GATWICK AIRPORT LIMITED

Report and Unaudited Interim Financial Statements for the six months ended 30 September 2011

Company Registration Number 1991018

REPORT AND UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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BUSINESS REVIEW

PASSENGER TRAFFIC TRENDS

	Six months ended 30 September 2011	Six months ended 30 September 2010
Passengers	**19,702,000**	18,165,000
Air transport movements (“ATMs”)	**135,650**	128,392
Passengers per ATM	**145.2**	141.5
Average load factor (%)	**83.7**	82.0

During the six months ended 30 September 2011, a total of 19.702 million (six months ended 30 September 2010: 18.165 million) passengers travelled through Gatwick Airport (“Gatwick”) (“the Airport”), an increase of 1.537 million or 8.5%. Adjusting for prior period events as a result of which approximately 900,000 passengers did not travel (discussed below), underlying traffic growth is estimated as 3.3%.

There were a number of factors that affected passenger numbers in the prior period, most notably the disruption caused by the eruption of Eyjafjallajökull in Iceland. An estimated 600,000 passengers did not travel in April 2010, and passenger numbers in May and June 2010 were impacted by sporadic closures to airspace above Gatwick and elsewhere in the UK and Europe. The impact of the eruption of Grimsvötn in Iceland in May 2011 was less significant, with disruption limited to airports in Northern parts of the UK. The prior period was also affected by industrial action at British Airways, operational issues across easyJet’s network, and continental European air traffic control strikes. No such significant factors affecting traveller sentiments were noted in the six months ending 30 September 2011.

Passenger numbers in April 2011 were increased as travellers took advantage of the closeness of the Easter holiday weekend, the additional holiday to mark the royal wedding and the early May bank holiday. Low cost carriers in Gatwick’s largest market, European scheduled, have made the most significant contribution towards the period-on-period increase.

Total air transport movements (“ATMs”) were higher than the prior period, with the factors noted above having the most significant impact. Passengers per ATM increased with higher load factors being seen over the summer period. Gatwick’s highest ever load factors were experienced in August 2011 when on average 88.4% (August 2010: 87.0%) of seats were filled. Gatwick has also seen an increase in average seat capacity in the six months ending 30 September 2011 with, on average, 173.6 seats per ATM (six months ended 30 September 2010: 172.5). This increase has resulted from a growing trend towards larger aircraft being used by airlines operating at Gatwick.

Gatwick Airport Limited (“the Company”) indicated in June 2011 that it expected a total of 33.6 million passengers to travel through Gatwick in the year ending 31 March 2012. While passenger numbers are ahead of expectations for the six months ended 30 September 2011, the expectation for the full year outturn remains unchanged.

BUSINESS REVIEW (continued)

CAPITAL INVESTMENT PROGRAMME AND THE REGULATORY ASSET BASE

	Six months ended 30 September 2011 £m	Six months ended 30 September 2010 £m
Capital expenditure	**134.1**	91.9
Regulatory Asset Base ("RAB")	**2,119.5**	1,830.1

The Company spent over £20 million per month on its capital expenditure programme during the six months ended 30 September 2011, completing three significant projects. The South Terminal security project opened in a phased process from May 2011. The project consolidates all security lanes into a single area on one level in the South Terminal, as well as re-developing the landside restaurants and retail areas. In the North Terminal, a new multi-storey car park opened in April 2011 and the first phase of the extension to the North Terminal completed and opened in September 2011.

The Regulatory Asset Base ("RAB") of Gatwick is provided to the CAA and published as at 31 March each year in the Company's regulatory accounts. The RAB is rolled forward between each date according to a formula set out by the CAA. The RAB was £1,985.5 million as at 31 March 2011, and has increased by a further £134.0 million to £2,119.5 million as at 30 September 2011 (30 September 2010: £1,830.1 million). This increase has been driven by the capital expenditure programme for Q5 (the 5^{th} regulatory "quinquennium"), with total spend of £651.7 million in the first three and a half years of the six year programme.

Gatwick has recently published for consultation with its airline customers a revised Capital Investment Programme, which includes expenditure of £1,172.0 million for the now extended Q5 up to 31 March 2014.

FINANCIAL REVIEW

Turnover

	Six months ended 30 September 2011 £m	Six months ended 30 September 2010 £m
Aeronautical income	**178.5**	144.5
Retail income	**67.7**	64.7
Car parking income	**32.9**	30.4
Operational facilities and utilities income	**13.1**	12.4
Property rental income	**12.8**	13.5
Other income	**9.5**	8.4
Total turnover	**314.5**	273.9

The increase in turnover for the six months ended 30 September 2011 was largely the result of the period-on-period traffic growth discussed in passenger traffic trends above and the implementation of a revised airport charges tariff. Growth in passenger traffic affects aeronautical, retail and car parking income.

BUSINESS REVIEW (continued)

Aeronautical income

Aeronautical income is driven by both passenger traffic and the level of airport charges. Airport charges are determined by reference to the CAA's regulatory formula which sets the opening aeronautical yield (aeronautical income per passenger) and the maximum growth in the aeronautical yield for Gatwick for Q5 at RPI+2.0% per annum. The structure of airport charges is set annually by the airport within the overall regulatory constraints as to aeronautical yield. For the year ending 31 March 2012, the structure of landing charges has been amended, with landing charges eliminated in the winter (November to March inclusive) and commensurately uplifted in the summer (April to October inclusive). In addition, all the increase in the allowable aeronautical yield has been achieved through increases in summer landing charges, with passenger and parking charges left unaltered. As a result, summer landing charges have increased by 62.5%.

