IVY HOLDCO LIMITED

Report and Unaudited Interim Consolidated Financial Statements
for the six months ended 30 September 2012

Company Registration Number 07497036

REPORT AND UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

CONTENTS **Page**

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 2012.

Basis of preparation

As at 30 September 2012, the Company has two wholly-owned subsidiaries: Gatwick Airport Limited and Gatwick Funding Limited.

The Group financial statements consolidate, using the principles of merger accounting, the financial statements of the Company and its subsidiary undertakings to 30 September 2012. The results and cash flows of all group entities have been included in the consolidated interim financial statements of the Group for the six months ended 30 September 2012. In addition, the results and cash flows for the six months ended 30 September 2011 and the year ended 31 March 2012 have also been presented as if the Group had always existed in its current form.

Group operations

The Company is a holding company with two wholly-owned subsidiaries: Gatwick Airport Limited is the owner and operator of Gatwick Airport ("the Airport") and Gatwick Funding Limited is a holding company. Gatwick Airport Limited provides the significant majority of the Group's operations with results from the Company considered immaterial. Gatwick Funding Limited has material financing transactions which are replicated in a back-to-back relationship with Gatwick Airport Limited (its parent). Therefore, the business and financial reviews of Gatwick Airport Limited in the Gatwick Airport Limited report and interim financial statements 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 2012, the business and financial review is replicated below.

BUSINESS REVIEW (continued)

PASSENGER TRAFFIC TRENDS

	Six months ended 30 September 2012	Six months ended 30 September 2011
Passengers	**19,935,700**	19,702,000
Air transport movements ("ATMs")	**135,310**	135,650
Passengers per ATM	**147.3**	145.2
Average load factor (%)	**84.3**	83.7

During the six months ended 30 September 2012 a total of 19.936 million (six months ended 30 September 2011: 19.702 million) passengers travelled through Gatwick Airport ("Gatwick") ("the Airport"), an increase of 0.234 million or 1.2%.

Passenger numbers for the six months ended 30 September 2012 have been in line with expectations. Jubilee celebrations boosted passenger numbers in June relative to the prior year. Passenger numbers in July and early August were adversely affected as UK based travellers stayed in the country during the Olympic Games. However, late August and early September achieved year-on-year increases as passengers booked post-Olympic holidays.

Low cost carriers in Gatwick's largest market, European scheduled, have made the most significant contribution towards the period-on-period increase. The introduction of Asian carriers serving destinations such as Beijing, Seoul and Vietnam, reflecting a key strategic priority of the business, also contributed to growth in passenger numbers.

Total air transport movements ("ATMs") were lower than the prior period, with consolidation of flights noted as having the most significant impact. Passengers per ATM increased with higher load factors being seen throughout the period. Gatwick has also seen an increase in average seat capacity in the six months ending 30 September 2012 with, on average, 174.8 seats per ATM (six months ended 30 September 2011: 173.6).

BUSINESS REVIEW (continued)

CAPITAL INVESTMENT PROGRAMME AND THE REGULATORY ASSET BASE

	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Capital expenditure	**119.1**	134.1
Regulatory Asset Base ("RAB")	**2,297.2**	2,119.5

Gatwick continues to drive forward its Capital Investment Programme ("the Programme"), a key enabler of the Group's strategic objective to become London's airport of choice. The Group spent £119.1m on the Programme during the six months ended 30 September 2012. The following significant projects that continue to transform the passenger experience, airport capacity, airline performance and technology at Gatwick were completed in time and on budget during the period:

- Improvements to the South and North Terminal departure lounge projects opened in September. The delivery has improved retail and catering provisions in the North Terminal and improved the layout and vertical circulation in the South Terminal.
- Additional security lanes were added within the North Terminal central search area to lower passenger queuing times particularly during peak periods.
- The rehabilitation of the northern sections of the runway was finalised in August. The rehabilitation assures on-going delivery of service for Gatwick's primary asset, thereby enabling airlines to provide consistent levels of service for passengers.
- The North Terminal baggage project was completed in August. The upgrade supports the North Terminal extension providing infrastructure in line with future passenger, fleet mix and growth forecasts.
- In addition to the development of the terminals, the Airport completed a number of projects in relation to flood alleviation and water management.

