IVY HOLDCO LIMITED

Report and Unaudited Condensed Interim Consolidated Financial Statements for the six months ended 30 September 2017

Company Registration Number 07497036

REPORT AND UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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BUSINESS REVIEW

The Directors present their report and unaudited condensed interim consolidated financial statements for Ivy Holdco Limited ("the Company") and its subsidiaries, together "the Group", for the six months ended 30 September 2017.

BASIS OF PREPARATION

As at 30 September 2017, Ivy Holdco Limited has four wholly-owned subsidiaries: Gatwick Airport Limited ("GAL"), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively known as ("the Group").

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

UK AVIATION STRATEGY

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

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

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

A Draft Airports National Policy Statement ("NPS") was published on 2 February 2017, for consultation running through to 25 May 2017. The draft NPS sets out the Government's policy on the need for new airport capacity in the South East of England, its preferred location and scheme for delivering this capacity (the Heathrow North West Runway option), and the assessment principles to be used when considering an application for development consent. Gatwick submitted a full response to this consultation outlining its position for consideration by Government. In September 2017, the Secretary of State announced the need to undertake a further consultation to allow updated evidence in relation to aviation demand forecasts and the Government's final air quality plan to be taken into account. Accordingly, on 24 October 2017 a revised draft NPS was published for consultation running through to 19 December 2017.

The Revised Draft NPS demonstrates the need for additional airport capacity in the South East of England is greater and even more urgent than ever. This is largely due to faster than expected UK traffic growth and the need to maintain and improve global connectivity including exploiting new opportunities in a post-Brexit world. Gatwick considers that the Revised Draft NPS shows clearly that a second runway at Gatwick is the best option on all the major assessment criteria used by the DfT, including on Economic Benefit and Environmental Impacts. Gatwick continues to offer the Government a deliverable, phaseable and privately funded solution in the form of a second runway which could be progressed in addition to a third runway at Heathrow. This would allow the Government to mitigate the high risks associated with expansion at Heathrow as well as ensuring that traffic demand is met in a timely manner and the advantages of airport competition are secured. Should the Government consider only one new runway is needed in the South East, then Gatwick maintains that any decision on runway capacity should be based on an objectively based analysis of the evidence which would clearly identify the advantages of the Gatwick scheme.

BUSINESS REVIEW (continued)

UK AVIATION STRATEGY (continued)

Following the further period of consultation, the Government will decide whether to proceed with the NPS and what its final form should be, taking into account comments received during the consultation. A final version of the NPS will then be laid before Parliament for designation – likely to be sometime in 2018. Any such designation can be subject to legal challenge.

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

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

During the remainder of 2017 and throughout 2018, the Government intend to consult on the detail behind each of these objectives, concluding at the end of 2018 with the publication of a Final Aviation Strategy. This will then replace the Aviation Policy Framework (2013) and will include consideration of airport development requirements at all UK airports including Gatwick.

Gatwick will be fully engaging in both the NPS further consultation and all other Government consultations in support of a new Aviation Strategy.

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

REGULATORY ENVIRONMENT

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

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

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

BUSINESS REVIEW (continued)

REGULATORY ENVIRONMENT (continued)

The CAA undertook a “short and focused review” of the Commitments in the second half of 2016 to assess whether they are operating in the passenger interest. The review was concluded in December 2016. The review did not recommend any changes to the Commitments.

The CAA’s Decision also included a financial resilience condition. This requires 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.

The Commitments expire on 31 March 2021. Gatwick has undertaken to notify the CAA and all operators at the Airport at least two years prior to the end of the term of its intentions with regard to the continuation of Commitments.

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)

PASSENGER TRAFFIC TRENDS

	Six months ended 30 September 2017	Six months ended 30 September 2016
Passengers	**26,400,937**	25,111,115
Air transport movements ("ATMs")	**158,751**	155,032
Passengers per ATM	**166.3**	162.0
Seats per ATM	**186.9**	185.1
Average load factor (%)	**89.0%**	87.5%

Commercial passenger services only

During the six months ended 30 September 2017 a total of 26.4 million passengers travelled through Gatwick Airport, an increase of 1.3 million or 5.1% compared to the same period in the prior year.

This was the busiest six months in Gatwick's history. The number of ATMs increased by 2.4% compared to the same period last year, reflecting a continued improvement in the usage of the Airport's single runway. On 1 September 2017, the Airport had the busiest day ever recorded at Gatwick with 950 movements.