The allowable aeronautical yield increased by 5.8% to £7.946 for year ending 31 March 2012 (year ending 31 March 2011: £7.508). The actual aeronautical yield for the six months ended 30 September 2011 was £9.060 (six months ended 30 September 2010: £7.955), which included a total of £3.2 million of non-regulated income (six months ended 30 September 2010: £2.4 million) This apparent over-recovery (and the increase over the same period last year) is largely due to the introduction of seasonal landing charges in the year ending 31 March 2012. Any over- or under-recovery that arises for the 12 months ending 31 March 2012 will be an adjustment to the allowable aeronautical yield in the year ending 31 March 2014.

The increase in aeronautical income for the six months to 30 September 2011 of £34.0 million or 23.5% is driven largely by the weighting of landing charges to the summer period (estimated at £14.0 million), the 8.5% period-on-period increase in passengers and the £0.438 or 5.8% increase in the allowable aeronautical yield.

Retail income

Net retail income per passenger is calculated as follows:

	Six months ended 30 September 2011 £m	Six months ended 30 September 2010 £m
Duty and tax free, and specialist shops	**35.0**	33.0
Catering	**10.3**	10.0
Other in-terminal retail	**20.5**	19.9
Other off-terminal retail	**1.9**	1.8
	67.7	64.7
Less: retail expenditure	**(0.3)**	(0.5)
Net retail income	**67.4**	64.2
Passengers (m)	**19.7**	18.2
Net retail income per passenger	**£3.42**	£3.53

In the six months ended 30 September 2011, net retail income increased by 5.0% period-on-period. Despite increased income across all retail categories, retail income has not grown in line with the 8.5% increase in passenger numbers. On a per passenger basis, net retail income per passenger fell by 3.2% compared to the same period in 2010. Changes in the mix of passengers travelling through the North Terminal compared against the six months ended 30 September 2010 affected duty and tax free income on a per passenger basis. Other in-terminal retail income per passenger was also down period-on-period, owing mostly to weakness in the books market and the impact of construction projects on retailers and passenger flow.

BUSINESS REVIEW (continued)

Car parking income

Net car parking income per passenger is calculated as follows:

	Six months ended 30 September 2011 £m	Six months ended 30 September 2010 £m
Car parking income	**32.9**	30.4
Less: car parking expenditure	**(7.5)**	(8.3)
Net car parking income	**25.4**	22.1
Passengers (m)	**19.7**	18.2
Net car parking income per passenger	**£1.29**	£1.22

In the six months ended 30 September 2011, car parking income increased by 8.2%, broadly in line with the increase in passenger traffic over the same period. Car parking costs were 9.6% lower than in the prior period due to operating efficiencies and one-off costs in the prior period to consolidate the car parking contract with a single supplier. The lower costs have resulted in a 5.7% increase in net car parking income per passenger.

Other income categories

For the six months ended 30 September 2011, income from other areas increased by 3.2% to £35.4 million (six months ended 30 September 2010: £34.3 million). The increase was driven largely by increased income from car park and identity passes with more contractors and staff working at Gatwick. Decreases in property income have been offset by increases in check-in and baggage income.

BUSINESS REVIEW (continued)

Operating costs – ordinary

	Six months ended 30 September 2011 £m	Six months ended 30 September 2010 £m
Staff costs	**68.9**	62.7
Retail expenditure	**0.3**	0.5
Car parking expenditure	**7.5**	8.3
Depreciation	**43.6**	36.1
Maintenance and IT expenditure	**18.4**	12.2
Utility costs	**14.0**	14.4
Rent and rates	**13.6**	11.8
General expenses	**27.4**	41.7
Total operating costs – ordinary	**193.7**	187.7

Staff costs increased £6.2 million or 9.9% period-on-period in the six months ended 30 September 2011, largely reflecting greater staff numbers working on the capital expenditure programme. Average full-time equivalent ("FTE") employee numbers fell from 2,511 in the six months ended 30 September 2010 to 2,414 in the six months ended 30 September 2011, reflecting reductions in operational areas. The majority of the increase in staff costs attributable to the capital expenditure programme is offset by the subsequent capitalisation of these costs, which appears as part of general expenses. Overall, total staff capitalisation was £10.3 million in the six months ended 30 September 2011 (six months ended 30 September 2010: £5.8 million).

Depreciation is higher in the six months ended 30 September 2011 due to the number of projects from the Q5 capital expenditure programme that have been completed in the last year.

Maintenance and information technology ("IT") expenditure has increased largely due to the Company now directly incurring IT expenditure following separation from BAA. In the prior period, significant elements of the Company's IT infrastructure were being provided by BAA under a transitional service agreement ("TSA"), the costs of which were included in general expenses.

Rent and rates are higher due to the increase in the Company's rateable value as it continues its capital investment programme. The prior period benefited from the positive settlement of a rates review of prior years' charges of £1.2 million.

The decrease in general expenses reflects the decrease in some expenses, offset by certain others. A significant factor is the reduction in TSA costs by £7.1 million to £2.0 million in the six months ended 30 September 2011 (six months ended 30 September 2010: £9.1 million) as the Company incurs more costs directly as the separation from BAA continued. Also, there was an increase in staff costs capitalised of £4.5 million due to the greater staff numbers working on the capital expenditure programme. The decrease in professional consultants costs of £2.3 million is largely due to the prior period including the costs of consultants working on the separation of the Company from BAA.