A number of significant projects that will improve the financial and operational performance of Gatwick, and the passenger experience through enhancing our competitive position, commenced or continued during the period:

- To support the delivery of a pier service target of 95% for North Terminal, and to meet future growth in passenger numbers, a project reconfiguring aircraft stands and gate rooms in Pier 5 continued. Lifts, escalators and stairs will be provided for passengers to access each gate room, which are also being refurbished. The project will create a new route for passengers from the departure lounge to the gate rooms.
- Construction of a new Pier 1 and a South Terminal baggage factory, including delivery of an automated baggage storage facility.
- Improvement and resurfacing of the runway, including improvements to lighting and drainage, began in March 2012.
- Reconfiguration of the South Terminal Arrivals area to enhance the arrivals experience, facilitating improved ground transportation, stand operations and baggage services.

The Regulatory Asset Base ("RAB") of Gatwick is provided to the CAA and published as at 31 March each year in the Gatwick Airport Limited's regulatory accounts. The RAB is rolled forward between each date according to a formula set out by the CAA. The RAB was £2,200.9 million as at 31 March 2012, and has increased by a further £96.3 million to £2,297.2 million as at 30 September 2012 (30 September 2011: £2,119.5 million). This increase has been driven by the capital expenditure programme for Q5 (the 5th regulatory "quinquennium"), with total capital expenditure of £875.9 million in the first four and a half years of the six year programme (including car parks acquired from Ivy Subco Limited). The total capital expenditure programme for the six years of Q5 is forecasted to be £1,172.0 million (excluding car parks acquired from Ivy Subco Limited).

BUSINESS REVIEW (continued)

FINANCIAL REVIEW

Turnover

	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Aeronautical income	**185.4**	178.5
Retail income	**69.7**	67.7
Car parking income	**33.5**	32.9
Operational facilities and utilities income	**13.8**	13.1
Property rental income	**13.1**	12.8
Other income	**10.3**	9.5
Total turnover	**325.8**	314.5

The increase in turnover for the six months ended 30 September 2012 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. Retail income was also positively impacted by the opening of new retail stores in the North Terminal and the redeveloped Word Duty Free store in the South Terminal.

Aeronautical income

Aeronautical income is driven by the level of passenger traffic, ATMs and airport charges. In the six months ended 30 September 2012 aeronautical income increased by 3.9% period-on-period to £185.4m. The growth reflects a combination of increases in passenger numbers and allowable aeronautical yield.

The allowable aeronautical yield increased by 1.5% to £8.066 for the year ending 31 March 2013 (year ending 31 March 2012: £7.946). The actual aeronautical yield for the six months ended 30 September 2012 was £9.144 (six months ended 30 September 2011: £9.060), which included a total of £3.1 million of non-regulated income (six months ended 30 September 2011: £3.2 million). Any over or under-recovery that arises for the 12 months ending 31 March 2013 will be an adjustment to the allowable aeronautical yield in the year ending 31 March 2014.

In March 2008 the Civil Aviation Authority ("CAA") published its price control review for Gatwick Airport for the five year period ending 31 March 2013 (the 5th regulatory quinquennium known as "Q5"). This was extended by one year during 2011 so that the Q5 regulatory period now expires on 31 March 2014. The price control constrains the growth in aeronautical revenue yield per passenger to no more than RPI+2% at Gatwick for the 5 years to 31 March 2013 and to RPI-0.5% for the year to 31 March 2014. The structure of airport charges is set annually by the Airport within the overall regulatory constraints relating to aeronautical yield. For the year ending 31 March 2013, the structure of landing charges is consistent with the prior year, with landing charges eliminated in the winter (November to March inclusive) and commensurately uplifted in the summer (April to October inclusive).

In April 2012 Gatwick distributed to the airline community and the Civil Aviation Authority ("CAA") its initial business plan for the period 2014 to 2020 due to commence on 1 April 2014. Formal consultation by the CAA on the review of price regulation is expected to commence in early 2013 once the current constructive engagement process is completed, Gatwick publishes its next business plan in January 2013, and the CAA has completed its own research and analysis. It is currently expected that the CAA's final proposals will be published in October 2013 and the CAA's decision on any licence conditions will be published in January 2014.

BUSINESS REVIEW (continued)

Retail income

Net retail income per passenger is calculated as follows:

	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Duty and tax free, and specialist shops	**47.6**	47.2
Catering	**11.6**	10.3
Other in-terminal retail	**8.8**	8.3
Other off-terminal retail	**1.7**	1.9
	69.7	67.7
Less: retail expenditure	**(0.5)**	(0.3)
Net retail income	**69.2**	67.4
Passengers (m)	**19.9**	19.7
Net retail income per passenger	**£3.48**	£3.42

In the six months ended 30 September 2012, net retail income increased by 2.7% period-on-period. Duty and tax free, and specialist shops achieved significant increases in income per passenger despite the loss of retail space due to the capital expenditure programme. This is being driven by factors including an increased proportion of higher spending non-EU passengers in the North Terminal and the new walk through area in the World Duty Free store in the South Terminal. Catering income grew due to rebalancing of the portfolio towards premium outlets in the North Terminal and enhanced catering options landside in the South Terminal. The growth in retail was in line with forecast levels which were conservative to take account of the continued disruption to retailers and passenger flow present across the Airport that results from ongoing construction projects.