Gatwick has continued to develop its long-haul market and this is proving successful with 40% of the growth in ATMs on long-haul routes. This included the introduction of Norwegian's morning flight to JFK which has proved popular as it is the first London flight to reach New York, enabling passengers to go to New York and back in a day, or to be in the city in time for morning meetings, supporting the ongoing focus on business traffic. This long-haul growth contributed to the increase in the average number of seats per ATM from 185.1 to 186.9.

Average load factors also grew, particularly on domestic and short-haul flights. Passenger numbers on long-haul routes grew by 0.4 million, most notably on North American routes, where both Norwegian and British Airways increased frequencies on their USA services. In addition, WestJet, which began flying from Gatwick last year, grew its Canadian routes by 23k passengers.

Other notable areas of growth included the Far East Asia region with passenger numbers on routes to this area more than quadrupling (104k passengers compared to 22k last year). This was mainly due to the daily Hong Kong service introduced by Cathay Pacific and also Tianjin Airlines almost doubling their traffic to China. Passengers to the Caribbean and Latin America likewise increased, with both British Airways and TUI growing their traffic on routes to this region. After a period of decline, Northern Africa has begun to show signs of recovery, with traffic to Egypt and Morocco increasing by 9.6% compared to the prior year.

European routes accounted for 57.6% of the passenger growth, primarily to destinations such as Spain, France, Portugal and Greece.

Long-haul traffic benefited from the expansion of Norwegian's USA offering to include Seattle and Denver, as well as their new Singapore service which began in September. British Airways started services to Oakland and Fort Lauderdale, two routes already served by Norwegian, and Rwandair began flying from Gatwick to Kigali, with 11k passengers in the six months to 30 September 2017. New European routes included Aeroflot's Moscow service, which carried 43k passengers in the period under review, having started in November 2016. easyJet also added new destinations, including Montenegro (17k passengers) and Granada (26k). New airlines included Georgian Airways, who started flying from Gatwick to Tbilisi from May 2017.

BUSINESS REVIEW (continued)

CAPITAL INVESTMENT PROGRAMME

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

- Capacity
- Cost Efficiencies
- EH&S, Security and Compliance
- Service Quality
- Commercial Revenue
- Asset Stewardship and Resilience

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Capital expenditure	**98.1**	125.7

From April 2014, and following completion of GAL's £1.2 billion Q5 Capital Investment Programme, regulatory oversight of Gatwick has evolved into the seven year Commitments framework, under which the Airport has made price, service quality, capital investment and consultation undertakings to its customers. Rather than being constrained by a fixed capital investment programme, the new framework allows flexibility, innovation and pace in making investments at the Airport to improve services to its passengers and airline customers. The framework includes a commitment to undertake capital investment expenditure of at least £100.0 million per annum over a seven year period ending 31 March 2021.

In May 2017, GAL published its 2017 Capital Investment Programme for consultation with passengers and airlines, outlining the capital investment undertaken in the first three years under Commitments and the plan for the following four years. Gatwick has continued to invest heavily in its Capital Investment Programme, spending £98.1 million in the six months to 30 September 2017 (30 September 2016: £125.7 million). Capital investment is forecast to be approximately £1.6 billion over the seven year Commitments period (starting April 2014) thereby continuing a similar rate of investment and improvement since the Airport changed ownership in December 2009, and in excess of the minimum level required under the Commitments framework.

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

- **North Terminal Development Programme:** The penultimate part of a major programme to transform the North Terminal was delivered in the first six months of the year. Gatwick successfully constructed new toilets in the International Departure Lounge, four new retail units (Boots, Cath Kidston, Superdry and Jack Wills), an airlock delivery bay, new stockrooms and utility services. The Airport opened a brand new walkthrough World Duty Free store in the North Terminal on 8 September 2017, completing the passenger journey from check-in to the departure lounge.

- **Pier 6:** Gatwick has a requirement for additional stands to meet forecast demand and to maintain pier service levels. Our solution to meet this demand is through an extension to Pier 6. This complex project involves moving the A380 stand to the southern end of Pier 5, airfield works, and a new western extension to Pier 6 that provides eight A321 aircraft stands resulting in a total of seventeen stands on Pier 6. Detailed scoping, designing and planning is underway.

