IVY HOLDCO LIMITED

Report and Unaudited Interim Consolidated Financial Statements for the six months ended 30 September 2015

Company Registration Number 07497036

REPORT AND UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

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BUSINESS REVIEW

The Directors present their report and the unaudited interim consolidated financial statements for Ivy Holdco Limited ("the Company") and its subsidiaries, together "the Group", for the six months ended 30 September 2015.

BASIS OF PREPARATION

As at 30 September 2015, Ivy Holdco Limited ("the Company") has four wholly-owned subsidiaries: Gatwick Airport Limited ("Gatwick"), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively known as ("the Group").

The Company's subsidiary, Gatwick Airport Limited, provides the significant majority of the Group's operations, with the results of the Company considered immaterial as it did not trade during the current or prior year. Gatwick Funding Limited has material financing transactions which are replicated in a "back-to-back" agreement with Gatwick Airport Limited (its parent). Therefore, the business review of Gatwick Airport Limited in the Gatwick Airport Limited report and unaudited interim financial statements for the period ended 30 September 2015 are considered an appropriate review of the Group's operations.

For the purposes of the Ivy Holdco Limited report and unaudited interim consolidated financial statements for the six months ended 30 September 2015, the business review of Gatwick Airport Limited is replicated below.

BUSINESS REVIEW (continued)

PASSENGER TRAFFIC TRENDS

	Six months ended 30 September 2015	Six months ended 30 September 2014
Passengers	**23,528,059**	22,463,645
Air transport movements (“ATMs”)	**148,877**	145,461
Passengers per ATM	**158.0**	154.4
Average load factor (%)	**87.2**	86.1

During the six months ended 30 September 2015 a total of 23.5 million passengers travelled through Gatwick Airport (“Gatwick”) (“the Airport”), an increase of 1.1 million or 4.7% compared to the same period in the prior year.

This was the busiest six months in Gatwick’s history. August in particular was the busiest single month the Airport has seen, with over 4.5 million passengers; on one day in August there were 934 air traffic movements (“ATMs”) – a world record for a single-runway airport.

There was a 2.3% increase in the number of ATMs compared to the same period in the prior year. This accounted for 50% (or 0.5 million) of the growth in passenger numbers. The remaining growth was achieved by a combination of larger aircraft – with an average of 2 seats more per ATM – and increased load factors (which represent the number of seats on an aircraft that are filled by passengers as a percentage of the total number of seats that are available).

A number of airlines have increased frequencies on European routes and introduced new destinations. As a result, there were five thousand more ATMs on European routes than in the prior year, carrying an additional 1.0 million passengers, of which 0.6 million of these were to southern European destinations – notably Spain, Greece and Italy.

Traffic on North American routes grew by 0.1 million passengers. This represents growth of 14.4%, driven mainly by the continuing success of Norwegian Air Shuttle’s services to the USA, including its new Orlando service and the New York service being in operation for the full period and including additional rotations.

Emirates increased the capacity on their Dubai service: two of their three daily flights are now on the larger A380 aircraft. This contributed to the 7% increase in passenger numbers on Middle Eastern routes.

Passenger numbers on flights to UK destinations were down 1.6% compared to the prior year, as some airlines – notably easyJet and Aer Lingus – have scaled back their domestic operations.

Recent unrest in northern Africa, and in particular the terrorist attack in Tunisia in July, have contributed to a significant reduction in demand for flights to that region: the number of ATMs on North African routes was cut by 14% compared to the same period last year, resulting in 0.1 million fewer passengers flying to those destinations. However, in many cases customers who had booked flights to Tunisia were offered the chance to transfer to other destinations such as the Canary Islands and Greece.

BUSINESS REVIEW (continued)

CAPITAL INVESTMENT PROGRAMME

The key strategic objective for Gatwick is to become London's airport of choice. A key enabler in delivering this objective is continued focus on transforming the experience of passengers and airlines experience of using the Airport through both investment in modern infrastructure and improving service standards. This will ensure customers enjoy a superior airport experience relative to competitors, encouraging greater utilisation of Gatwick and supporting its long-term growth ambitions.

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m
Capital expenditure	**92.3**	90.9

From April 2014, and following completion of Gatwick Airport Limited's ("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 and capital investment and consultation undertakings to its customers. Rather than being constrained by being held to a fixed investment programme, the new framework allows for greater flexibility, innovation and pace in making investments at the Airport to improve services for our passengers and airline customers. The framework includes a commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years.

Gatwick has continued to invest heavily in its Capital Investment Programme, spending £92.3 million in the six months ended 30 September 2015 (30 September 2014: £90.9 million). During the first five years of the commitments period, capital investment is forecast to be approximately £940.0 million thereby continuing a similar rate of investment and improvement since the Airport changed ownership in December 2009, and in excess of the minimum level under Commitments. Gatwick's focus continues to be on investment in modern infrastructure and improving service standards that transform the passengers and airlines experience of using the Airport. The key investment drivers for the Airport are as follows:

- Capacity
- Cost Efficiencies
- Safety, Security and Compliance
- Service Quality
- Commercial Revenue
- Asset Stewardship

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

- **Pier 1:** Construction of the new South Terminal Baggage Factory and Pier 1 has continued within the period. The innovative design solution will include an automated baggage storage facility, providing airlines and passengers with greater check-in and baggage processing capacity and flexibility, including enhanced early check in options, as well as modern gate rooms and segregated departures and arrivals routes. Construction is well progressed with pier works, airfield, airbridges, baggage and roofing works substantially complete. The new Pier 1 will be in operation in 2016.