Car parking income

Net car parking income per passenger is calculated as follows:

	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Car parking income	**33.5**	32.9
Less: car parking expenditure	**(8.3)**	(7.5)
Net car parking income	**25.2**	25.4
Passengers (m)	**19.9**	19.7
Net car parking income per passenger	**£1.27**	£1.29

In the six months ended 30 September 2012, car parking income increased by 1.8% period-on-period, reflecting an increase in online transaction volumes offset by decreases in roll-up volumes and average daily rate. However, higher costs have resulted in a 1.6% decrease in net car parking income per passenger.

BUSINESS REVIEW (continued)

Other income categories

For the six months ended 30 September 2012, income from other areas increased by 5.1% to £37.2 million (six months ended 30 September 2011: £35.4 million). The increase was driven largely by increased property income as well as identity and car parking passes with more contractors and staff working at Gatwick. Property income is forecast to increase in the next 18 months as the capital development programme delivers properties back to a rentable status.

Operating costs

	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Staff costs	**73.9**	69.2
Retail expenditure	**0.5**	0.3
Car parking expenditure	**8.3**	7.5
Depreciation	**61.0**	45.5
Maintenance and IT expenditure	**18.2**	18.4
Utility costs	**13.2**	14.0
Rent and rates	**13.5**	13.6
General expenses	**26.2**	27.4
Total operating costs – ordinary	**214.8**	195.9

Staff costs increased £4.7 million or 6.8% period-on-period primarily due to a 5.7% increase in average salaries. Average full-time equivalent ("FTE") employee numbers increased to 2,342 for the six months ending 30 September 2012 from 2,238 for the corresponding prior period, reflecting increased requirements in operational areas. Staff costs attributable to the capital expenditure programme are offset by the subsequent capitalisation of these costs, which appears as part of general expenses. Overall, total staff capitalisation was £11.4 million in the six months ended 30 September 2012 (six months ended 30 September 2011: £10.3 million).

Depreciation is higher in the six months ended 30 September 2012 due to the number of projects from the Q5 capital expenditure programme that have been completed in the last year.

Operating profit

Operating profit decreased by £7.6 million to £111.0 million in the six months to 30 September 2012 (six months ended 30 September 2011: £118.6 million).

BUSINESS REVIEW (continued)

EBITDA

	Six months ended 30 September 2012 £m	Six months ended 30 September 2011 £m
Operating profit before exceptional items	**111.0**	118.6
Add back: depreciation	**61.0**	45.5
EBITDA pre-exceptional items	**172.0**	164.1

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased £7.9 million or 4.8% to £172.0 million in the six months ended 30 September 2012 (six months ended 30 September 2011: £164.1 million). The reasons underlying these changes are discussed in the relevant sections above.

Going concern

All the Group'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 13 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.

INDEPENDENT COMMISSION ON AVIATION CONNECTIVITY

On 17 October 2012, Gatwick announced its intention to begin detailed work on the options for a new runway. This will be submitted to the Independent Commission on Aviation Connectivity, chaired by Sir Howard Davies. Any submission to the Commission will be consistent with Gatwick's commitment to the 1979 legal agreement with West Sussex County Council. That agreement prohibits Gatwick from constructing a new runway before 2019.

Since the change of ownership in 2009, Gatwick has continued to safeguard the land that would be required for a new runway. In July 2012, Gatwick published its new Masterplan which outlined the detailed vision for the airport up to 2020. It also discussed the longer-term options for the airport including a scenario for a new runway.

The work programme will now look in detail at the implications of the above and will cover all issues which Gatwick anticipates will be relevant to the Commission and the eventual policy decision by the Government on airport expansion. It will evaluate various runway options and assess key requirements, including environmental, surface access and economic impacts. Relevant environmental issues will include noise and air quality impacts on local communities.

Gatwick believes that the additional capacity, flexibility and resilience that could be provided by a new runway at Gatwick would help to ensure that London's airports provide the South East and the UK with the connectivity they need, while providing competition to the other London airports.

