categories remained consistent at £52.8 million compared to £52.9 million for the six months ended 30 September 2017.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Operating costs

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m
Staff costs	**102.1**	98.7
Retail expenditure	**1.8**	1.1
Car parking expenditure	**10.9**	10.6
Depreciation and amortisation	**84.9**	77.1
Maintenance and IT expenditure	**21.5**	20.1
Rent and rates	**16.4**	15.3
Utility costs	**11.3**	10.9
General expenses	**23.5**	22.4
Total operating costs	**272.4**	256.2

In the six months ended 30 September 2018 total operating costs increased by 6.3% period-on-period compared to passenger growth of 0.5%.

Staff costs, the largest operating cost increased by £3.4 million or 3.4% for the six months ended 30 September 2018 primarily due to a cost of living increase in average salaries which is partly offset by a decrease in the number of full-time equivalent (“FTE”) employees in the current period.

The average number of full time equivalent (“FTE”) employees decreased from 3,079 to 3,062 compared to the same period in the prior year. The majority of the decrease was driven through operational FTE employees, mainly due to more efficient resourcing. This was partly offset by an increase in FTE employees within the areas of IT and Construction as more resource was required to support the Capital Investment Programme.

Retail expenditure increased by £0.7 million or 63.6% as a result of growth in Gatwick Connects, ecommerce and advertising revenue.

Depreciation and amortisation increased £7.8 million or 10.1% due to continued capital investment in the Airport and a number of large capital projects completing during the period.

Maintenance and IT expenditure increased £1.4 million or 7.0% due to increases in IT licence and maintenance costs, and compliance activities associated with the introduction of GDPR.

Rent and rates increased by £1.1 million or 7.2% for the six months ended 30 September 2018 primarily due to an inflationary increase in the rates multiplier applied to all valuations.

Utility costs increased by £0.4 million due to higher electricity wholesale prices and consumption.

General expenses increased by £1.1 million or 4.9% primarily due to writing off legacy design costs in relation to capital projects.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

EBITDA

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

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m (As restated)*
Operating profit	**240.1**	229.9
Add back: depreciation and amortisation	**84.9**	77.1
EBITDA	**325.0**	307.0

* Results for the six months ended 30 September 2017 restated due to the application of IFRS 15 Revenue from Contracts with Customers.

EBITDA increased by £18.0 million or 5.9% in the six months ended 30 September 2018.

Principal risks and uncertainties

The principal risks, as identified by the Board of Directors, have not changed since 31 March 2018. They are explained in more detail in the Group’s annual report and consolidated financial statements for the year ended 31 March 2018 and relate to the following key areas:

- Health and safety and security
- CAA regulation
- Competition rules
- UK Aviation Strategy
- 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 7 February 2018.

Financing activities

During the six months ended 30 September 2018 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 15 of the financial statements.

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.

Dividends

On 5 July 2018, the Directors declared and paid a dividend of 58.96p per share amounting to £150.0 million.

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 2018 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 2018 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 2018 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 2018 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

During the period Wendy Norris resigned from the Board of Gatwick Airport Limited with Justin Peter Ginnivan appointed as a replacement.

On behalf of the Board

Andrew Gillespie-Smith
Director

28 November 2018

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2018

	Note	**Unaudited six months ended 30 September 2018 £m**	Unaudited six months ended 30 September 2017 £m (As restated)*	Audited year ended 31 March 2018 £m (As restated)*
Revenue	4	**512.5**	486.1	764.2
Operating costs	5	**(272.4)**	(256.2)	(520.6)
Operating profit		**240.1**	229.9	243.6
Investment property revaluation		**-**	-	93.4
Loss on disposal of fixed assets	6	**(4.0)**	(0.2)	(9.6)
Financing				
Fair value (loss)/gain on derivative financial instruments		**(13.4)**	7.8	10.5
Finance income	7	**10.4**	10.2	20.6
Finance costs	8	**(67.5)**	(55.6)	(118.6)
Profit before tax		**165.6**	192.1	239.9
Tax charge	9	**(26.5)**	(32.0)	(31.4)
Profit for the period		**139.1**	160.1	208.5

* Results for the six months ended 30 September 2017 restated due to the application of IFRS 9 Financial Instrument and IFRS 15 Revenue from Contracts with Customers. Results for the year ended 31 March 2018 restated due to the application of IFRS 9 Financial Instrument. Further information is included in note 19.