- **Pier 5:** The second phase of the project reconfiguring aircraft stands and upgrading gate rooms in Pier 5 completed in July 2015, with the newly refurbished and reconfigured pier now fully operational. The overall business objective for the Pier 5 project was to deliver improved Pier Service Levels ('PSL') to meet future growth in passenger numbers in the North Terminal and support the overall PSL target of 95%. The project has created a new and faster route for passengers from the departure lounge to the gate rooms. Passenger, stakeholder and airline feedback on the completed Pier has been overwhelmingly positive.

BUSINESS REVIEW (continued)

CAPITAL INVESTMENT PROGRAMME (continued)

- **North Terminal Development Programme:** The programme to transform the North Terminal continued during the six month period with the opening in October of the first phase of the largest self-bag drop check-in facility in Europe. Works are now concentrating on the second phase of the bag drop project, upgrading the security facilities on the second floor level and providing a refurbished arrivals hall on the ground floor level. The programme will go on to deliver a modern walkthrough duty free store and reconfigured departure lounge to match those facilities already successfully operating in the South Terminal.

- **Commercial:** A number of projects have completed during the first six month period that will enhance the retail and advertising offering at the Airport. Projects have been completed across both terminals to provide new retail units including Costa Coffee, Wondertree, Wagamama, Marks & Spencer, Boots and Skinny Dip. Real Time Bus Information signage has been installed and is operational on the bus shelters around the airport which have been installed as part of the Passenger Transport Fund project. New and replacement digital advertising screens have been installed and design works continue on the project to add digital screens to the South Terminal Welcome Arch.

- **Asset Stewardship:** The investment programme to maintain the existing asset base of the Airport has continued from last year with the works categorised into: Airfield, Facilities, Commercial, IT and Compliance/Risk and are considered critical to enhance the passenger experience whilst passing through the Airport. Investment in the first half of this year includes the replacement of various assets including FEGP, slot drains, fire mains and electrical switchboards.

- **Resilience:** Since the publication of the McMillan report in 2014, Gatwick has ring-fenced at least £30.0 million of capital investment funds for delivering capital projects over the next five years for investment in flood management, power and IT upgrades, terminal equipment and weather and events protection projects. These works have continued this year with projects to perimeter security protection, flood prevention and electrical resilience.

For the remainder of the year there is significant further investment required to expand current facilities where required, achieve greater operational efficiency and improve the passenger experience for all passenger segments. The main investment will see the completion of Pier 1 and the continuation of the North Terminal Development Programme. The period will also see a ramp up in activity on the Airline Transformation project which will consolidate easyJet’s operation into one terminal and also the project to replace the existing hold baggage scanners with the new Standard 3 versions required by the Department of Transport.

BUSINESS REVIEW (continued)

AIRPORTS COMMISSION

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

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

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

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

At the request of the Airports Commission, the proposers of the shortlisted options submitted scheme designs in May 2014. The Airports Commission undertook its own analysis of the shortlisted options and on 11 November 2014 launched a 12 week consultation on its analysis. The consultation ran for twelve weeks to 3 February 2015. Prior to reporting, the Commission also undertook a three week consultation of the issues associated with air quality.

The Airports Commission issued its final report on 1 July 2015. It recommended the Heathrow northwest scheme to the Government subject to a range of conditions, including as to the management of noise impacts, reducing the hours of operation of the airport through an extension of the night curfew, and satisfaction that the airport could be operated without breaching EU emissions levels. The Commission said that Gatwick was a credible, deliverable and financeable option.

The Prime Minister confirmed in Parliament that it was for the Government to take a decision and this would come before the end of 2015. The DfT has continued to engage with the Gatwick on its proposed scheme since July 2015.

Gatwick's case for a second runway is underpinned by its belief that passengers benefit from choice. The Airport supports the idea of a competitive network of airports serving London, the South East of England and the UK as a whole. The Airport believes that competition fosters innovation, encourages the improvement of service levels and maintains pricing tension to the benefit of passengers everywhere. A competitive network of airports also improves the overall resilience of the country's aviation capacity and allows for the development of capacity to suit all types of airlines across the country.

The proposal put forward by Gatwick to the Airports Commission takes account of the current trends in aviation. In particular, it is designed so as to allow for the continued growth of low cost carrier traffic, which has been the driving force in the growth of aviation over the last two decades and has accounted for the development of a dense and productive route network across Europe. More recently, changes in aircraft technology have increased the scope for direct long haul services out of airports around the world and allowed for the application of the low cost model to long haul flights; the Airport believes that this will be a significant influence in the development of aviation over the years to come.

Gatwick's proposal envisages the construction of world class facilities at a cost which will appeal to business and leisure travellers alike and which will allow for the continued growth of its airline clients. Its scheme is relatively straightforward to build and so is deliverable in a highly competitive timescale.

If, Gatwick is chosen by the Government, it is anticipated that its scheme would be taken forward by Government as a Nationally Significant Infrastructure Project ("NSIP") based on a National Policy Statement ("NPS"). Alternatively, the Government could seek to deliver permission for another runway via a Hybrid Bill. Subject to obtaining consent via a DCO application or a Hybrid Bill, construction could commence in 2020 with the first phase opening in 2025.

BUSINESS REVIEW (continued)

REGULATORY ENVIRONMENT

On 1 April 2014 the new regulatory framework based on Commitments backed by a licence, supplemented by a monitoring regime, came into operation at Gatwick. The Commitments are a set of legally enforceable undertakings, made by GAL to airlines, covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The Commitments also enable GAL to enter into a series of bilateral contracts incorporating, for example, price, service and duration, agreed on a contractual basis between the GAL and individual airlines.