BUSINESS REVIEW (continued)

Operating profit before exceptional items

Operating profit before exceptional items increased by £34.6 million to £120.8 million in the six months to 30 September 2011 (six months ended 30 September 2010: £86.2 million). The reasons for this increase are discussed in the relevant sections above.

Operating costs – exceptional

	Six months ended 30 September 2011 £m	Six months ended 30 September 2010 £m
Pension costs	**-**	2.4
Reorganisation costs	**0.3**	0.5
Depreciation	**1.9**	-
Other costs	**-**	0.5
Total operating costs – exceptional	**2.2**	3.4

During the six months ended 30 September 2010 the BAA pension trustees made a bulk transfer of assets and liabilities from the BAA pension scheme to the Company's defined benefit pension plan. Based on actuarial assumptions prescribed in the sale and purchase agreement (governing the sale of the Company), there was a £2.4 million shortfall in the assets transferred on 1 June 2010, and this cost was recognised by the Company. In accordance with the sale and purchase agreement, monies held in escrow for the benefit of BAA were used to fund the shortfall. No such costs were incurred in the six months ended 30 September 2011.

Costs associated with the Company's restructuring programme following the change in ownership totalled £0.3 million in the six months ended 30 September 2011 (six months ended 30 September 2010: £0.5 million).

Exceptional depreciation of £1.9 million incurred in the six months ended 30 September 2011 represents an additional charge as a result of shortening the useful life of the existing assets associated with the South Terminal Baggage and Pier 1 project. No such depreciation was incurred in the six months ended 30 September 2010.

Other exceptional costs of £0.5 million in the six months ended 30 September 2010 relate largely to one-off costs associated with the Company's continued separation from BAA.

BUSINESS REVIEW (continued)

EBITDA pre-exceptional items

	Six months ended 30 September 2011 £m	Six months ended 30 September 2010 £m
Operating profit before exceptional items	**120.8**	86.2
Add back: depreciation	**43.6**	36.1
EBITDA pre-exceptional items	**164.4**	122.3

Earnings before interest, tax, depreciation and amortisation ("EBITDA") before exceptional items ("EBITDA pre-exceptional items") increased £42.1 million or 34.4% to £164.4 million in the six months ended 30 September 2011 (six months ended 30 September 2010: £122.3 million). Turnover increased by £40.6 million with increased passenger traffic and the benefits of the re-weighting of landing charges into the summer period. Operating costs – ordinary, excluding depreciation, were £1.5 million lower. The reasons underlying these changes are discussed in the relevant sections above.

Going concern

All the Company's financial covenants (see note 13) 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 interim financial statements, the Directors have a reasonable expectation that the Company will continue as a going concern and accordingly these interim financial statements have been prepared on that basis.

PROFIT AND LOSS ACCOUNT
For the six months ended 30 September 2011

	Note	**Unaudited Six months ended 30 September 2011 £m**	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Turnover	4	**314.5**	273.9	476.3
Operating costs – ordinary	5	**(193.7)**	(187.7)	(363.4)
Operating costs – exceptional: pension	6	**-**	(2.4)	(2.4)
Operating costs – exceptional: other	6	**(2.2)**	(1.0)	(14.6)
Total operating costs		**(195.9)**	(191.1)	(380.4)
Operating profit before exceptional items		**120.8**	86.2	112.9
Operating costs – exceptional: pension	6	**-**	(2.4)	(2.4)
Operating costs – exceptional: other	6	**(2.2)**	(1.0)	(14.6)
Operating profit		**118.6**	82.8	95.9
Profit/(loss) on disposal of tangible fixed assets	7	**0.1**	(0.1)	(3.5)
Net interest payable and similar charges – ordinary	8	**(42.3)**	(24.1)	(48.4)
Net interest payable and similar charges – exceptional	6	**(44.3)**	(49.0)	(106.5)
Profit/(loss) on ordinary activities before taxation		**32.1**	9.6	(62.5)
Tax (charge)/credit on profit/(loss) on ordinary activities	9	**(13.5)**	(11.5)	12.2
Profit/(loss) on ordinary activities after taxation		**18.6**	(1.9)	(50.3)

The notes on pages 12 to 24 form an integral part of these unaudited interim financial statements.

All profits and losses recognised during the current and prior periods are from continuing operations.

There are no material differences between the profit and losses on ordinary activities before taxation and the retained profit and losses for the period and year and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the six months ended 30 September 2011

	Note	**Unaudited Six months ended 30 September 2011 £m**	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Profit/(loss) for the financial period		**18.6**	(1.9)	(50.3)
Actuarial (losses)/gains on pension scheme	15	**(13.5)**	(9.9)	17.2
Deferred tax allocated to actuarial (losses)/gains	15	**3.4**	2.8	(4.4)
Unrealised revaluation deficit		**-**	-	(0.3)
Total recognised gains/(losses) relating to the period		**8.5**	(9.0)	(37.8)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the six months ended 30 September 2011

	Note	**Unaudited Six months ended 30 September 2011 £m**	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Profit/(loss) for the financial period		**18.6**	(1.9)	(50.3)
Dividends paid		**-**	-	(350.5)
Retained profit/(loss) for the financial period		**18.6**	(1.9)	(400.8)
Actuarial (losses)/gains on pension scheme net of tax	15	**(10.1)**	(7.1)	12.8
Other net recognised losses relating to the period		**-**	-	(0.3)
Capital contribution		**0.2**	-	-
Net increase/(reduction) in shareholders' funds		**8.7**	(9.0)	(388.3)
Opening shareholders' funds		**395.7**	784.0	784.0
Closing shareholders' funds		**404.4**	775.0	395.7

The notes on pages 12 to 24 form an integral part of these unaudited interim financial statements.