At least for the rest of this decade, London's airports will be relying on their existing physical capacity. Gatwick's work, and subsequent submission to the Commission, will include a detailed evaluation of how Gatwick's existing single runway capacity can be maximised to contribute to the short-term capacity needs for London and the UK.

REPORT OF THE DIRECTORS

The attached unaudited interim consolidated financial statements of Ivy Holdco Limited, comprising the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Reconciliation of Movements in Shareholders' Funds, Consolidated Balance Sheet, 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 2012 and for the six months then ended.

Andrew Gillespie-Smith
Director

21 November 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30 September 2012

	Note	**Unaudited Six months ended 30 September 2012 £m**	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Turnover	4	**325.8**	314.5	517.4
Operating costs	5	**(214.8)**	(195.9)	(401.2)
Operating profit		**111.0**	118.6	116.2
(Loss)/profit on disposal of tangible fixed assets	7	**(1.0)**	0.1	(1.2)
Net interest payable and similar charges – ordinary	8	**(48.3)**	(42.3)	(86.7)
Net interest payable and similar charges – exceptional credit/(charge)	6	**45.5**	(44.3)	(76.9)
Profit/(loss) on ordinary activities before taxation		**107.2**	32.1	(48.6)
Tax (charge)/credit on profit/(loss) on ordinary activities	9	**(27.8)**	(13.5)	2.9
Profit/(loss) on ordinary activities after taxation		**79.4**	18.6	(45.7)

The notes on pages 13 to 24 form an integral part of these unaudited interim consolidated 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.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the six months ended 30 September 2012

	Note	**Unaudited Six months ended 30 September 2012 £m**	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Profit/(loss) for the financial period		**79.4**	18.6	(45.7)
Actuarial losses on pension scheme	15	**(4.5)**	(13.5)	(21.1)
Deferred tax allocated to actuarial losses	15	**1.0**	3.4	5.1
Unrealised revaluation deficit		**-**	-	(5.6)
Total recognised gains/(losses) relating to the period		**75.9**	8.5	(67.3)

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the six months ended 30 September 2012

	Note	**Unaudited Six months ended 30 September 2012 £m**	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Profit/(loss) for the financial period		**79.4**	18.6	(45.7)
Dividends paid		**-**	-	-
Retained profit/(loss) for the financial period		**79.4**	18.6	(45.7)
Actuarial losses on pension scheme net of tax	15	**(3.5)**	(10.1)	(16.0)
Other net recognised losses relating to the period		**-**	-	(5.6)
Capital contribution		**0.3**	0.2	0.3
Net increase/(reduction) in shareholders' funds		**76.2**	8.7	(67.0)
Opening shareholders' funds		**328.7**	395.7	395.7
Closing shareholders' funds		**404.9**	404.4	328.7

The notes on pages 13 to 24 form an integral part of these unaudited interim consolidated financial statements.

CONSOLIDATED BALANCE SHEET
As at 30 September 2012

	Note	**Unaudited 30 September 2012 £m**	Unaudited 30 September 2011 £m	Audited 31 March 2012 £m
FIXED ASSETS				
Tangible assets	10	**2,078.6**	1,975.9	2,017.0
CURRENT ASSETS				
Stocks		**4.0**	3.8	3.9
Debtors: due within one year		**79.5**	71.0	59.0
: due after more than one year		**10.4**	21.3	37.9
Cash at bank and in hand		**2.2**	-	12.2
TOTAL CURRENT ASSETS		**96.1**	96.1	113.0
CREDITORS: amounts falling due within one year	11	**(143.3)**	(124.4)	(115.9)
NET CURRENT LIABILITIES		**(47.2)**	(28.3)	(2.9)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,031.4**	1,947.6	2,014.1
CREDITORS: amounts falling due after more than one year	12	**(1,484.3)**	(1,395.4)	(1,500.5)
Provisions for liabilities and charges	14	**(145.2)**	(159.0)	(191.1)
NET ASSETS EXCLUDING PENSION ASSET		**401.9**	393.2	322.5
Pension asset	15	**3.0**	11.2	6.2
NET ASSETS INCLUDING PENSION ASSET		**404.9**	404.4	328.7
CAPITAL AND RESERVES				
Called up share capital		**246.6**	246.6	246.6
Revaluation reserve		**(7.6)**	(1.9)	(7.6)
Profit and loss reserve		**426.7**	420.5	350.5
Merger reserve		**(260.8)**	(260.8)	(260.8)
TOTAL SHAREHOLDERS' FUNDS		**404.9**	404.4	328.7

The notes on pages 13 to 24 form an integral part of these unaudited interim consolidated financial statements.