The CAA published its Decision and Notice granting a licence to Gatwick in February 2014. The CAA's Decision incorporates the Commitments proposed by the Airport within a licence. It is therefore a requirement of the licence that GAL complies with its obligations in the Commitments. This includes that GAL complies with its commitment to incorporate a maximum average revenue yield over the next seven years, based on published prices at RPI+1.0% per year, and average prices (taking into account bilateral contracts) at RPI+0.0% per year (i.e. the "blended price"). It also includes that GAL complies with its Commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years. Obligations on third parties, contained in the Commitments do not form part of the licence.

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

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

Requirements as to operational resilience are included within GAL's Commitments and as such are not subject to a separate licence condition. However, based on a review of operational resilience, the CAA has provided guidance to Gatwick, and Gatwick indicated in the Commitments that it would have regard to such guidance. The CAA has also stated that as part of the monitoring regime, GAL should produce a shadow regulatory asset base ("RAB") calculation. The purpose of this requirement is in case the CAA considers that the passenger interest would be better served in the future by tighter regulation being introduced. As with pricing, shadow RAB and capital investment expenditure above, the CAA can propose to introduce such licence conditions to the extent it considers such modification is in the passenger interest. Similarly, such a licence modification could be appealed by the Airport or airlines, to the Competition and Markets Authority.

All airport operators are also subject to aerodrome licensing under the Air Navigation Order 2009, which requires an airport operator to demonstrate that it is competent to conduct aerodrome operations safely. That licensing requirement is not affected by the Civil Aviation Act 2012.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW

Revenue

	Six months ended 30 September 2015	Six months ended 30 September 2014
	£m	£m
Aeronautical income	**228.9**	217.7
Retail income	**85.5**	84.3
Car parking income	**47.7**	44.4
Property rental income	**12.5**	13.3
Operational facilities and utilities income	**17.7**	16.9
Other income	**19.5**	15.0
Total revenue	**411.8**	391.6

The increase in revenue for the six months ended 30 September 2015 was largely the result of period-on-period traffic growth discussed in passenger traffic trends above and the increased aeronautical yield as discussed below. Growth in passenger traffic affects aeronautical, retail and car parking income.

Aeronautical income

Aeronautical income is driven by the number of passengers, aircraft movements and the level of airport charges. In the six months ended 30 September 2015, aeronautical income increased by 5.1% or £11.2 million to £228.9 million. This was mainly due to a 4.7% or 0.5 million year-on-year increase in departing passengers and an increase in the level of airport charges, offset by discounts offered to airlines through bilateral contracts.

As noted above, the CAA granted a licence under section 15(5) of the Civil Aviation Act 2012 which came into effect on 1 April 2014. The new regulatory approach for GAL is based on the Airport's Commitments to airlines (including bilateral contracts negotiated with individual airlines), underpinned by a licence issued by the CAA and supplemented by a monitoring regime.

GAL's Commitments limit the increase in airport charges per passenger, measured over the 7 year Commitments period (1 April 2014 – 31 March 2021), to an average of RPI+1.0% per annum excluding bilateral pricing agreements and an average of RPI+0.0% per annum including the bilateral pricing agreements. The increase in airport charges in any given year of the 7 year Commitments period may be higher or lower than the average price limits over the 7 year period.

Following consultation with airlines, airport charges for the year to 31 March 2016 increased by RPI-0.5% when measured on a per passenger basis, and excluding bilateral pricing agreements. The planned gross yield (i.e. excluding bilateral contracts) increased by 1.9% to £9.270 per passenger for the year ending 31 March 2016 (year ending 31 March 2015: £9.099).

The actual aeronautical yield for the six months ended 30 September 2015 was £9.728 (six months ended 30 September 2014: £9.691) but as in prior years will reduce over the second half of the year as a result of the structure of charges; during the winter season (November – March), take-off and landing charges do not apply to the majority of aircraft movements and aircraft parking charges are lower than in the summer season.

BUSINESS REVIEW (continued)

Retail income

Net retail income per passenger is calculated as follows:

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m
Duty and tax-free	**27.4**	28.1
Specialist shops	**21.8**	20.9
Catering	**15.2**	14.2
Bureau de Change	**13.0**	12.8
Other retail	**8.1**	8.3
	85.5	84.3
Less: retail expenditure	**(1.0)**	(0.9)
Net retail income	**84.5**	83.4
Passengers (m)	**23.5**	22.5
Net retail income per passenger	**£3.60**	£3.71

In the six months ended 30 September 2015, net retail income increased by 1.3% period-on-period to £84.5m respectively, a 3.0% decrease in income per passenger to £3.60.

Overall performance in net retail income per passenger was impacted by a challenging period of trading within the Duty and tax-free category. In the first half of this year income from Duty and tax-free declined by 2.5% compared to last year.

The Specialist shop category continued to perform well with per passenger income broadly in line with our traffic growth despite some impact from landside closures as a result of the North Terminal Development programme. Summer 2015 saw several new openings as we continue to update our retail offer, these included a new “Boots” store in the South Terminal and “Simply Food” was also updated in both terminals with a new store in North Terminal arrivals and an extended and modernised unit in the South Terminal. Where we have opened new or modernised stores performance has been strong and we have delivered strong growth compared to last year.

Catering remains a particular highlight where we have grown per passenger income by 2% compared to last year. Summer 2015 saw several new openings as we continue to update our retail offer, these included the “Wondertree” restaurant in the South Terminal departure lounge along with “Wagamamas” in the North Terminal departure lounge. Landside we opened a new “Costa Coffee” in both terminals. Passengers can look forward to some further development in this area as we open new restaurants in both terminals in the second half of the year.

There has also been significant investment in our Digital Media estate and a decision has been made to change our media partner. It was announced in September that the new partner will be Airport Media Limited which is a business planned and formed to ensure we maximise the opportunity that our new advertising screens will bring us. Airport Media Limited will take over from EYE airports on 1 November 2015.