The notes on pages 17 to 30 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 2018

	Unaudited six months ended 30 September 2018 £m	Unaudited six months ended 30 September 2017 £m	Audited year ended 31 March 2018 £m
		(As restated)*	(As restated)*
Profit for the period	**139.1**	160.1	208.5
Other comprehensive income			
Items that will not be reclassified to the consolidated income statement			
Actuarial gain/(loss) on retirement benefit obligations	**16.8**	8.2	(2.8)
Credit risk loss on derivative financial instruments	**(0.5)**	(6.7)	(6.2)
Tax (charge)/credit	**(2.9)**	(1.0)	0.5
Other comprehensive income/(loss) for the period	**13.4**	0.5	(8.5)
Total comprehensive income for the period	**152.5**	160.6	200.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2018

	Share capital £m	**Merger reserve £m**	**Retained earnings £m**	**Total £m**
			(As restated)*	(As restated)*
Balance at 31 March 2018 (audited)	254.4	(260.8)	197.4	191.0
Profit for the period	-	-	139.1	139.1
Other comprehensive income	-	-	13.4	13.4
Capital contribution	-	-	0.3	0.3
Dividends	-	-	(150.0)	(150.0)
Balance at 30 September 2018 (unaudited)	**254.4**	**(260.8)**	**200.2**	**193.8**
Balance at 31 March 2017 (audited)	254.4	(260.8)	639.9	633.5
Profit for the period	-	-	160.1	160.1
Other comprehensive income	-	-	0.5	0.5
Capital contribution	-	-	0.3	0.3
Dividends	-	-	(175.0)	(175.0)
Balance at 30 September 2017 (unaudited)	254.4	(260.8)	625.8	619.4

* Results for the six months ended 30 September 2017 restated due to the application of IFRS 9 Financial Instrument and IFRS 15 Revenue from Contracts with Customers. Results for the year ended 31 March 2018 restated due to the application of IFRS 9 Financial Instrument. Further information is included in note 19.

The notes on pages 17 to 30 form an integral part of these unaudited condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Note	**Unaudited 30 September 2018 £m**	Unaudited 30 September 2017 £m	Audited 31 March 2018 £m
			(As restated)*	
Assets				
Non-current assets				
Property, plant and equipment	10	**2,315.3**	2,264.8	2,305.1
Investment properties	11	**1,012.9**	899.7	995.7
Intangible assets	12	**12.0**	8.1	10.3
Finance lease receivables		**16.9**	16.9	16.9
Other non-current assets		**0.1**	0.1	0.1
		3,357.2	3,189.6	3,328.1
Current assets				
Inventories		**4.9**	4.7	4.6
Trade and other receivables		**81.0**	81.4	42.5
Cash and cash equivalents		**33.0**	259.6	17.5
		118.9	345.7	64.6
Total assets		**3,476.1**	**3,535.3**	**3,392.7**
Liabilities				
Non-current liabilities				
Borrowings	15	**(2,534.4)**	(2,166.1)	(2,479.9)
Derivative financial instruments	13	**(222.0)**	(211.3)	(208.1)
Finance lease liabilities		**(46.9)**	(47.0)	(47.1)
Deferred tax		**(276.9)**	(259.1)	(264.3)
Retirement benefit obligations	16	**(13.9)**	(37.4)	(37.9)
		(3,094.1)	(2,720.9)	(3,037.3)
Current liabilities				
Finance lease liabilities		**(0.8)**	(0.6)	(0.8)
Trade and other payables	17	**(169.6)**	(178.8)	(145.8)
Current tax liabilities		**(6.0)**	(3.7)	(3.7)
Deferred income		**(11.8)**	(11.9)	(14.1)
		(188.2)	(195.0)	(164.4)
Total liabilities		**(3,282.3)**	(2,915.9)	(3,201.7)
Net assets		**193.8**	619.4	191.0
Equity				
Share capital		**254.4**	254.4	254.4
Retained earnings		**200.2**	625.8	197.4
Merger reserve		**(260.8)**	(260.8)	(260.8)
Total equity		**193.8**	619.4	191.0

* Results for the six months ended 30 September 2017 restated due to the application of IFRS 15 Revenue from Contracts with Customers. Further information is included in note 19.