BUSINESS REVIEW (continued)

CAPITAL INVESTMENT PROGRAMME (continued)

- **Compliance:** Work has been ongoing to meet the Department for Transport's revised requirement to replace hold baggage screening equipment with "Standard 3" by 1 December 2019. The results of extensive piloting of three different manufacturers' machines during the first half of 2016 have determined the best machines for Gatwick's baggage operation. This has enabled further refinement of the delivery programme which commenced installation of the machines, in multiple, operationally-optimised phases during 2017.

- **Commercial:** Catering options in the South Terminal have been enhanced with the opening of Jamie Oliver's Diner, the successful expansion of the Flying Horse pub, and a refreshed coffee offering with the opening of Starbucks. The successful 'pop-up' strategy has continued to develop with new brands Skinny Dip and Cloud Spa introduced in the North Terminal and Havaianas returning in both terminals.

- **Asset Stewardship:** Investment to maintain the existing asset base of the Airport has been ongoing. The works can be categorised into: Airfield, Facilities, Commercial, IT and Compliance and EH&S and are considered critical to enhance the passenger experience whilst passing through the Airport. Investment during the first six months of the year was in excess of £22.0 million and included delivery of the Pier 2 Node which focuses on delivering a better use of space for departing passengers resulting in a much improved experience for passengers departing from Pier 2. In addition, Pier 3 replacement of aged electrical assets through switchboard replacement projects; and refurbishment of the Airfield Ground Lighting building which is due to complete in winter 2017.

- **Airfield:** Design and initial drainage works have continued in the first six months on the runway resurfacing project planned towards the end of the Commitments period. Additional drainage system installation commenced during the period and is expected to complete during the year. The aim of the project is to lower the water table surrounding the runway and improve resilience.

- **Resilience:** A programme of works to improve Gatwick's resilience has been ongoing, including projects to reduce risk associated with flooding and security. This programme is partially in response to the McMillan report, published on 26 February 2014, but also aims to ensure operational resilience remains a key component of our operational and capital investment plans going forward. Since the McMillan report, Gatwick has invested over £20.0 million with an additional £25.0 million of capital investment funds ring-fenced for delivering capital projects over the remainder of the Commitments period for investment in flood management, power and IT upgrades, terminal equipment, and weather and disruption events protection projects.

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

BUSINESS REVIEW (continued)

FINANCIAL REVIEW

Revenue

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Aeronautical income	**263.0**	250.9
Retail income	**98.1**	90.6
Car parking income	**55.7**	53.4
Property rental income	**13.8**	12.5
Operational facilities and utilities income	**18.8**	17.9
Other income	**20.3**	19.9
Total revenue	**469.7**	445.2

The increase in revenue for the six months ended 30 September 2017 of 5.5% was largely the result of period-on-period growth in passengers (which affects aeronautical, retail and car parking income) and the increased aeronautical yield as discussed below.

Aeronautical income

Aeronautical income is driven by traffic volume, the level of airport charges and the terms of bilateral contracts with airlines. In the six months ended 30 September 2017, aeronautical income increased by 4.8% or £12.1 million to £263.0 million. This was mainly due to a 1.3 million or 5.1% period-on-period increase in passengers and an increase in the level of published airport charges, offset by an increase in the discounts earned by airlines through bilateral contracts.

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

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

Following a period of consultation with the airline community, the planned gross yield (i.e. the planned aeronautical revenue per passenger excluding the terms of bilateral contracts) was increased by 2.7% (equivalent to RPI+0.9%) for the year commencing 1 April 2017.

Including the impact of bilateral pricing agreements, the aeronautical yield for the six months ended 30 September 2017 was £9.96 (30 September 2016: £9.99) but as in prior years, the yield will be lower in the second half of the year as a result of the structure of charges; during the winter season (November – March) demand charges do not apply to the majority of aircraft movements and aircraft parking charges are lower.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Retail income

Net retail income per passenger is calculated as follows:

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Duty and tax-free	**29.1**	28.1
Specialist shops	**24.0**	22.1
Catering	**20.5**	18.4
Bureau de change	**15.7**	13.7
Other retail	**8.8**	8.3
	98.1	90.6
Less: retail expenditure	**(1.1)**	(1.3)
Net retail income	**97.0**	89.3
Passengers (m)	**26.4**	25.1
Net retail income per passenger	**£3.67**	£3.56

In the six months ended 30 September 2017, net retail income increased by 8.6% period-on-period to £97.0 million with an increase in income per passenger of 3.1% to £3.67. Customer satisfaction remained strong and in the first six months ended 30 September 2017 more than 85% of Gatwick's passengers rated our selection of Retail and Food & Beverage outlets as either 'Good' or 'Excellent'.