BALANCE SHEET
As at 30 September 2011

	Note	**Unaudited 30 September 2011 £m**	Unaudited 30 September 2010 £m	Audited 31 March 2011 £m
FIXED ASSETS				
Tangible assets	10	**1,975.9**	1,798.8	1,887.6
CURRENT ASSETS				
Stocks		**3.8**	3.6	3.4
Debtors: due within one year		**71.0**	56.8	53.7
: due after more than one year		**21.3**	3.3	26.7
Cash held in Debt Service Reserve deposit		**-**	25.1	-
Cash at bank and in hand		**-**	38.6	2.2
TOTAL CURRENT ASSETS		**96.1**	127.4	86.0
CREDITORS: amounts falling due within one year	11	**(124.4)**	(111.2)	(113.5)
NET CURRENT (LIABILITIES)/ASSETS		**(28.3)**	16.2	(27.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,947.6**	1,815.0	1,860.1
CREDITORS: amounts falling due after more than one year	12	**(1,395.4)**	(944.7)	(1,366.5)
Provisions for liabilities and charges	14	**(159.0)**	(93.9)	(116.8)
NET ASSETS EXCLUDING PENSION ASSET/(LIABILITY)		**393.2**	776.4	376.8
Pension asset/(liability)	15	**11.2**	(1.4)	18.9
NET ASSETS INCLUDING PENSION ASSET/(LIABILITY)		**404.4**	775.0	395.7
CAPITAL AND RESERVES				
Called up share capital		**336.3**	336.3	336.3
Revaluation reserve		**(1.9)**	487.2	(0.3)
Profit and loss reserve		**70.0**	(48.5)	59.7
TOTAL SHAREHOLDERS' FUNDS		**404.4**	775.0	395.7

The notes on pages 12 to 24 form an integral part of these unaudited interim financial statements.

These interim financial statements were approved by the Board of Directors on 28 November 2011 and were signed on its behalf by:

Stewart Wingate
Chief Executive Officer

Nicholas Dunn
Chief Financial Officer

CASH FLOW STATEMENT
For the six months ended 30 September 2011

	Note	**Unaudited Six months ended 30 September 2011 £m**	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Net cash inflow from operating activities		**133.6**	114.1	177.5
Returns on investments and servicing of finance		**(3.7)**	(17.5)	(28.9)
Capital expenditure and financial investment		**(139.0)**	(106.7)	(219.0)
Equity dividends paid		**-**	-	(350.5)
Cash outflow before management of liquid resources and financing		**(9.1)**	(10.1)	(420.9)
Funding of cash held in Debt Service Reserve deposit		**-**	(0.1)	25.0
Financing	16	**5.0**	39.0	388.3
(Decrease)/increase in cash in the period		**(4.1)**	28.8	(7.6)

Reconciliation of operating profit to net cash inflow from operating activities:

	Note	**Unaudited Six months ended 30 September 2011 £m**	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Operating profit		**118.6**	82.8	95.9
Adjustments for:				
Depreciation		**45.5**	36.1	79.6
Impairment of tangible fixed assets		**-**	-	9.2
Increase in stock and debtors		**(14.4)**	(9.1)	(5.3)
(Decrease)/increase in creditors		**(11.3)**	7.6	2.6
Decrease in provisions		**(2.0)**	(1.0)	(1.8)
Increase in net pension asset/(liability)		**(2.8)**	(2.3)	(2.7)
Net cash inflow from operating activities		**133.6**	114.1	177.5

The notes on pages 12 to 24 form an integral part of these unaudited interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
For the six months ended 30 September 2011

1. BASIS OF PREPARATION

These interim financial statements are the financial statements of Gatwick Airport Limited ("the Company") for the six months ended 30 September 2011. The comparative periods are the six months ended 30 September 2010 and the year ended 31 March 2011. They have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 2006 and United Kingdom Accounting Standards (UK GAAP), except as set out within the accounting policies.

The Directors confirm that the interim financial information has been prepared in accordance with the Accounting Standards Board (ASB) Statement: Half Yearly Financial Reports, and that the interim management report includes a fair review of the key events impacting upon the financial statements for the periods disclosed.

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

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

- the forecast passenger numbers, revenue and operating cash flows from the underlying operations;
- the forecast level of capital expenditure;
- the Company's funding structure and the facilities that are available to the Company (see note 13); and
- the Company's financial covenants.

All of the Company's financial covenants (see note 13) have been met and are forecast to be met for the foreseeable future.

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

The interim financial statements were approved by the Directors on 28 November 2011.

2. ACCOUNTING POLICIES

The accounting policies adopted by the Company for these interim financial statements are consistent with those described in pages 36 to 45 of the Report and Financial Statements prepared under UK GAAP for the year ended 31 March 2011.

Taxation

The tax provision for the interim period represents the expected tax rate applicable for the full year ended 31 March 2012.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

3. GENERAL INFORMATION

The financial information set out herein does not constitute the Company's statutory financial statements for the year ended 31 March 2011 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 auditors report on the 31 March 2011 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. Those financial statements were prepared in accordance with UK GAAP.