BUSINESS REVIEW (continued)

Car parking income

Net car parking income per passenger is calculated as follows:

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m
Car parking income	**47.7**	44.4
Less: car parking expenditure	**(10.2)**	(10.9)
Net car parking income	**37.5**	33.5
Passengers (m)	**23.5**	22.5
Net car parking income per passenger	**£ 1.60**	£1.49

In the six months ended 30 September 2015 net car parking income increased by 11.9% period-on-period as a result of improved yield management and capacity increases. Effective management of pre-book pricing over the summer resulted in increased occupancy across all products. Immediate actions taken in response to the closure of MSCP6 including pricing and product location changes effectively mitigated the impact this had on income. Sales costs have reduced significantly due to renegotiating all third party contracts.

Other income categories

For the six months ended 30 September 2015, income from other areas increased by 10% to £49.7 million (six months ended 30 September 2014: £45.2 million). The increase was driven largely by increased operational facilities income as a result of passenger growth and increased ATMs and increased other income as a result of a revised pricing structure on the passengers with reduced mobility service. Property income has decreased during the period as a result of a number of rentable properties being unavailable to rent due to the capital investment programme.

BUSINESS REVIEW (continued)

Operating costs

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m
Staff costs	**84.8**	83.7
Retail expenditure	**1.0**	0.9
Car parking expenditure	**10.2**	10.9
Depreciation	**62.3**	63.5
Maintenance and IT expenditure	**16.3**	17.6
Utility costs	**8.6**	9.2
Rent and rates	**14.5**	14.6
General expenses	**35.4**	29.0
Total operating costs – pre-exceptional items	**233.1**	229.4

In the six months ended 30 September 2015 compared to the corresponding prior period the following major variances occurred:

Staff costs increased £1.1 million or 1.3%. Average salary costs per FTE increased by 1%. This reflects the effect of annual increases (average 2%) and the impact of reduced salary costs for new employees.

Average full time equivalent (FTE) employees decreased to 2,428 from 2,487. This saving in salary costs of £1.6 million was offset by overtime where costs increased by £0.7 million. Pension costs increased by £0.6 million due to a change in the accounting for the defined benefit scheme as a result of moving to IFRS. Staff costs associated with the capital expenditure programme remained flat. These are offset by the subsequent capitalisation of these costs, which appears as part of general expenses. Overall, total staff costs capitalised were £12.5 million in the six months ended 30 September 2015 (six months ended 30 September 2014: £12.4 million).

Utility costs reduced by £0.6 million due to a change in the membership requirements for the carbon credit scheme.

General expenses increased by £6.3 million with the main variances consisting of: penalties payable to airlines for failing service standards (£2.1 million); passengers with reduced mobility costs (£1.6 million); bad debt provisions (£1.0 million) and; costs relating to the air traffic control contract transition to new supplier (£0.9 million).

Operating profit

Operating profit increased by £10.6 million to £172.8 million in the six months to 30 September 2015 (six months ended 30 September 2014: £162.2 million).

BUSINESS REVIEW (continued)

EBITDA

	Six months ended 30 September 2015 £m	Six months ended 30 September 2014 £m
Operating profit	**172.8**	162.2
Add back: exceptional items	**5.9**	-
Add back: depreciation	**62.3**	63.5
EBITDA (Pre Exceptional)	**241.0**	225.7

Earnings before interest, tax, depreciation and amortisation ("Pre Exceptional EBITDA") pre exceptionals increased £15.3 million or 6.8% to £241.0 million in the six months ended 30 September 2015 (six months ended 30 September 2014: £225.7 million). A more detailed explanation of the reasons underlying the movement are discussed in the relevant sections above.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties remain the same as those disclosed in the Directors' Report for Gatwick Airport Limited for the year ended 31 March 2015.

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 interim financial statements, the Directors have a reasonable expectation that the Group will continue as a going concern and accordingly these interim financial statements have been prepared on that basis.

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REPORT OF THE DIRECTORS

The attached unaudited 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 2015 and for the six months then ended.

Significant Board changes

There have been no changes to the members of the board in the period 1 April 2015 to 30 September 2015.

Andrew Gillespie-Smith
Director

29 June 2016

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2015

	Note	**Unaudited Six months ended 30 September 2015 £m**	Unaudited Six months ended 30 September 2014 £m	Unaudited Year ended 31 March 2015 £m
Revenue	4	**411.8**	391.6	638.0
Other operating income		**-**	-	2.0
Operating costs	5	**(239.0)**	(229.4)	(484.0)
Operating profit		**172.8**	162.2	156.0
Analysed as:				
Operating profit before exceptional items		**178.7**	162.2	173.8
Operating costs – exceptional	6	**(5.9)**	-	(17.8)
Investment property revaluation		**-**	-	17.0
Loss on disposal of fixed assets	6	**-**	(1.3)	(1.1)
Fair value gain/(loss) on derivative financial instruments		**4.2**	(2.5)	(3.8)
Finance income	7	**10.5**	10.7	21.4
Finance costs	8	**(53.5)**	(55.6)	(110.1)
Profit on ordinary activities before taxation		**134.0**	113.5	79.4
Income tax (charge)/credit	9	**(39.0)**	(19.4)	22.4
Profit on ordinary activities after taxation		**95.0**	94.1	101.8

The notes on pages 17 to 27 form an integral part of these unaudited interim 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 2015

	Unaudited Six months ended 30 September 2015 £m	Unaudited Six months ended 30 September 2014 £m	Unaudited Year ended 31 March 2015 £m
Profit for the period	**95.0**	94.1	101.8
Other comprehensive income			
Actuarial gains/(losses) on retirement benefit obligations	**17.0**	0.5	(11.5)
Income tax effect	**(3.4)**	0.5	2.4
	13.6	1.0	(9.1)
Total comprehensive income for the period	**108.6**	95.1	92.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2015