These interim financial statements were approved by the Board of Directors on 21 November 2012 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 2012

	Note	**Unaudited Six months ended 30 September 2012 £m**	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Net cash inflow from operating activities		**164.1**	133.6	199.3
Returns on investments and servicing of finance		**(2.5)**	(3.7)	(36.4)
Capital expenditure and financial investment		**(136.6)**	(139.0)	(242.0)
Cash inflow/(outflow) before management of liquid resources and financing		**25.0**	(9.1)	(79.1)
Financing	16	**(35.0)**	5.0	89.1
(Decrease)/increase in cash in the period		**(10.0)**	(4.1)	10.0

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

	Note	**Unaudited Six months ended 30 September 2012 £m**	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Operating profit		**111.0**	118.6	116.2
Adjustments for:				
Depreciation		**61.0**	45.5	105.3
Impairment of tangible fixed assets		**-**	-	(0.2)
Increase in stock and debtors		**(12.4)**	(14.4)	(4.7)
Increase/decrease in creditors		**5.2**	(11.3)	(11.1)
Decrease in provisions		**(0.4)**	(2.0)	(2.5)
Increase in net pension asset		**(0.3)**	(2.8)	(3.7)
Net cash inflow from operating activities		**164.1**	133.6	199.3

The notes on pages 13 to 24 form an integral part of these unaudited interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2012

1. BASIS OF PREPARATION

These consolidated financial statements are the interim financial statements of Ivy Holdco Limited ("the Company") and its subsidiaries ("the Group") for the six months ended 30 September 2012. The comparative periods are the six months ended 30 September 2011 and the year ended 31 March 2012. 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 consolidated financial statements for the periods disclosed.

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

The Directors have reviewed the cash flow projections of the Company and 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 13); and
- the Group's financial covenants.

All of the Group'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 and 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 Company and 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 21 November 2012.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2012

1. BASIS OF PREPARATION (continued)

Basis of consolidation

As at 30 September 2012, the Company has two wholly-owned subsidiaries: Gatwick Airport Limited and Gatwick Funding Limited.

The Group financial statements consolidate, using the principles of merger accounting, the financial statements of the Company and its subsidiary undertakings to 30 September 2012. The results and cash flows of all group entities have been included in the consolidated interim financial statements of the Group for the six months ended 30 September 2012. In addition, the results and cash flows for the six months ended 30 September 2011 and the year ended 31 March 2012 have also been presented as if the Group had always existed in its current form.

2. ACCOUNTING POLICIES

The accounting policies adopted by the Group for these interim consolidated financial statements are consistent with those described in pages 38 to 45 of the Report and Financial Statements of Gatwick Airport Limited prepared under UK GAAP for the year ended 31 March 2012, with the exception of the application of merger accounting as outlined in note 1.

Taxation

The tax provision for the interim period represents the expected tax rate applicable for the full year ending 31 March 2013.

3. GENERAL INFORMATION

The financial information set out herein does not constitute the Company's statutory financial statements for the year ended 31 March 2012 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 2012 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 2012

4. SEGMENTAL ANALYSIS

The Directors consider the business has only one segment. 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.

Turnover	**Unaudited Six months ended 30 September 2012 £m**	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Airport and other traffic charges	**185.4**	178.5	274.2
Retail	**69.7**	67.7	120.9
Car parking	**33.5**	32.9	54.3
Property rental income	**13.1**	12.8	25.8
Operational facilities and utilities income	**13.8**	13.1	24.0
Other income	**10.3**	9.5	18.2
	325.8	314.5	517.4

5. OPERATING COSTS

	Unaudited Six months ended 30 September 2012 £m	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Wages and salaries	**57.9**	54.7	110.8
Social security costs	**4.3**	4.5	8.4
Pension costs	**7.9**	6.8	14.0
Share based payments	**0.3**	-	0.3
Other staff related costs	**3.5**	3.2	7.0
Staff costs	**73.9**	69.2	140.5
Retail expenditure	**0.5**	0.3	1.2
Car parking expenditure	**8.3**	7.5	13.8
Depreciation	**61.0**	45.5	105.3
Maintenance and IT expenditure	**18.2**	18.4	35.2
Rent and rates	**13.5**	13.6	26.8
Utility costs	**9.3**	10.3	22.8
Police costs	**6.2**	6.3	12.7
General expenses[1]	**10.2**	11.9	18.8
Aerodrome navigation service costs	**9.8**	9.2	16.7
Distribution fee	**3.9**	3.7	7.4
	214.8	195.9	401.2