4. SEGMENTAL ANALYSIS

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

Turnover	**Unaudited Six months ended 30 September 2011 £m**	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Airport and other traffic charges[1]	**178.5**	144.5	244.3
Retail	**67.7**	64.7	115.6
Car parking	**32.9**	30.4	51.7
Property income	**12.8**	13.5	26.9
Operational facilities and utilities income	**13.1**	12.4	22.2
Other	**9.5**	8.4	15.6
	314.5	273.9	476.3

1 For the year ending 31 March 2012, the structure of landing charges has been amended, with landing charges eliminated in the winter (November to March inclusive) and commensurately uplifted in the summer (April to October inclusive). In addition, all the increase in the allowable aeronautical yield has been achieved through increases in summer landing charges, with passenger and parking charges left unaltered. As a result, summer landing charges have increased by 62.5%. The restructuring of landing charges has increased airport and other traffic charges turnover by £14.0 million in the six months ended 30 September 2011.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

5. OPERATING COSTS – ORDINARY

	Unaudited Six months ended 30 September 2011 £m	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Wages and salaries	**54.7**	49.7	102.9
Social security costs	**4.5**	3.5	7.3
Pension costs	**6.8**	7.8	15.0
Other staff related costs	**2.9**	1.7	3.3
Staff costs	**68.9**	62.7	128.5
Retail expenditure	**0.3**	0.5	1.1
Car parking expenditure	**7.5**	8.3	16.2
Depreciation	**43.6**	36.1	76.5
Maintenance and IT expenditure	**18.4**	12.2	25.6
Rent and rates	**13.6**	11.8	22.5
Utility costs	**10.3**	11.0	21.6
Police costs	**6.3**	6.7	13.3
General expenses[1]	**11.9**	26.6	34.8
Aerodrome navigation service costs	**9.2**	8.4	16.7
Distribution fee	**3.7**	3.4	6.6
	193.7	187.7	363.4

1 General expenses for the six months ended 30 September 2011 includes £2.0 million (six months ended 30 September 2010: £9.1 million, year ended 31 March 2011: £14.4 million) of charges for services provided by BAA post sale to the Company under a TSA.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

6. EXCEPTIONAL COSTS

	Unaudited Six months ended 30 September 2011 £m	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Operating items			
Pension cost **(a)**	**-**	2.4	2.4
Reorganisation costs **(b)**	**0.3**	0.5	2.1
Depreciation **(c)**	**1.9**	-	3.1
Staff related separation costs **(d)**	**-**	0.5	0.2
Impairment of tangible fixed assets **(e)**	**-**	-	9.2
Operating costs – exceptional	**2.2**	3.4	17.0
Interest payable and similar charges			
Provision recognised on financial derivatives **(f)**	**44.3**	49.0	72.7
Financing fees written off **(g)**	**-**	-	33.8
Net interest payable and similar charges – exceptional	**44.3**	49.0	106.5

(a) During the six months ended 30 September 2010 the BAA pension trustees made a bulk transfer of assets and liabilities from the BAA pension scheme to the Company's defined benefit pension plan. Based on actuarial assumptions prescribed in the sale and purchase agreement (governing the sale of the Company), there was a £2.4 million shortfall in the assets transferred on 1 June 2010, and this cost was recognised by the Company (year ended 31 March 2011: £2.4 million). In accordance with the sale and purchase agreement, monies held in escrow for the benefit of BAA were used to fund the shortfall. No such costs were incurred in the six months ended 30 September 2011.

(b) Costs associated with the Company's restructuring programme following the change in ownership totalled £0.3 million during the six months ended 30 September 2011 (30 September 2010: £0.5 million, 31 March 2011: £2.1 million).

(c) Exceptional depreciation of £1.9 million incurred in the six months ended 30 September 2011 represents an additional charge as a result of shortening the useful life of the existing assets associated with the South Terminal Baggage and Pier 1 project. Exceptional depreciation of £3.1 million in the year ended 31 March 2011 represents an additional charge incurred as a result of shortening the useful life of the assets associated with the South Terminal Security Project. No such depreciation was incurred in the six months ended 30 September 2010.

(d) The Company incurred staff costs totalling £0.5 million in the six months ended 30 September 2010 (year ended 31 March 2011: £0.2 million) to effect the separation from BAA. The majority of these related to employees required to perform one-off activities in roles that will not continue in the Company. No such costs were incurred in the six months ended 30 September 2011.

(e) During the year ended 31 March 2011 the Company impaired tangible fixed assets by £9.2 million because it was deemed that certain projects had changed scope significantly, and the costs associated with them should not be carried forward to completion. The charge to the profit and loss account during the year included items relating to South Terminal baggage and Pier 1 works after they were combined into a single project. No such costs were incurred in the six months ended 30 September 2010 or 30 September 2011.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

6. EXCEPTIONAL COSTS (continued)

(f) The £44.3 million provision recognised on financial derivatives (six months ended 30 September 2010: £49.0 million, year ended 31 March 2011: £72.7 million) represents the present value of expected net cash outflows on interest rate and index linked derivative contracts. Although the contracts are economic hedges, they do not fully satisfy the requirements of UK GAAP in order for hedge accounting to be applied. Due to the materiality and nature of this balance it has been recognised as an exceptional item.

(g) In the 15 months ended 31 March 2010, arrangement and participation fees of £33.8 million were incurred by Ivy Bidco Limited on behalf of the Company. These fees related to the debt raised, for the Company's benefit, under the Ivy Bidco Limited Group Facilities Agreement ("the Facilities Agreement") (refer note 19) following the sale of the Company. Ivy Bidco Limited was restricted from recharging these fees under the terms of the Facilities Agreement, and the fees were not recharged to the Company during the 15 months ended 31 March 2010. Upon termination of the Facilities Agreement on 2 March 2011, Ivy Bidco Limited recharged these fees to the Company, whereupon these have been written-off upon extinguishment of the facilities. No such costs were incurred in the six months ended 30 September 2010 or 30 September 2011.