	Share capital £m	**Merger reserve £m**	**Retained earnings £m**	**Unaudited total £m**
Balance at 1 April 2014	246.6	(260.8)	600.4	586.2
Profit for the period	-	-	94.1	94.1
Other comprehensive income	-	-	1.0	1.0
Capital contribution	-	-	0.3	0.3
Dividends	-	-	(80.0)	(80.0)
Balance at 30 September 2014	246.6	(260.8)	615.8	601.6
Profit for the period	-	-	7.7	7.7
Other comprehensive expense	-	-	(10.1)	(10.1)
Capital contribution	-	-	0.3	0.3
Dividends	-	-	(53.0)	(53.0)
Share issue	7.8	-	-	7.8
Balance at 31 March 2015	254.4	(260.8)	560.7	554.3
Profit for the period	-	-	95.0	95.0
Other comprehensive income	-	-	13.6	13.6
Capital contribution	-	-	0.3	0.3
Balance at 30 September 2015	**254.4**	**(260.8)**	**669.6**	**663.2**

The notes on pages 17 to 27 form an integral part of these unaudited interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

	Note	**Unaudited 30 September 2015**	Unaudited 30 September 2014	Unaudited 31 March 2015
Assets		**£m**	£m	£m
Non-current assets				
Property, plant and equipment	10	**2,084.5**	2,030.7	2,049.8
Investment properties	10	**762.8**	747.2	765.5
Intangible assets	10	**12.0**	15.9	14.5
Deferred tax assets		**45.4**	13.5	-
Finance lease receivables		**17.0**	17.1	17.1
Amounts due from group undertakings		**0.1**	0.1	0.1
Total non-current assets		**2,921.8**	2,824.5	2,847.0
Current assets				
Inventories		**3.6**	4.1	3.6
Trade and other receivables		**67.6**	70.4	55.4
Cash and cash equivalents		**0.8**	41.2	3.3
Total current assets		**72.0**	115.7	62.3
Total assets		**2,993.8**	2,940.2	2,909.3
Non-current liabilities				
Borrowings	11	**(1,598.0)**	(1,521.6)	(1,662.2)
Retirement benefit obligations	12	**(28.4)**	(26.1)	(40.7)
Deferred tax liabilities		**(332.1)**	(301.4)	(244.2)
Derivative financial instruments	13	**(182.5)**	(230.3)	(186.7)
Finance lease liabilities		**(43.9)**	(43.3)	(43.7)
Amounts due to group undertakings		**-**	(52.0)	(50.0)
Total non-current liabilities		**(2,184.9)**	(2,174.7)	(2,227.5)
Current liabilities				
Trade and other payables	14	**(130.5)**	(149.5)	(111.6)
Current tax liabilities		**(3.1)**	(3.0)	(2.9)
Finance lease liabilities		**(0.7)**	(0.2)	(0.9)
Deferred income		**(11.4)**	(11.2)	(12.1)
Total current liabilities		**(145.7)**	(163.9)	(127.5)
Total liabilities		**(2,330.6)**	(2,338.6)	(2,355.0)
Net assets		**663.2**	601.6	554.3
Equity				
Share capital		**254.4**	246.6	254.4
Retained earnings		**669.6**	615.8	560.7
Merger reserve		**(260.8)**	(260.8)	(260.8)
Total equity		**663.2**	601.6	554.3

The notes on pages 17 to 27 form an integral part of these unaudited interim financial statements.

These interim consolidated financial statements of Ivy Holdco Limited (Company registration number: 07497036) were approved by the Board of Directors on 29 June 2016 and were signed on its behalf by:

Michael McGhee
Director

Andrew Gillespie-Smith
Director

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2015

	Unaudited Six months ended 30 September 2015 £m	Unaudited Six months ended 30 September 2014 £m	Unaudited Year ended 31 March 2015 £m
Cash flows from operating activities			
Profit before tax	**134.0**	113.5	79.4
Adjustments for:			
Investment property revaluation	**-**	-	(17.0)
Loss on disposal of fixed assets	**-**	1.3	1.1
Fair value (gain)/loss on financial instruments	**(4.2)**	2.5	3.8
Finance income	**(10.5)**	(10.7)	(21.4)
Finance costs	**53.5**	55.6	110.1
Depreciation and amortisation	**62.3**	63.5	127.8
Impairment of fixed assets	**5.9**	-	12.0
Decrease/(increase) in stock, trade and other receivables	**(9.2)**	(15.2)	(2.8)
(Decrease)/increase in trade and other payables	**(10.1)**	(11.7)	5.1
Increase in net pension liability	**4.7**	2.3	4.6
Other provision movements	**-**	0.3	0.6
Net cash from operating activities	**226.4**	201.4	303.3
Cash flows from investing activities			
Interest received	**-**	-	1.1
Purchase of fixed assets	**(100.3)**	(82.8)	(182.4)
Net cash from investing activities	**(100.3)**	(82.8)	(181.3)
Cash flows from financing activities			
Interest paid	**(64.1)**	(10.7)	(89.9)
Increase in external borrowings	**(64.5)**	-	135.7
Payment of inflation accretion	**-**	-	(44.9)
Repayment of related party borrowings	**-**	(0.1)	-
Equity dividends paid	**-**	(80.0)	(133.0)
Net cash from financing activities	**(128.6)**	(90.8)	(132.1)
Net decrease in cash and cash equivalents	**(2.5)**	27.8	(10.1)
Cash and cash equivalents at the beginning of the year	**3.3**	13.4	13.4
Cash and cash equivalents at the end of the year	**0.8**	41.2	**3.3**

The notes on pages 17 to 27 form an integral part of these unaudited interim financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2015

1. BASIS OF PREPARATION

These financial statements are the interim consolidated financial statements of Ivy Holdco Limited ("the Company") and its subsidiaries ("the Group") for the six months ended 30 September 2015. The comparative periods are the six months ended 30 September 2014 and the year ended 31 March 2015. They have been prepared applying the recognition and measurement requirements of IFRS as adopted by the EU but not in compliance with IAS 34 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 and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

For all periods up to and including the year ended 31 March 2015, the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP'). These financial statements for the six months ended 30 September 2015 are the first the Group has prepared in accordance with IFRS. An explanation of how the transition to IFRSs has affected the reported financial position and financial performance of the Group is provided in note 17. This note includes reconciliations of equity and total comprehensive income for the comparative periods reported under UK GAAP to those reported under IFRS.