1 General expenses for the six months ended 30 September 2012 includes no charges for services previously provided by BAA post sale to the Group under a Transfer of Services Agreement ("TSA") as all services provided under the TSA had ceased in the prior year (six months ended 30 September 2011: £2.0 million, year ended 31 March 2012: £2.0 million).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2012

6. EXCEPTIONAL COSTS

	Unaudited Six months ended 30 September 2012 £m	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Interest payable and similar charges			
Provision (released)/recognised on financial derivatives	**(45.5)**	44.3	76.9
Net interest payable and similar charges – exceptional (credit)/charge	**(45.2)**	44.3	76.9

The provision recognised on financial derivatives represents the present value of expected net cash outflows on interest rate and index linked derivative contracts. As at 30 September 2012 the present value of expected net cash outflows on these contracts was £145.2m (note 14) resulting in a £45.5m release of this provision. 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 of this balance it has been recognised as an exceptional item.

7. NON-OPERATING COSTS

	Unaudited Six months ended 30 September 2012 £m	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Non-operating item			
Loss/(profit) on disposal of tangible fixed assets	**1.0**	(0.1)	1.2
	1.0	(0.1)	1.2

Loss on disposal of tangible fixed assets totalled £1.0 million during the six months to 30 September 2012 (30 September 2011: £0.1 million profit, 31 March 2012: £1.2 million loss). These profits and losses relate to assets no longer in use at the airport.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2012

8. NET INTEREST PAYABLE AND SIMILAR CHARGES – ORDINARY

	Unaudited Six months ended 30 September 2012 £m	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Interest payable			
Interest on bank borrowings[1]	**1.9**	8.9	15.2
Interest on fixed rate bonds[2]	**35.6**	19.0	44.5
Interest on borrowings from other group undertakings[3]	**10.3**	10.5	21.4
Net interest payable on derivative financial instruments[4]	**2.8**	10.0	14.6
Amortisation of debt costs[5]	**1.7**	1.4	3.1
Non-utilisation fees on bank facilities	**1.7**	1.6	3.7
	54.0	51.4	102.5
Interest receivable			
Net return on pension scheme	**(1.3)**	(1.9)	(3.6)
Interest receivable on money markets and bank deposits	**-**	-	(0.2)
Finance lease income	**(0.2)**	(0.1)	(0.3)
	(1.5)	(2.0)	(4.1)
Less: capitalised borrowings costs[6]	**(4.2)**	(7.1)	(11.7)
Net interest payable	**48.3**	42.3	86.7

1 These amounts mainly relate to interest payable on loans drawn under the £970.0 million Initial Authorised Credit Facilities Agreement that the Group became a borrower of on 2 March 2011.

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

3 This amount relates to interest payable on 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.

4 These amounts relate to interest rate and index-linked derivatives of £32.3 million undertaken by the Group in September 2010 and £594 million undertaken in January and February 2010. In February 2011 £594 million of interest rate and index-linked derivatives were restructured and novated within the group from Gatwick Airport Limited to Gatwick Funding Limited with a reciprocal ‘back-to-back’ agreement. In January 2012, £154.3 million of floating to index-linked swaps were restructured as fixed to index-linked swaps coinciding with a further bond issue. In March 2012, an additional £75 million of fixed to floating rate swaps 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.

5 These amounts relate to the debt costs incurred in relation to the Group’s refinancing on 20 January 2012 and on 2 March 2011 in the prior year (refer to note 13).

6 Borrowing costs have been capitalised using a rate of 6.2% (30 September 2011: 6.4%, 31 March 2012 6.1%), which is the weighted average of rates applicable to the Group’s overall borrowings outstanding during the year. The capitalised interest amount is calculated by applying the capitalisation rate to the average monthly balance of assets in the course of construction, after deducting the value of construction work undertaken but not paid for, and included in the value of such assets (see note 10).