Duty and tax-free performance has improved and grown 3.6% period-on-period but ongoing challenges in the business environment have resulted in a 1.8% reduction in income per passenger period-on-period. A significant cause of the decline was the introduction of plain tobacco packaging in May 2017. A new walkthrough unit in the North Terminal opened in September 2017, the full benefits of which are expected in the second half of the year.

Specialist shops income has grown 8.6% which exceeded passenger growth and increased income per passenger by 3.1%. The first phase of the North Terminal redevelopment delivered new units for Jack Wills, Cath Kidston and Superdry. The South Terminal welcomed the arrival of Reiss in May 2017. The successful 'pop-up' strategy has continued to develop with new brands Skinny Dip and Cloud Spa introduced in the North Terminal and Havaianas returning in both terminals.

Catering continued to perform strongly delivering 11.4% income growth and 6.8% increase in income per passenger. The completion of projects to expand the Flying Horse pub and open Jamie Oliver's Diner in the South Terminal have resulted in increased capacity and sales. Units which opened last year, such as Starbucks, have also positively impacted average spend per passenger in the period.

Bureau de change income has grown 14.6% as a result of revised contract terms, increase in passenger volumes, change in passenger mix, and currency fluctuations.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Car parking income

Net car parking income per passenger is calculated as follows:

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Car parking income	**55.7**	53.4
Less: car parking expenditure	**(10.6)**	(10.4)
Net car parking income	**45.1**	43.0
Passengers (m)	**26.4**	25.1
Net car parking income per passenger	**£ 1.71**	£ 1.71

Against a backdrop of lower market demand (CAA data showed a 4.6% point decline in passengers travelling to the airport in private cars for Q2 2017), net car parking income increased by 4.9% period-on-period. For the six months ended 30 September 2017, Multi Storey Car Park 6 returned to full operation following remediation works and increased short stay capacity by 1,000 spaces. Overall occupancy was slightly higher than prior period, however prices have remained at last year's levels, with no growth in average price paid. As part of Gatwick's strategy, all consolidator distribution contracts were terminated in July 2017, with the sales strategy now focussed on the direct website channel. Sales through this channel have increased 20.0% period-on-period.

Other income categories

For the six months ended 30 September 2017, income from other categories increased by 5.2% to £52.9 million (30 September 2016: £50.3 million). Property income was up £1.3 million due to increased rents from the purchase of the First Point building in January 2017 and the opening of the British Airways lounge in the South Terminal.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Operating costs

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Staff costs	**98.7**	98.3
Retail expenditure	**1.1**	1.3
Car parking expenditure	**10.6**	10.4
Depreciation and amortisation	**77.1**	70.8
Maintenance and IT expenditure	**20.1**	18.2
Rent and rates	**15.3**	15.7
Utility costs	**10.9**	9.6
General expenses	**22.4**	27.2
Total operating costs	**256.2**	251.5

In the six months ended 30 September 2017 total operating costs increased by 1.9% period-on-period compared to passenger growth of 5.1% reflecting careful cost management.

Staff costs, the largest operating cost increased £0.4 million (0.4%) for the six months ended 30 September 2017. This reflects an increase in the average number of full time equivalent ("FTE") employees from 2,757 to 3,079 compared to the same period in the prior year. The majority of the increase was driven through additional operational FTE employees, mostly in security, due to the volume of additional passengers processed and the continued efforts to improve the passenger experience.

The increased costs associated with the additional FTEs was largely offset by a reduction in pension costs following significant reforms of the defined benefit pension scheme implemented on 1 March 2017 and new hires following a special severance programme being brought in on lower average rates commensurate with market rates of pay.

Staff costs associated with the Capital Investment Programme increased by £2.3 million in the six months ended 30 September 2017. These incremental costs were offset by their subsequent capitalisation which appears as part of general expenses. Overall, total staff costs capitalised were £11.5 million in the in the six months ended 30 September 2017 (30 September 2016: £9.2 million).

Depreciation and amortisation increased £6.3 million (8.9%) due to continued capital investment in the Airport and the annualisation impact of a number of large capital projects completing during the comparative periods; notably the North Terminal Development Programme, the Airport Transformation Programme and Pier 1.

Maintenance and IT expenditure increased £1.9 million (10.4%) as a result of increased spend on surface transport and property, largely driven by the timing of scheduled activities, and increased IT software and license maintenance.