The notes on pages 17 to 30 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 28 November 2018 and were signed on its behalf by:

Andrew Gillespie-Smith
Director

Michael McGhee
Director

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2018

	Unaudited six months ended 30 September 2018 £m	Unaudited six months ended 30 September 2017 £m	Audited year ended 31 March 2018 £m
		(As restated)*	(As restated)*
Cash flows from operating activities			
Profit before tax	**165.6**	192.1	239.9
Adjustments for:			
Investment property revaluation	**-**	-	(93.4)
Loss on disposal of fixed assets	**4.0**	0.2	9.6
Fair value loss/(gain) on financial instruments	**13.4**	(7.8)	(10.5)
Finance income	**(10.4)**	(10.2)	(20.6)
Finance costs	**67.5**	55.6	118.6
Depreciation and amortisation	**84.9**	77.1	167.6
Impairment of fixed assets	**-**	-	-
Increase in inventories, trade and other receivables	**(28.8)**	(31.4)	(10.8)
Decrease in trade and other payables	**(18.9)**	(36.5)	(21.2)
(Decrease)/increase in net pension liability	**(7.6)**	0.2	(11.0)
Other non-cash movements	**-**	(0.1)	(0.1)
Cash generated from operations	**269.7**	239.2	368.1
Corporation tax paid	**(5.9)**	-	(4.5)
Net cash from operating activities	**263.8**	239.2	363.6
Cash flows from investing activities			
Interest received	**0.2**	0.3	1.1
Sale of tangible fixed assets	**1.1**	-	0.7
Purchase of fixed assets	**(129.4)**	(95.8)	(221.9)
Net cash from investing activities	**(128.1)**	(95.5)	(220.1)
Cash flows from financing activities			
Interest paid	**(23.0)**	(9.4)	(96.1)
Increase in external borrowings	**52.8**	297.3	610.1
Equity dividends paid	**(150.0)**	(175.0)	(643.0)
Net cash from financing activities	**(120.2)**	112.9	(129.0)
Net increase in cash and cash equivalents	**15.5**	256.6	14.5
Cash and cash equivalents at the beginning of the period	**17.5**	3.0	3.0
Cash and cash equivalents at the end of the period	**33.0**	259.6	17.5

* Results for the six months ended 30 September 2017 restated due to the application of IFRS 9 Financial Instrument and IFRS 15 Revenue from Contracts with Customers. Further information is included in note 19.

The notes on pages 17 to 30 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 2018

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.

These financial statements are the condensed interim consolidated financial statements of Ivy Holdco Limited and its subsidiaries ("the Group") for the six months ended 30 September 2018. The comparative periods are the six months ended 30 September 2017 and the year ended 31 March 2018. They are presented in sterling and rounded to the nearest £0.1 million. 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.

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.

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; and
- the Group's financial covenants.

All of the Group's financial covenants have been met and are forecast to be met for the years ending 31 March 2019, 2020 and 2021.

As a result of the review, having made appropriate enquiries of management and allowing for headroom to accommodate a reasonable downside scenario (including a fall in passenger numbers), the Directors have a reasonable expectation that sufficient funds are available to meet the 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.

The financial statements were approved by the Directors on 28 November 2018.

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 2018, except for those that relate to new standards and interpretations effective for the first time for accounting periods beginning on (or after) 1 January 2018, and will be adopted for Group consolidated financial statements for the year ended 31 March 2019, and which have given rise to changes in the Group's accounting policies these being:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers

2. ACCOUNTING POLICIES (continued)

Details of the impact these two standards have had are given below:

IFRS 9 Financial Instruments

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. Under IAS 39 changes in the fair value of the derivative financial instruments are recognised immediately in the Income Statement and incorporates a reduction to reflect the credit risk of the Group on its swap position. Under IFRS 9 the reduction to reflect the credit risk of the Group is presented in Other Comprehensive Income, with the other fair value changes presented in the Income Statement.