7. NON-OPERATING COSTS

	Unaudited Six months ended 30 September 2011 £m	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Non-operating item			
(Profit)/loss on disposal of tangible fixed assets	**(0.1)**	0.1	3.5
	(0.1)	0.1	3.5

Profit on disposal of tangible fixed assets totalled £0.1 million during the six months to 30 September 2011 (30 September 2010: £0.1 million loss, 31 March 2011: £3.5 million loss). These profits and losses relate to assets no longer in use at the airport.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

8. NET INTEREST PAYABLE AND SIMILAR CHARGES – ORDINARY

	Unaudited Six months ended 30 September 2011 £m	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Interest payable			
Interest on bank borrowings[1]	**8.9**	17.5	33.4
Interest on borrowings from other group undertakings[2]	**29.5**	1.6	8.3
Net interest payable on derivative financial instruments[3]	**0.1**	11.9	6.9
Net interest payable on derivative financial instruments with other group undertakings[3]	**9.9**	-	10.5
Amortisation of debt costs[4]	**1.4**	-	0.2
Non-utilisation fees on bank facilities[5]	**1.6**	2.6	5.6
	51.4	33.6	64.9
Interest receivable			
Net foreign exchange (gain)/loss	**-**	(0.3)	(0.2)
Net return on pension scheme	**(1.9)**	(1.5)	(3.1)
Interest receivable on money markets and bank deposits	**-**	(0.1)	(0.1)
Finance lease income	**(0.1)**	-	-
	(2.0)	(1.9)	(3.4)
Less: capitalised borrowings costs[6]	**(7.1)**	(7.6)	(13.1)
Net interest payable	**42.3**	24.1	48.4

1 These amounts mainly relate to interest payable on loans drawn under the £970.0 million Initial Authorised Credit Facilities Agreement that the Company became a borrower of on 2 March 2011 and prior to that, the £1,125 million Facilities Agreement that the Company became a borrower and obligor of on 3 December 2009 (repaid on 2 March 2011).

2 These amounts relate to borrowings under the Borrower Loan Agreement with Gatwick Funding Limited entered into on 15 February 2011, and a Loan Agreement with Ivy Bidco Limited entered into on 3 December 2009 that was amended and restated under a Deed dated 15 February 2011.

3 These amounts relate to interest rate and index-linked derivatives of £32.3 million undertaken by the Company in September 2010 and £594.0 million undertaken in January and February 2010. In February 2011 £594.0 million of interest rate and index-linked derivatives were restructured and novated to Gatwick Funding Limited with a reciprocal back-to-back arrangement. The total nominal value of the restructured index-linked derivatives is £396.0 million.

4 The amounts in the six months ended 30 September 2011 and the year ended 31 March 2011 relate to the debt costs incurred in relation to the Company's refinancing on 2 March 2011 (refer to note 13).

5 These amounts relate to fees payable on the undrawn committed borrowing facilities available to the Company under the £970.0 million Initial Authorised Credit Facilities Agreement that the Company became a borrower of on 2 March 2011 and prior to that, the £1,125 million Facilities Agreement that the Company became a borrower and obligor of on 3 December 2009 (repaid on 2 March 2011).

6 Borrowing costs for the period ended 30 September 2011 have been capitalised using a rate of 6.4% (30 September 2010: 7.3%, 31 March 2011: 6.6%), which is the weighted average of rates applicable to the Company's overall borrowings outstanding during the period. 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 (see note 10).

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The taxation charge for the six months ended 30 September 2011 has been based on the estimated effective rate for the full year of 42.2% (30 September 2010: 52.1%, 31 March 2011: 11.0%).

The taxation charge for the six months ended 30 September 2010 includes a prior period adjustment of £6.5 million (year ended 31 March 2011: £5.4 million). No such prior period adjustment has been recognised in the six months ended 30 September 2011.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

10. TANGIBLE ASSETS

	Investment properties £m	Land held for development £m	Terminal complexes £m	Airfields £m	Group occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	Total £m
Cost or valuation								
1 April 2011	663.3	4.1	1,479.4	240.5	15.9	144.2	219.4	2,766.8
Additions at cost	-	-	-	-	-	-	134.1	134.1
Transfers to completed assets	15.5	-	110.2	2.7	-	45.8	(174.2)	-
Interest capitalised	-	-	-	-	-	-	7.1	7.1
Impairment reversal	-	-	-	-	-	-	0.2	0.2
Disposals	(7.6)	-	(28.8)	(0.2)	-	(30.1)	-	(66.7)
30 September 2011	**671.2**	**4.1**	**1,560.8**	**243.0**	**15.9**	**159.9**	**186.6**	**2,841.5**
Depreciation								
1 April 2011	-	-	682.2	91.7	5.3	100.0	-	879.2
Charge for the year	-	-	28.1	5.8	0.8	10.8	-	45.5
Disposals	-	-	(28.8)	(0.2)	-	(30.1)	-	(59.1)
30 September 2011	**-**	**-**	**681.5**	**97.3**	**6.1**	**80.7**	**-**	**865.6**
Net book value								
30 September 2011	**671.2**	**4.1**	**879.3**	**145.7**	**9.8**	**79.2**	**186.6**	**1,975.9**
30 September 2010	636.8	4.0	782.7	155.6	15.3	36.2	168.2	1,798.8
31 March 2011	663.3	4.1	797.2	148.8	10.6	44.2	219.4	1,887.6