Utility costs increased by £1.3 million with the majority of the increase, £1.1 million, due to waste and recycling costs as a result of increased passenger numbers. In addition electricity costs increased by £0.2 million due to an increase in the wholesale price of approximately 3.7%. Consumption remained broadly the same, with an increase between periods of just under 1%.

General expenses decreased by £4.8 million period-on-period; £2.3 million as a result of the increase in staff costs capitalised (above) with the remaining decrease due to an ongoing plan targeting operational efficiencies and productivity savings.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

EBITDA

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

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m
Operating profit	**213.5**	193.7
Add back: depreciation and amortisation	**77.1**	70.8
EBITDA	**290.6**	264.5

EBITDA increased by £26.1 million or 9.9% in the six months ended 30 September 2017 (30 September 2016: £264.5 million) as a result of continued strong financial performance throughout all areas.

Principal risks and uncertainties

The principal risks, as identified by the Board of Directors, have not changed since 31 March 2017. They are explained in more detail in the Group's annual report and consolidated financial statements for the year ended 31 March 2017 and relate to the following key areas:

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

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

Financing activities

During the six months ended 30 September 2017, the Group issued £350.0 million of bonds. Further information on the bond issuances is included in note 17 of the financial statements.

Going concern

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

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

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REPORT OF THE DIRECTORS

BASIS OF PREPARATION

The attached unaudited condensed interim consolidated financial statements of Ivy Holdco Limited, comprising the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and other explanatory notes have been prepared in accordance with the requirements of the Ivy Holdco Limited Common Terms Agreement and are considered to fairly represent the financial condition and operations of Ivy Holdco Limited and its subsidiaries as at 30 September 2017 and for the six months then ended.

We confirm that, to the best of our knowledge:

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

- the accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2017 which are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 March 2017 within the meaning of Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year is available on the Airport's website and will be filed with the Registrar of Companies. The auditor's report on the 31 March 2017 financial statements is unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

SIGNIFICANT BOARD CHANGES

There have been no changes to the members of the Board in the period 1 April 2017 to 30 September 2017.

On behalf of the Board

Andrew Gillespie-Smith

Director

22 November 2017

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2017

	Note	**Unaudited six months ended 30 September 2017 £m**	Unaudited six months ended 30 September 2016 £m	Audited year ended 31 March 2017 £m
Revenue	4	**469.7**	445.2	725.0
Other operating income	5	**-**	-	5.0
Operating costs	6	**(256.2)**	(251.5)	(522.1)
Operating profit		**213.5**	193.7	207.9
Analysed as:				
Operating profit before exceptional items		**213.5**	193.7	226.3
Operating costs – exceptional	7	**-**	-	(18.4)
Investment property revaluation		**-**	-	70.4
Loss on disposal of fixed assets	8	**(0.2)**	-	(1.7)
Financing				
Fair value gain/(loss) on derivative financial instruments		**1.1**	(37.0)	(56.6)
Finance income	9	**10.2**	10.3	20.8
Finance costs	10	**(55.6)**	(51.0)	(109.0)
Profit before tax		**169.0**	116.0	131.8
Tax charge	11	**(28.3)**	(10.1)	(7.2)
Profit for the period		**140.7**	105.9	124.6

The notes on pages 17 to 29 form an integral part of these unaudited condensed interim consolidated financial statements.

All income and expenses recognised during the current and prior periods are from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2017

	Unaudited six months ended 30 September 2017 £m	Unaudited six months ended 30 September 2016 £m	Audited year ended 31 March 2017 £m
Profit for the period	**140.7**	105.9	124.6
Other comprehensive income			
Items that will not be reclassified to the consolidated income statement			
Actuarial gain/(loss) on retirement benefit obligations	**8.2**	(91.9)	(22.2)
Tax (charge)/credit	**(1.0)**	15.5	3.8
Other comprehensive income/(loss) for the period	**7.2**	(76.4)	(18.4)
Total comprehensive income for the period	**147.9**	29.5	106.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2017

	Share capital £m	**Merger reserve £m**	**Retained earnings £m**	**Total £m**
Balance at 30 September 2016 (unaudited)	254.4	(260.8)	613.0	606.6
Profit for the period	-	-	18.7	18.7
Other comprehensive expense	-	-	58.0	58.0
Capital contribution	-	-	0.2	0.2
Dividends	-	-	(50.0)	(50.0)
Balance at 31 March 2017 (audited)	254.4	(260.8)	639.9	633.5
Profit for the period	-	-	140.7	140.7
Other comprehensive income	-	-	7.2	7.2
Capital contribution	-	-	0.3	0.3
Dividends	-	-	(175.0)	(175.0)
Balance at 30 September 2017 (unaudited)	**254.4**	**(260.8)**	**613.1**	**606.7**