Under IAS 39 impairment provisions on financial assets measured at amortised cost (such as trade and other receivables) are calculated based on the incurred loss model whereas under IFRS 9 impairment provisions are calculated based on the expected credit loss model. The application of the expected losses model has resulted in an immaterial impact to the Group's results.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as various Interpretations previously issued by the IFRS Interpretations Committee. 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 IFRS 15 adjustment therefore results in a lower discount being recognised during the first six months of the financial year.

These financial statements for the six months ended 30 September 2018 are the first the Group has prepared in accordance with IFRS 9 and IFRS 15. For all periods up to and including the year ended 31 March 2018, the Group prepared its financial statements in accordance with IAS 39 and IAS 18. The comparative period of the six months ended 30 September 2017 have been restated in accordance with IFRS 9 and IFRS 15. 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 19. This note includes reconciliations of equity and total comprehensive income for the comparative period previously reported under IAS 39 and IAS 8.

The Group chose to adopt these new standards on a fully retrospective basis, enabling it to take advantage of various transitional provisions.

3. GENERAL INFORMATION

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 March 2018 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 2018 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 2018

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).

Disaggregation of revenue

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.

	Unaudited six months ended 30 September 2018 £m	Unaudited six months ended 30 September 2017 £m (As restated)	Audited year ended 31 March 2018 £m
Airport and other traffic charges	**298.0**	279.4	396.6
Retail	**107.9**	98.1	177.3
- Duty and tax-free	**32.8**	29.1	53.5
- Specialist shops	**25.1**	24.0	42.9
- Catering	**23.7**	20.5	37.5
- Bureau de change	**15.4**	15.7	26.8
- Other retail	**10.9**	8.8	16.6
Car parking	**53.8**	55.7	87.8
Property income	**15.3**	13.8	29.1
Operational facilities and utilities income	**18.0**	18.8	34.5
Other	**19.5**	20.3	38.9
	512.5	486.1	764.2

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2018

5. OPERATING COSTS

	Unaudited six months ended 30 September 2018 £m	Unaudited six months ended 30 September 2017 £m	Audited year ended 31 March 2018 £m
Wages and salaries	**85.8**	82.5	169.3
Social security costs	**8.0**	7.6	15.2
Pension costs	**4.9**	4.7	9.8
Share-based payments	**0.3**	0.3	0.5
Other staff related costs	**3.1**	3.6	7.1
Staff costs	**102.1**	98.7	201.9
Retail expenditure	**1.8**	1.1	2.5
Car parking expenditure	**10.9**	10.6	19.5
Depreciation and amortisation	**84.9**	77.1	167.6
Maintenance and IT expenditure	**21.5**	20.1	40.6
Rent and rates	**16.4**	15.3	30.3
Utility costs	**11.3**	10.9	21.1
Police costs	**6.9**	6.5	13.4
General expenses	**10.2**	9.7	12.1
Aerodrome navigation service costs	**6.4**	6.2	11.6
	272.4	256.2	520.6

6. 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 2018 £m	Unaudited six months ended 30 September 2017 £m	Audited year ended 31 March 2018 £m
Loss on disposal of fixed assets	**4.0**	0.2	9.6

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2018

7. FINANCE INCOME

	Unaudited six months ended 30 September 2018 £m	Unaudited six months ended 30 September 2017 £m	Audited 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)	**9.9**	9.8	19.6
Finance lease income	**0.4**	0.4	0.9
	10.4	10.2	20.6

(a) These amounts relate to interest receivable on £396.0 million interest to index-linked derivatives. Refer to note 13 for detail on the nominal value of the Group's swaps.