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

10. TANGIBLE ASSETS (continued)

Security
As part of the refinancing agreements outlined in note 13, the Company and its parent, Ivy Holdco Limited, have granted security over their assets and share capital to the Company's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Unaudited 30 September 2011 £m	Unaudited 30 September 2010 £m	Audited 31 March 2011 £m
Trade creditors	**29.0**	51.1	40.2
Capital creditors	**54.4**	40.2	52.0
Deferred income	**10.6**	6.8	8.2
Other tax and social security	**2.4**	2.3	2.2
Accrued financing charges	**0.3**	6.1	0.2
Accrued interest payable	**-**	0.1	1.2
Accrued interest payable to other group undertakings	**22.3**	-	3.3
Amounts owed to group undertakings – interest free	**-**	0.2	4.2
Corporation tax payable	**-**	0.4	-
Finance lease liabilities	**0.2**	-	0.2
Bank overdraft	**1.9**	-	-
Other creditors	**3.3**	4.0	1.8
	124.4	111.2	113.5

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Unaudited 30 September 2011 £m	Unaudited 30 September 2010 £m	Audited 31 March 2011 £m
Borrowings (refer to note 13)	**1,192.8**	835.0	1,186.5
Amounts owed to group undertakings – interest bearing[1]	**179.0**	108.7	168.5
Accrued financing charges payable to other group undertakings[2]	**23.0**	-	10.6
Deferred income	**0.3**	1.0	0.7
Finance lease liabilities	**0.3**	-	0.2
	1,395.4	944.7	1,366.5

1 'Amounts owed to group undertakings – interest bearing' represents amounts owing to Ivy Bidco Limited.

2 'Accrued financing charges payable to other group undertakings' relate to the cumulative inflation accretion on index linked swaps with Gatwick Funding Limited.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

13. BORROWINGS

	Unaudited 30 September 2011 £m	Unaudited 30 September 2010 £m	Audited 31 March 2011 £m
Non-Current borrowings			
Borrower Loan Agreement			
Fixed rate borrowings from other group undertakings	**591.3**	-	591.2
Initial Authorised Credit Facility Agreement			
Term Facility	**591.5**	-	590.3
Capex Facility	**-**	-	-
Revolving Credit Facility	**10.0**	-	5.0
Ivy Bidco Group Facilities Agreement			
Term Facility	-	700.0	-
Capex Facility	-	135.0	-
Total non-current borrowings	**1,192.8**	835.0	1,186.5

Maturity Profile:			
Repayable between 2 and 5 Years	**601.5**	835.0	595.3
Repayable in more than 5 Years	**591.3**	-	591.2
	1,192.8	835.0	1,186.5

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

13. BORROWINGS (continued)

As at 30 September 2011
Ivy Holdco Group Facilities

The Company became a borrower and issuer cash manager under the Ivy Holdco Limited Group Common Terms Agreement dated 15 February 2011 ("CTA"). The CTA together with a Master Definitions Agreement covers inter alia both the Initial Authorised Credit Facility Agreement (the "Initial ACF Agreement") and the Borrower Loan Agreement, which were all entered into on 15 February 2011.

The Initial ACF Agreement, comprises three facilities: a term facility of £620.0 million that was drawn in full on 2 March 2011 by the Company to part-finance the repayment of the existing Facilities Agreement; a capex term facility of £300.0 million; and a revolving credit facility of £50.0 million. All three facilities terminate in December 2014. In accordance with the CTA, a mandatory reduction to the term facility of £20.6 million occurred on 2 March 2011, and the available term facility reduced to £599.4 million.

Also on 2 March 2011, the Company's subsidiary Gatwick Funding Limited issued £600.0 million publicly listed fixed rate bonds comprising £300 million Class A 6.125 per cent. Bonds with scheduled and legal maturities of 2026 and 2028 respectively, and £300 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively (together "the Bonds"). The proceeds of the issue were lent to the Company under the Borrower Loan Agreement, the terms of which are essentially back-to-back with these of the Bonds. The £596.5 million net proceeds of the Bonds and drawings under the term facility of the Initial ACF Agreement were utilised to prepay and terminate the outstanding amounts under the Facilities Agreement. As at 30 September 2011, the £591.3 million comprises the net amount received from Gatwick Funding Limited on 2 March 2011, and is stated less other directly attributable fees and accrued amortisation.

At 30 September 2011, the average interest rate payable on borrowings was 6.9% p.a. (30 September 2010: 4.2%, 31 March 2011: 6.8% p.a.).

At 30 September 2011, the Company had £340.0 million (30 September 2010: £290.0 million, 31 March 2011: £345.0 million) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

Financial covenants
Under the CTA, the Company is required to comply with certain financial and information covenants. All financial covenants have been tested and complied with as at 30 September 2011 (30 September 2010: all covenants tested and complied with, 31 March 2011: all covenants tested and complied with).