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.

Going Concern

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

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

- the forecast passenger numbers, revenue and operating cash flows from the underlying operations;
- the forecast level of capital expenditure;
- the Group's funding structure and the facilities that are available to the Group (see note 11); and
- the Group's financial covenants.

All of the Group's financial covenants (see note 11) have been met and are forecast to be met for the years ending 31 March 2016, 2017 and 2018.

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 interim 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 interim consolidated financial statements were approved by the Directors on 29 June 2016.

2. ACCOUNTING POLICIES

The transition to IFRS from UK GAAP has resulted in limited changes to the accounting policies for the Group. The accounting policies under UK GAAP were set out of pages 13 to 21 of the Annual Report and Financial Statements for the year ended 31 March 2015. The material changes resulting from the adoption of IFRS are detailed below.

Derivative financial instruments

In accordance with IFRS 13, the fair value of derivative financial instruments is reduced to reflect the credit risk of the Group on its swap position at the financial position date.

Retirement benefit obligations

In accordance with IAS 19, expected return on plan assets is recognised within actuarial gains/losses on retirement benefit obligations in other comprehensive income. A net interest charge on plan assets and plan administration expenses are recognised within profit/loss in the Income Statement as they are incurred.

Current and deferred taxation

In accordance with IAS 12, deferred tax is recognised on timing differences arising from the revaluation of fixed assets and to reflect differences between the tax base and the accounting value for investment properties subject to industrial building allowances (“IBAs”).

The tax provision for the interim period represents the expected tax rate applicable for the full year ending 31 March 2015.

3. GENERAL INFORMATION

The financial information set out herein does not constitute the Group’s statutory financial statements for the year ended 31 March 2015 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 2015 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2015

4. REVENUE

The Directors consider the business has only one segment (defined as the Airport due to the nature of its regulatory environment, type of operation, geographic location, and internal management reporting framework). All of the Group's turnover arises in the United Kingdom and is from continuing operations. Additional details of the turnover generated by each of the Group's key activities are given below.

	Unaudited Six months ended 30 September 2015 £m	Unaudited Six months ended 30 September 2014 £m	Unaudited Year ended 31 March 2015 £m
Airport and other traffic charges	**228.9**	217.7	332.7
Retail	**85.5**	84.3	149.1
Car parking	**47.7**	44.4	72.4
Property income	**12.5**	13.3	26.2
Operational facilities and utilities income	**17.7**	16.9	30.6
Other	**19.5**	15.0	27.0
	411.8	391.6	638.0

5. OPERATING COSTS

	Unaudited Six months ended 30 September 2015 £m	Unaudited Six months ended 30 September 2014 £m	Unaudited Year ended 31 March 2015 £m
Wages and salaries	**65.8**	65.7	128.0
Social security costs	**5.7**	5.7	11.2
Pension costs	**10.7**	10.1	19.4
Share based payments	**0.3**	0.3	0.6
Other staff related costs	**2.3**	1.9	5.6
Staff costs	**84.8**	83.7	164.8
Retail expenditure	**1.0**	0.9	1.7
Car parking expenditure	**10.2**	10.9	19.2
Depreciation	**62.3**	63.5	127.8
Maintenance and IT expenditure	**16.3**	17.6	33.7
Rent and rates	**14.5**	14.6	28.1
Utility costs	**8.6**	9.2	18.5
Police costs	**6.3**	6.2	12.4
General expenses	**18.7**	13.3	38.6
Aerodrome navigation service costs	**10.4**	9.5	21.4
Operating costs – exceptional (note 6)	**5.9**	-	17.8
	239.0	229.4	484.0

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2015

6. EXCEPTIONAL ITEMS

	Unaudited Six months ended 30 September 2015 £m	Unaudited Six months ended 30 September 2014 £m	Unaudited Year ended 31 March 2015 £m
Operating costs - exceptional			
Impairment of fixed assets (a)	**5.9**	-	12.0
Staff related exceptional costs (b)	**-**	-	6.5
Pension curtailment credit (b)	**-**	-	(0.7)
	5.9	-	17.8
Loss on disposal of fixed assets (c)	**-**	1.3	1.1

(a) In the period end year ended 30 September 2015 the Group impaired Investment Property by £5.9 million relating to a structural defect identified in a car park. In the year ended 31 March 2015 the Group impaired tangible fixed assets by £12.0 million.

(b) During the year ended 31 March 2015, the Group offered a voluntary special severance scheme to eligible employees. Staff related exceptional costs include the severance pay incurred in respect of this scheme. As a result of the special severance programme, the Group received a pension curtailment credit to recognise the reduction in future growth of past service liabilities.

(c) Losses on disposal on fixed assets relate to assets no longer in use at the Airport.