8. FINANCE COSTS

	Unaudited six months ended 30 September 2018 £m	Unaudited six months ended 30 September 2017 £m	Audited year ended 31 March 2018 £m
Interest on fixed rate bonds	**58.0**	47.7	101.4
Interest on bank borrowings (a)	**0.4**	0.3	0.3
Interest payable on derivative financial instruments (b)	**5.8**	5.5	11.3
Amortisation of debt costs	**1.6**	1.0	2.1
Non-utilisation fees on bank facilities	**0.8**	0.8	2.0
Finance lease expense	**4.9**	4.7	9.4
Net charge on pension scheme	**0.5**	0.6	1.2
Capitalised borrowings costs (c)	**(4.5)**	(5.0)	(9.1)
	67.5	55.6	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 13 for more detail on the nominal value of the Group's swaps.

(c) Borrowing costs have been capitalised using a rate of 4.8% (30 September 2017: 5.4%, 31 March 2018: 5.4%), 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.

9. TAX CHARGE

The tax charge for the six months ended 30 September 2018 is based on an effective tax rate of 16.0% (30 September 2017: 16.7%). This is driven by the estimated effective tax rate for the full year and movement in the Group's deferred tax liabilities.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2018

10. 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 2018 (audited)	1,475.1	513.5	130.1	530.4	196.0	2,845.1
Additions at cost	-	-	-	-	114.6	114.6
Interest capitalised	-	-	-	-	4.5	4.5
Transfers to completed assets (including to investment properties and intangible assets)	20.9	26.4	5.3	23.4	(100.5)	(24.5)
Disposals	(5.6)	-	(0.1)	(2.4)	-	(8.1)
30 September 2018 (unaudited)	**1,490.4**	**539.9**	**135.3**	**551.4**	**214.6**	**2,931.6**
Depreciation						
1 April 2018 (audited)	(276.2)	(116.1)	(16.6)	(131.1)	-	(540.0)
Charge for the period	(38.9)	(15.3)	(3.1)	(23.4)	-	(80.7)
Disposals	2.6	-	0.1	1.7	-	4.4
30 September 2018 (unaudited)	**(312.5)**	**(131.4)**	**(19.6)**	**(152.8)**	**-**	**(616.3)**
Net book value						
30 September 2018 (unaudited)	**1,177.9**	**408.5**	**115.7**	**398.6**	**214.6**	**2,315.3**
30 September 2017 (unaudited)	1,229.8	409.0	114.4	371.7	139.9	2,264.8
31 March 2018 (audited)	1,198.9	397.4	113.5	399.3	196.0	2,305.1

Security

As part of the financing agreements outlined in note 15, 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 2018

11. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 April 2018 (audited)	995.7
Transfers to completed assets (from Assets in the course of construction)	18.6
Disposals	(1.4)
30 September 2018 (unaudited)	**1,012.9**

Net book value

30 September 2018 (unaudited)	**1,012.9**
30 September 2017 (unaudited)	899.7
31 March 2018 (audited)	995.7

12. INTANGIBLE ASSETS

Cost	Intangible assets £m
1 April 2018 (audited)	50.6
Transfers to completed assets (from Assets in the course of construction)	5.9
Disposals	(0.9)
30 September 2018 (unaudited)	**55.6**

Amortisation

1 April 2018 (audited)	(40.3)
Charge for the period	(4.2)
Disposals	0.9
30 September 2018 (unaudited)	**(43.6)**

Net book value

30 September 2018 (unaudited)	**12.0**
30 September 2017 (unaudited)	8.1
31 March 2018 (audited)	10.3

13. DERIVATIVE FINANCIAL LIABILITIES

	Notional	**Unaudited fair value 30 September 2018**	Notional	Unaudited fair value 30 September 2017	Notional	Audited fair value 31 March 2018
	£m	**£m**	£m	£m	£m	£m
Variable rate to index-linked swaps	**40.0**	**30.1**	40.0	31.7	40.0	30.9
Fixed rate to index-linked swaps	**356.0**	**191.9**	356.0	179.6	356.0	177.2
	396.0	**222.0**	396.0	211.3	396.0	208.1

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

14. 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2018

14. 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 2018 £m	Unaudited 30 September 2017 £m	Audited 31 March 2018 £m
Finance lease receivables	**16.9**	16.9	16.9
Trade receivables	**44.9**	35.5	23.3
Other receivables	**1.1**	4.6	5.8
Cash and cash equivalents	**33.0**	259.6	17.5
Total financial assets	**95.9**	316.6	63.5