The following table summarises the Company's financial covenants compliance as at 30 September 2011 under the CTA, and lists the trigger and default levels:

Covenant	30 September 2011	31 March 2011	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**5.59**	**3.45**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.57**	**0.61**	0.70	0.85

Ivy Bidco Group Facilities Agreement

At 30 September 2010, the Company was a borrower and obligor under the Ivy Bidco Group Facilities Agreement dated 20 October 2009 following its acquisition by Ivy Bidco Limited. These facilities were terminated as part of the refinancing (discussed above) in March 2011.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Reorganisation costs (a) £m	Electricity costs (b) £m	Financial derivatives (c) £m	Total £m
1 April 2011	2.6	0.4	113.8	116.8
Charged to profit and loss account	0.8	-	44.3	45.1
Utilised in the period	(2.7)	(0.2)	-	(2.9)
30 September 2011	**0.7**	**0.2**	**158.1**	**159.0**
30 September 2010	2.7	1.1	90.1	93.9

(a) Reorganisation costs

The Company continues to carry out a restructuring programme following the change in ownership. A provision of £2.6 million was recognised as at 31 March 2011 in relation to this programme. £2.7 million of the provision was utilised during the six months ending 30 September 2011 and a further £0.8 million was charged to the profit and loss account.

(b) Electricity costs

The Company signed a contract for the supply of electricity with Gaz de France beginning on 1 April 2009 and ending on 31 March 2013. The contract is for the purchase of a fixed quantity of electricity and the price is fixed for the first three years. The actual consumption of electricity has fallen short of the contracted quantity and the market rate at which this surplus electricity can be sold back is currently below the contracted fixed price. The provision of £0.2 million as at 30 September 2011 represents the onerous portion of the contract for the remainder of the fixed price term of this contract.

(c) Financial derivatives

The Company has entered into financial derivative contracts to hedge its exposure to cash flow interest rate risk on variable rate borrowings and inflation risk arising on inflation related income. Although the contracts are commercial hedges, they do not fully satisfy the requirements of UK GAAP hedge accounting. A provision of £158.1 million, equal to the present value of expected net cash outflows on these contracts at 30 September 2011 (as shown below), has been recognised:

	Nominal Amount £m	Average Term (Yrs)	Average Rate Payable %	Average Rate Receivable %	Provision £m
Interest rate swaps	32.3	3.0	1.66	0.95	0.5
Variable to index-linked swaps with group undertaking	291.3	21.8	0.87	1.23	125.0
Fixed rate to index-linked swaps with group undertaking	104.8	20.6	2.62	6.25	32.6
Totals	428.4	20.0	1.36	2.44	158.1

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

15. PENSIONS

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

Plan assets at 30 September 2011 have been recognised at their fair value. In accordance with the Company's accounting policies, plan liabilities have not been valued by an independent qualified actuary at 30 September 2011. The figures for 30 September 2010 and 31 March 2011 were prepared by an independent qualified actuary in accordance with FRS 17.

The pension asset/(liability) is as follows:

	Unaudited 30 September 2011 £m	Unaudited 30 September 2010 £m	Audited 31 March 2011 £m
Present value of plan liabilities	**(197.0)**	(192.4)	(185.5)
Fair value of plan assets	**211.9**	190.4	211.1
Surplus/(deficit)	**14.9**	(2.0)	25.6
Related deferred tax (liability)/asset	**(3.7)**	0.6	(6.7)
Net pension asset/(liability)	**11.2**	(1.4)	18.9

16. ANALYSIS OF FINANCING CASH FLOWS

	Unaudited Six months ended 30 September 2011 £m	Unaudited Six months ended 30 September 2010 £m	Audited Year ended 31 March 2011 £m
Financing			
External debt drawn/(repaid) under the Ivy Bidco Limited Group facilities agreement	**-**	37.0	(798.0)
Debt drawn under the Initial ACF Agreement	**5.0**	-	595.1
Increase in related party borrowings	**-**	2.0	591.2
Net cash inflow from financing	**5.0**	39.0	388.3

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2011

17. CLAIMS AND CONTINGENT LIABILITIES

As part of the refinancing agreements outlined in note 13, the Company and its parent, Ivy Holdco Limited, have granted security over their assets and share capital to the Company's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

Other than the above, the Company has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 30 September 2011 (30 September 2010: nil, 31 March 2011: nil).

The Company commenced proceedings on 6 February 2009 against Ryanair for recovery of check-in and baggage charges withheld since 2004, which as at 30 September 2011 totalled £3.5 million (30 September 2010: £2.1 million, 31 March 2011: £2.6 million). Ryanair has defended the claim on the basis that the charges are excessive and discriminatory and also in breach of competition laws and had also complained to the CAA that Gatwick was in breach of the Transparency Condition (imposed by the CAA in relation to specified activities) and also in breach of the Groundhandling Regulations.

The CAA published its decision in relation to this complaint on 31 May 2011. While the decision does not find that the Company's per passenger charge for check-in and baggage is discriminatory, it does find that the Company did not use objective criteria in setting its internet check-in charge as Ryanair's percentage of passengers travelling without hold baggage increased. The CAA also found that the Company was not sufficiently transparent in revealing how the charges were calculated.

The Company has been directed by the CAA to carry out a consultation by April 2012 to revise its pricing structure for check-in and baggage and in doing so to ensure that a proper cost reflective charge is made for passengers checking-in online who do not use the baggage system. At the same time, the Company is also required to provide users with a precise and comprehensible description of the method of calculating the charge. The Company has commenced a consultation as required by the CAA direction and will implement a revised charging structure by April 2012.

The litigation in relation to the check-in and baggage charges remains on hold. The CAA decision does not mean that Ryanair is not liable for any of the check-in and baggage charges that have been withheld since 2004, and the Company will continue to seek resolution of that issue.

18. SUBSEQUENT EVENTS

There have been no material events or circumstances that have occurred after the balance sheet date, but prior to the signing of the financial statements, that require disclosure or adjustment to balances and transactions that existed at the balance sheet date.