7. FINANCE INCOME

	Unaudited Six months ended 30 September 2015 £m	Unaudited Six months ended 30 September 2014 £m	Unaudited Year ended 31 March 2015 £m
Interest receivable on money markets and bank deposits	**-**	0.1	0.2
Net interest receivable on derivative financial instruments[1]	**10.1**	10.2	20.4
Finance lease income	**0.4**	0.4	0.8
	10.5	10.7	21.4

1 These amounts relate to interest rate and index linked derivative of £32.3 million and £396.0 million respectively. In March 2014, £97.0 million of floating to index-linked swaps were restructured as fixed to index-linked swaps coinciding with a further bond issue. In March 2014, £40.0 million of fixed to index linked and £40.0 million index linked to floating rate swaps, expiring in March 2016 were undertaken by the Group. Refer to note 14 for detail on the nominal value of the Group's swaps. These amounts include inflation accretion on index-linked swaps.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2015

8. FINANCE COSTS

	Unaudited Six months ended 30 September 2015 £m	Unaudited Six months ended 30 September 2014 £m	Unaudited Year ended 31 March 2015 £m
Interest on bank borrowings[1]	**0.9**	-	0.2
Interest on fixed rate bonds[2]	**43.6**	43.6	87.1
Interest on borrowings from other group undertakings[3]	**2.0**	3.1	6.2
Amortisation of debt costs[4]	**0.8**	0.8	1.6
Non-utilisation fees on bank facilities	**0.9**	0.9	2.0
Finance lease expense	**4.4**	4.4	8.7
Capitalised borrowings costs[5]	**(5.4)**	(3.5)	(8.2)
Net return on pension scheme	**0.7**	0.5	1.1
Net interest payable on derivative financial instruments	**5.6**	5.8	11.4
	53.5	55.6	110.1

1 These amounts mainly relate to interest payable on loans drawn under the £300.0 million Authorised Credit Facilities Agreement.

2 This amount relates to interest payable on fixed rate bonds issued by Gatwick Funding Limited for the Group on 2 March 2011, 20 January 2012 and 27 March 2014.

3 These amounts relate to borrowings under the Borrower Loan Agreement with Gatwick Funding Limited entered into on 24 February 2011, and a Loan Agreement with Ivy Midco Limited entered into on 3 December 2009 that was amended and restated under a Deed dated 15 February 2011.

4 These amounts relate to the debt costs incurred in relation to the Group's refinancing on 27 March 2014, 20 January 2012 and on 2 March 2011.

5 Borrowing costs have been capitalised using a weighted average of rates applicable to the Group'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.

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the six months ended 30 September 2015 has been based on the estimated effective rate for the full year of 27.8% (30 September 2014: 27.9%, 31 March 2015: 21%).

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2015

10. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Intangible assets £m	Investment properties £m	Terminal complexes £m	Airfields £m	Group occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	Unaudited total £m
Cost or valuation								
1 April 2015	41.0	765.5	1,161.4	459.4	59.2	295.6	248.6	3,030.7
Additions at cost	-	-	-	-	-	0.4	91.9	92.3
Transfers to completed assets	-	3.2	35.5	3.5	4.2	13.6	(60.0)	-
Impairment		(5.9)	-					(5.9)
Interest capitalised	-	-	-	-	-	-	5.4	5.4
30 September 2015	**41.0**	**762.8**	**1,196.9**	**462.9**	**63.4**	**309.6**	**285.9**	**3,122.5**
Depreciation								
1 April 2015	(26.5)	-	(67.6)	(26.1)	(4.1)	(76.6)	-	(200.9)
Charge for the year	(2.5)	-	(31.0)	(13.4)	(1.6)	(13.8)	-	(62.3)
30 September 2015	**(29.0)**	**-**	**(98.6)**	**(39.5)**	**(5.7)**	**(90.4)**	**-**	**(263.2)**
Net book value								
30 September 2015	**12.0**	**762.8**	**1,098.3**	**423.4**	**57.7**	**219.2**	**285.9**	**2,859.3**
30 September 2014	15.9	747.2	1,100.2	443.3	55.7	241.7	189.8	2,793.8
31 March 2015	14.5	765.5	1,093.8	433.3	55.1	219.0	248.6	2,829.8

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2015

10. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (continued)

Security

As part of the refinancing agreements outlined in note 11, the Group has granted security over their assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

11. BORROWINGS

	Unaudited 30 September 2015 £m	Unaudited 30 September 2014 £m	Unaudited 31 March 2015 £m
Non-Current borrowings			
Borrower Loan Agreement			
Fixed rate borrowings	**1,525.0**	1,524.0	1,524.4
Authorised Credit Facility–Revolving Facility[1]	**73.0**	(2.4)	137.8
Total non-current borrowings	**1,598.0**	1,521.6	1,662.2
Maturity Profile:			
Repayable between 1 and 2 years	**-**	-	-
Repayable between 2 and 5 years	**73.0**	(2.4)	137.8
Repayable in more than 5 years	**1,525.0**	1,524.0	1,524.4
	1,598.0	1,521.6	1,662.2

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

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

Ivy Holdco Group Facilities

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

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

On 27 March 2014, Gatwick Funding Limited issued a further £350.0 million of publicly listed fixed rate secured bonds comprising £350.0 million Class A 4.625 per cent. Bonds with scheduled and legal maturities of 2034 and 2036 respectively.

The Group has now issued £1,550 million of publicly listed fixed rate secured bonds comprising £300 million Class A 6.125 per cent. Bonds with scheduled and legal maturities of 2026 and 2028 respectively, £300 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively, £300 million Class A 5.25 per cent. Bonds with scheduled and legal maturities of 2024 and 2026 respectively and £300 million Class A 5.75 per cent. Bonds with scheduled and legal maturities of 2037 and 2039 respectively and £350 million Class A 4.625 per cent. Bonds with scheduled and legal maturities of 2034 and 2036 respectively.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2015

11. BORROWINGS (continued)

At 30 September 2015, the average interest rate payable on borrowings was 5.13% (30 September 2014: 5.94%, 31 March 2015: 5.58% p.a.).