	Unaudited 30 September 2018		Unaudited 30 September 2017		Audited 31 March 2018	
	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	**2,534.4**	**-**	2,166.1	-	2,479.9	-
Derivative financial liabilities	**-**	**222.0**	-	211.3	-	208.1
Finance lease liabilities	**47.7**	**-**	47.6	-	47.9	-
Trade payables	**11.8**	**-**	14.8	-	14.6	-
Other payables	**5.1**	**-**	5.8	-	4.2	-
Capital payables	**47.0**	**-**	47.3	-	69.7	-
Total financial liabilities	**2,646.0**	**222.0**	2,281.6	211.3	2,616.3	208.1

At 30 September 2018, 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.

For the six months ended 30 September 2018, the Group recognised a £13.4 million loss (2017: £7.8m gain) on financial derivatives through the Income Statement. A loss of £0.5 million (2017: £6.7m loss) has been recognised in Other Comprehensive Income to reflect the credit risk of the Group on its swap position for the period.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2018

14. FINANCIAL INSTRUMENTS (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 30 September 2018 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 2018 (unaudited)				
Class A Bonds – Principal payments	**-**	**-**	**-**	**2,500.0**
Class A Bonds – Interest payments	**115.6**	**115.6**	**346.9**	**1,449.2**
Derivative financial instruments	**(7.8)**	**30.8**	**12.6**	**214.3**
	107.8	**146.4**	**359.5**	**4,163.5**
30 September 2017 (unaudited)				
Class A Bonds – Principal payments	-	-	-	2,200.0
Class A Bonds – Interest payments	105.9	105.9	317.6	1,289.4
Derivative financial instruments	(8.1)	(7.9)	47.3	201.6
	97.8	98.0	364.9	3,691.0
31 March 2018 (audited)				
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

	30 September 2018 Book value £m	30 September 2018 Fair value £m
Fair value of borrowings		
Class A Bonds	**2,500.0**	**2,962.5**

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 30 September 2018, 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 2017: Level 2 except for Bonds which are valued at Level 1, 31 March 2018: Level 2 except for Bonds which are valued at Level 1).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2018

15. BORROWINGS

	Unaudited 30 September 2018 £m	Unaudited 30 September 2017 £m	Audited 31 March 2018 £m
Fixed rate borrowings	**2,461.6**	2,166.1	2,460.4
Authorised Credit Facility–Revolving Facility [(a)]	**72.8**	-	19.5
	2,534.4	2,166.1	2,479.9
Maturity Profile:			
Repayable between 1 and 2 years	**-**	-	19.5
Repayable between 2 and 5 years	**72.8**	-	-
Repayable in more than 5 years	**2,461.6**	2,166.1	2,460.4
	2,534.4	2,166.1	2,479.9

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

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

Ivy Holdco Group Facilities

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

On 21 June 2018, the Group executed a new Authorised Credit Facility (the "new ACF Agreement") and terminated the existing Authorised Credit Facility (due 27 March 2019). The new ACF Agreement is pursuant to the CTA and Master Definitions Agreement. The existing ACF Agreement comprised a Revolving Credit Facility of £300 million and was fully prepaid and terminated on 21 June 2018. 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 exercisable by the end of the first and second year, and thereby extending the termination date of 21 June 2023 to 21 June 2025 if both extension options are exercised. There are £75.0 million drawings outstanding on the Revolving Credit Facility at 30 September 2018 (30 September 2017: £nil, 31 March 2018: £20.0 million under the previous facility).