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

The taxation charge for the six months ended 30 September 2012 has been based on the estimated effective rate for the full year of 26% (30 September 2011: 42.2%, 31 March 2012: 26%).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2012

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 2012	667.1	4.1	1,631.1	262.8	22.3	175.0	168.2	2,930.6
Additions at cost	-	-	-	-	-	-	119.1	119.1
Transfers to completed assets	6.5	-	44.8	7.7	2.2	39.8	(101.0)	-
Interest capitalised	-	-	-	-	-	-	4.2	4.2
Disposals	-	-	(18.6)	-	-	-	-	(18.6)
30 September 2012	**673.6**	**4.1**	**1,657.3**	**270.5**	**24.5**	**214.8**	**190.5**	**3,035.3**
Depreciation								
1 April 2012	-	-	710.8	105.2	6.9	90.7	-	913.6
Charge for the year	-	-	38.5	8.5	0.6	13.4	-	61.0
Disposals	-	-	(17.9)	-	-	-	-	(17.9)
30 September 2012	**-**	**-**	**731.4**	**113.7**	**7.5**	**104.1**	**-**	**956.7**
Net book value								
30 September 2012	**673.6**	**4.1**	**925.9**	**156.8**	**17.0**	**110.7**	**190.5**	**2,078.6**
30 September 2011	671.2	4.1	879.3	145.7	9.8	79.2	186.6	1,975.9
31 March 2012	667.1	4.1	920.3	157.6	15.4	84.3	168.2	2,017.0

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2012

10. TANGIBLE ASSETS (continued)

Security

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

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Unaudited 30 September 2012 £m	Unaudited 30 September 2011 £m	Audited 31 March 2012 £m
Trade creditors and accruals	**38.1**	29.0	33.1
Capital creditors and accruals	**46.2**	54.4	59.2
Deferred income	**7.9**	10.6	8.5
Other tax and social security	**2.7**	2.4	2.4
Accrued financing charges	**0.3**	0.3	0.3
Accrued interest payable	**45.9**	22.3	10.4
Finance lease liabilities	**0.2**	0.2	0.2
Bank overdraft	**-**	1.9	-
Other creditors	**2.0**	3.3	1.8
	143.3	124.4	115.9

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

	Unaudited 30 September 2012 £m	Unaudited 30 September 2011 £m	Audited 31 March 2012 £m
Borrowings (refer to note 13)	**1,320.4**	1,192.8	1,278.7
Amounts owed to group undertakings – interest bearing[1]	**125.4**	179.0	190.1
Accrued financing charges[2]	**38.5**	23.0	31.7
Deferred income	**-**	0.3	-
Finance lease liabilities	**-**	0.3	-
	1,484.3	1,395.4	1,500.5

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

2 'Accrued financing charges relate to the cumulative inflation accretion on index linked swaps.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2012

13. BORROWINGS

	Unaudited 30 September 2012 £m	Unaudited 30 September 2011 £m	Audited 31 March 2012 £m
Non-Current borrowings			
Fixed rate bonds	**1179.4**	591.3	1,179.0
Initial Authorised Credit Facility Agreement			
Term Facility	**101.0**	591.5	99.7
Capex Facility	**40.0**	-	-
Revolving Credit Facility	**-**	10.0	-
Total non-current borrowings	**1,320.4**	1,192.8	1,278.7
Maturity Profile:			
Repayable between 2 and 5 Years	**141.0**	601.5	99.7
Repayable in more than 5 Years	**1,179.4**	591.3	1,179.0
	1,320.4	1,192.8	1,278.7

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

Ivy Holdco Group Facilities

On 15 February 2011, Gatwick Airport Limited entered into a Common Terms Agreement ("CTA") with, *inter alia*, the Royal Bank of Scotland plc as Initial ACF agent. The Company then entered into a Borrower Loan Agreement with both Gatwick Funding Limited (as Issuer) and Deutsche Trustee Company Limited (as Borrower Security Trustee) on 24 February 2011. 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. Further refinancing agreements were also executed during the period 15 February 2011 to 2 March 2011 by the Ivy Holdco Group.

The Initial ACF Agreement has total facilities of £970.0 million, comprising a term facility of £620.0 million, a non-revolving capex facility of £300.0 million and a revolving facility of £50.0 million. The Initial ACF Agreement terminates on 3 December 2014. On 2 March 2011, £599.4 million of the term facility was drawn (after a mandatory reduction of £20.6 million in the term facility). Also on 2 March 2011, the Company's subsidiary, Gatwick Funding Limited, issued £600.0 million 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, and £300 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively.

On 20 January 2012, Gatwick Funding Limited, issued a further £600.0 million of publicly listed fixed rate secured bonds comprising £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.

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

The £581.4 million net proceeds received by the Company on 20 January 2012 were utilised to meet obligations in the year to 31 March 2012 and to 'prepay' £493.0 million of the term facility under the Initial ACF Agreement.