At 30 September 2015, the Group had £225.0 million (30 September 2014: £300.0 million, 31 March 2015: £160.0 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 2015 (30 September 2014: all covenants tested and complied with, 31 March 2015: all covenants tested and complied with).

The following table summarises the Group's financial covenants compliance as at 30 September 2015 under the CTA, and lists the trigger and default levels:

Covenant	**Unaudited 30 September 2015**	**Unaudited 31 March 2015**	**Trigger**	**Default**
Minimum interest cover ratio ("Senior ICR")	**3.49**	**3.11**	<1.50	<1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.54**	**0.59**	>0.70	>0.85

12. 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 2015 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 2015 £m	Unaudited 30 September 2014 £m	Unaudited 31 March 2015 £m
Present value of funded obligations	**(361.1)**	(341.5)	(390.8)
Fair value of plan assets	**332.7**	315.4	350.1
Deficit	**(28.4)**	(26.1)	(40.7)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2015

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Nominal amount	Average term	Average rate payable	Average rate receivable	Unaudited 30 September 2015	Unaudited 30 September 2014	Unaudited 31 March 2015
	£m	(Years)	%	%	£m	£m	£m
Interest rate swaps	**-**	**17.15**	**-**	**-**	**25.2**	29.2	27.0
Fixed rate to index-linked swaps [1]	**396.0**	**17.46**	**2.72**	**5.02**	**157.3**	201.1	159.7
	396.0	**17.46**	**2.72**	**5.02**	**182.5**	230.3	186.7

1 The Group 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. They are recognised at the fair value of expected net cash outflows.

14. TRADE AND OTHER PAYABLES

	Unaudited 30 September 2015 £m	Unaudited 30 September 2014 £m	Unaudited 31 March 2015 £m
Trade payables	**18.4**	11.3	25.6
Accruals	**16.6**	21.3	19.5
Capital payables	**38.9**	57.4	53.2
Amounts owed to group undertakings – interest free	**(0.3)**	2.8	-
Accrued financing charges	**0.2**	0.3	0.2
Accrued interest payable	**54.0**	53.9	10.4
Other payables	**2.7**	2.5	2.7
	130.5	149.5	111.6

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2015

15. CLAIMS AND CONTINGENT LIABILITIES

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

Other than the above, the 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 2015.

16. SUBSEQUENT EVENTS

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

17. EXPLANATION OF TRANSITION TO IFRS

As stated in note 1, these are the Group's first interim financial statements prepared in accordance with IFRS. The accounting policies referred to in note 2 have been applied in preparing the interim financial statements for the six months ended 30 September 2015, the comparative information for six months ended 30 September 2014, the financial statements for the year ended 31 March 2015 and the preparation of the opening IFRS Statement of Financial Position at 1 April 2014, the Group's transition to IFRS.

In preparing its opening IFRS Statement of Financial Position, comparative information for the six months ended 30 September 2014 and financial statements for the year ended 31 March 2015, the Group has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position and financial performance is set out in the following tables and notes accompanying them. There have been no significant changes to the Group's cash flows as a result of the transition.

Equity as at:	Note	Unaudited 1 April 2014 £m	Unaudited 30 September 2014 £m	Unaudited 31 March 2015 £m
Equity reported under UK GAAP		415.8	431.8	389.2
Fair value at the date of transition of property, plant and equipment	a	414.4	-	-
Deferred tax effect of the above	a	(85.5)	-	-
Fair value on swaps	b	29.7	-	-
Deferred tax on fair value on swaps		(5.9)	-	-
Deferred tax on investment property valuation	c	(100.4)	-	-
Deferred tax on properties subject to IBAs	d	(81.9)	-	-
Total impact of IFRS adjustments at the date of transition		-	170.4	170.4
Net IFRS adjustments to comprehensive income		-	(0.6)	(5.3)
Total IFRS adjustment to equity		170.4	169.8	165.1
Equity reported under IFRS		586.2	601.6	554.3

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2015

17. EXPLANATION OF TRANSITION TO IFRS (continued)

Total comprehensive income for the period:	Note	Unaudited Six months ended 30 September 2014 £m	Unaudited Year ended 31 March 2015 £m
Total comprehensive income reported under UK GAAP		95.7	98.0
Depreciation	a	(4.3)	(8.8)
Loss on disposal of fixed assets	a	(0.4)	(0.4)
Deferred tax on fair value of property, plant and equipment	a	2.9	6.9
Fair value on swaps	b	(1.4)	(6.8)
Deferred tax on fair value on swaps		0.3	1.4
Deferred tax on investment property valuation	c	-	(2.2)
Deferred tax on properties subject to IBAs	d	2.3	4.6
Net IFRS adjustments to comprehensive income		(0.6)	(5.3)
Total comprehensive income reported under IFRS		95.1	92.7

a. Under IFRS 1, the Group has elected to re-measure some items of fixed assets to fair value at the date transition to IFRS. The above shows the net uplift in fair value of these assets resulting in a revised deemed cost at the date of transition to IFRS, subsequent amendments to their net book value to reflect this and the deferred tax effect of these adjustments.

b. Under IFRS 13, the fair value of derivative financial instruments is reduced to reflect the credit risk of the Group on its swap position at the financial position date.

c. Under IAS 12, deferred tax liabilities are recognised to reflect the tax effect of previously recognised investment property revaluation surpluses.

d. Under IAS 12, deferred tax liabilities are recognised to reflect the difference between the tax base and the accounting value for fixed assets subject to industrial building allowances (“IBAs”).