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	**As at 30 September 2018 £m**	As at 30 September 2017 £m	As at 31 March 2018 £m
Class A 5.25 per cent. Bonds	2024	2026	**300.0**	300.0	300.0
Class A 6.125 per cent. Bonds	2026	2028	**300.0**	300.0	300.0
Class A 4.625 per cent. Bonds	2034	2036	**350.0**	350.0	350.0
Class A 5.75 per cent. Bonds	2037	2039	**300.0**	300.0	300.0
Class A 3.125 per cent. Bonds	2039	2041	**350.0**	350.0	350.0
Class A 6.5 per cent. Bonds	2041	2043	**300.0**	300.0	300.0
Class A 2.625 per cent. Bonds	2046	2048	**300.0**	300.0	300.0
Class A 3.25 per cent. Bonds	2048	2050	**300.0**	-	300.0
			2,500.0	2,200.0	2,500.0

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2018

15. BORROWINGS (continued)

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 30 September 2018, the average interest rate payable on borrowings was 4.89% (30 September 2017: 5.13%, 31 March 2018: 4.89%).

At 30 September 2018, the Group had £225.0 million (30 September 2017: £300.0 million, 31 March 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 30 September 2018 (30 September 2017: all covenants tested and complied with, 31 March 2018: all covenants tested and complied with).

The following table summarises the Group's financial covenants compliance as at 30 September 2018 under the CTA, and lists the trigger and default levels:

Covenant	Unaudited 30 September 2018	Audited 31 March 2018	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**3.05**	**3.59**	<1.50	<1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.58**	**0.61**	>0.70	>0.85

16. 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 2018 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 2018 £m	Unaudited 30 September 2017 £m	Audited 31 March 2018 £m
Present value of plan liabilities	**(448.1)**	(458.8)	(465.8)
Fair value of plan assets	**434.2**	421.4	427.9
Deficit	**(13.9)**	(37.4)	(37.9)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2018

17. TRADE AND OTHER PAYABLES

	Unaudited 30 September 2018 £m	Unaudited 30 September 2017 £m (As restated)	Audited 31 March 2018 £m
Trade payables	**11.8**	22.5	14.6
Accruals	**21.2**	23.6	30.6
Capital payables	**47.0**	47.3	69.7
Corporation tax payable	**16.7**	17.6	5.8
Accrued financing charges	**0.1**	0.3	0.3
Accrued interest payable	**67.7**	61.7	20.6
Other payables	**5.1**	5.8	4.2
	169.6	178.8	145.8

18. 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 2018.

19. TRANSITION TO NEW ACCOUNTING STANDARDS

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

Equity as at:	Note	Audited 1 April 2017 £m	Unaudited 30 September 2017 £m	Audited 31 March 2018 £m
Equity previously reported		633.5	606.7	191.0
Recognition of airline discounts	a	-	16.4	-
Current tax on above		-	(3.7)	-
Total adjustment to equity		-	12.7	-
Equity reported under new IFRS standards		633.5	619.4	191.0

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2018

19. TRANSITION TO NEW ACCOUNTING STANDARDS (continued)

Total comprehensive income for the period:	Note	Unaudited Six months ended 30 September 2017 £m	Audited Year ended 31 March 2018 £m
Total comprehensive income previously reported		147.9	200.0
Recognition of airline discounts	a	16.4	-
Current tax on above		(3.7)	-
Reclassification of credit risk adjustment	b	-	-
Net adjustments to comprehensive income		12.7	-
Total comprehensive income reported under new IFRS standards		160.6	200.0

a. 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 IFRS 15 adjustment therefore results in a lower discount being recognised during the first six months of the financial year.

b. Previously under IAS 39 changes in the fair value of the derivative financial instruments are recognised immediately in the Income Statement which incorporated a reduction to reflect the credit risk of the Group on its swap position. Under IFRS 9 the reduction to reflect the credit risk of the Group is presented in Other Comprehensive Income, with the other fair value changes presented in the Income Statement. Reclassification was £6.7 million and £6.2 million for the six months ended 30 September 2017 and the year ended 31 March 2018 respectively.

20. SUBSEQUENT EVENTS

The judgment on the Lloyds guaranteed minimum pension ("GMP") equalisation case was announced at the end of October. As a result, UK schemes will be required to equalise for the effect of unequal GMPs accrued between 1990 and 1997. Based on a preliminary assessment in conjunction with the Group's actuary, the Group does not expect the impact on the Income Statement to be material. As at 30 September 2018, this is a non-adjusting post balance sheet event.