At 30 September 2012, the average interest rate payable on borrowings was 6.20% p.a. (30 September 2011: 6.9%, 31 March 2012: 6.6% p.a.).

At 30 September 2012, the Company had £310.0 million (30 September 2011: £340.0 million, 31 March 2012: £350.0 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 2012 (30 September 2011: all covenants tested and complied with, 31 March 2012: all covenants tested and complied with).

The following table summarises the Group's financial covenants compliance as at 30 September 2012 under the CTA, and lists the trigger and default levels:

Covenant	30 September 2012	31 March 2012	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**4.93**	**3.28**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.60**	**0.60**	0.70	0.85

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2012

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Reorganisation costs (a) £m	Electricity costs (b) £m	Financial derivatives (c) £m	Total £m
1 April 2012	0.4	-	190.7	191.1
Charged to profit and loss account	-	-	(45.5)	(45.5)
Utilised in the period	(0.4)	-	-	(0.4)
30 September 2012	**-**	**-**	**145.2**	**145.2**
30 September 2011	0.7	0.2	158.1	159.0

(a) Reorganisation costs
No costs were charged to the profit loss account associated with restructuring programmes during the period (30 September 2011: £0.3m, 31 March 2012: £0.3m). The restructuring programmes are now complete.

(b) Electricity costs
The Group 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 for this electricity was fixed until 31 March 2012. The actual consumption of electricity fell short of the contract quantity and the market rate at which the surplus electricity could be sold back was below the contracted fixed price over the first three years of the contract. The provision was fully utilised during the year ended 31 March 2012, being the final year of the fixed pricing period.

(c) Financial derivatives
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. Although the contracts are commercial hedges, they do not fully satisfy the requirements of UK GAAP hedge accounting. A provision of £145.2 million, equal to the present value of expected net cash outflows on these contracts at 30 September 2012 (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	2.0	1.66	0.60	0.7
Variable to index-linked swaps	137.0	21.2	0.66	0.84	45.3
Fixed rate to index-linked swaps	259.0	20.8	3.47	6.32	99.2
Totals	428.3	19.5	2.43	4.13	145.2

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2012

15. PENSIONS

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 2012 have been recognised at their fair value based on an interim valuation prepared by an independent qualified actuary in accordance with FRS 17.

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

	Unaudited 30 September 2012 £m	Unaudited 30 September 2011 £m	Audited 31 March 2012 £m
Present value of plan liabilities	**(240.0)**	(197.0)	(231.0)
Fair value of plan assets	**244.0**	211.9	239.2
Surplus	**4.0**	14.9	8.2
Related deferred tax liability	**(1.0)**	(3.7)	(2.0)
Net pension asset	**3.0**	11.2	6.2

16. ANALYSIS OF FINANCING CASH FLOWS

	Unaudited Six months ended 30 September 2012 £m	Unaudited Six months ended 30 September 2011 £m	Audited Year ended 31 March 2012 £m
Financing			
Debt drawn under the Initial ACF Agreement	**40.0**	5.0	**(498.0)**
(Decrease)/increase in related party borrowings	**(75.0)**	-	**(0.1)**
Issue of Class A bonds	**-**	-	**587.2**
Net cash (outflow)/inflow from financing	**(35.0)**	5.0	**89.1**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2012

17. CLAIMS AND CONTINGENT LIABILITIES

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

Other than the above, the Group has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 30 September 2012 (30 September 2011: nil, 31 March 2012: nil).

The Company's subsidiary, Gatwick Airport Limited, commenced proceedings on 6 February 2009 against Ryanair for recovery of check-in and baggage charges withheld since 2004, which as at 30 September 2012 totalled £3.5 million (30 September 2011: £3.5 million, 31 March 2012: £3.2 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 Gatwick Airport Limited's per passenger charge for check-in and baggage is discriminatory, it does find that Gatwick Airport Limited 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 Gatwick Airport Limited was not sufficiently transparent in revealing how the charges were calculated.

Gatwick Airport Limited was 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, Gatwick Airport Limited was also required to provide users with a precise and comprehensible description of the method of calculating the charge. Gatwick Airport Limited completed the consultation as required by the CAA direction and implemented a revised charging structure effective from 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 Group will continue to seek resolution of that issue. Ryanair has issued proceedings in the Commercial Court for a declaration that Gatwick Airport Limited has failed to comply with the CAA decision and has also complained to the CAA that Gatwick Airport Limited's revised pricing structure for check-in and baggage breaches the Groundhandling Regulations. The Group will be defending both claims.

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.