The notes on pages 17 to 29 form an integral part of these unaudited condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	Note	**Unaudited 30 September 2017 £m**	Unaudited 30 September 2016 £m	Audited 31 March 2017 £m
Assets				
Non-current assets				
Property, plant and equipment	12	**2,264.8**	2,201.8	2,254.6
Investment properties	13	**899.7**	802.0	882.4
Intangible assets	14	**8.1**	9.6	9.8
Finance lease receivables		**16.9**	17.0	16.9
Other non-current assets		**0.1**	0.1	0.1
		3,189.6	3,030.5	3,163.8
Current assets				
Inventories		**4.7**	3.0	4.5
Trade and other receivables		**65.0**	67.1	36.5
Cash and cash equivalents		**259.6**	5.5	3.0
		329.3	75.6	44.0
Total assets		**3,518.9**	**3,106.1**	**3,207.8**
Liabilities				
Non-current liabilities				
Borrowings	17	**(2,166.1)**	(1,717.6)	(1,867.8)
Derivative financial instruments	15	**(211.3)**	(192.8)	(212.4)
Finance lease liabilities		**(47.0)**	(44.8)	(45.2)
Deferred tax		**(259.1)**	(238.5)	(247.3)
Retirement benefit obligations	18	**(37.4)**	(141.0)	(44.8)
		(2,720.9)	(2,334.7)	(2,417.5)
Current liabilities				
Finance lease liabilities		**(0.6)**	(0.4)	(0.4)
Trade and other payables	19	**(175.1)**	(148.9)	(135.6)
Current tax liabilities		**(3.7)**	(3.7)	(7.8)
Deferred income		**(11.9)**	(11.8)	(13.0)
		(191.3)	(164.8)	(156.8)
Total liabilities		**(2,912.2)**	(2,499.5)	(2,574.3)
Net assets		**606.7**	606.6	633.5
Equity				
Share capital		**254.4**	254.4	254.4
Retained earnings		**613.1**	613.0	639.9
Merger reserve		**(260.8)**	(260.8)	(260.8)
Total equity		**606.7**	606.6	633.5

The notes on pages 17 to 29 form an integral part of these unaudited condensed interim consolidated financial statements.

These condensed interim consolidated financial statements of Ivy Holdco Limited (Company registration number: 07497036) were approved by the Board of Directors on 22 November 2017 and were signed on its behalf by:

Andrew Gillespie-Smith
Director

Michael McGhee
Director

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 September 2017

	Unaudited six months ended 30 September 2017 £m	Unaudited six months ended 30 September 2016 £m	Audited year ended 31 March 2017 £m
Cash flows from operating activities			
Profit before tax	**169.0**	116.0	131.8
Adjustments for:			
Investment property revaluation	**-**	-	(70.4)
Loss on disposal of fixed assets	**0.2**	-	1.7
Fair value (gain)/loss on financial instruments	**(1.1)**	37.0	56.6
Finance income	**(10.2)**	(10.3)	(20.8)
Finance costs	**55.6**	51.0	109.0
Depreciation and amortisation	**77.1**	70.8	147.3
Impairment of fixed assets	**-**	-	9.1
(Increase)/decrease in inventories, trade and other receivables	**(15.0)**	(13.4)	9.6
(Decrease)/increase in trade and other payables	**(36.5)**	2.3	34.0
Increase/(decrease) in net pension liability	**0.2**	3.1	(24.2)
Other non-cash movements	**(0.1)**	-	3.0
Cash generated from operations	**239.2**	256.5	386.7
Corporation tax paid	**-**	-	(3.6)
Net cash from operating activities	**239.2**	256.5	383.1
Cash flows from investing activities			
Interest received	**0.3**	0.6	1.1
Purchase of fixed assets	**(95.8)**	(130.0)	(279.8)
Net cash from investing activities	**(95.5)**	(129.4)	(278.7)
Cash flows from financing activities			
Interest paid	**(9.4)**	(12.7)	(91.2)
Increase in external borrowings	**297.3**	(37.0)	111.7
Equity dividends paid	**(175.0)**	(75.0)	(125.0)
Net cash from financing activities	**112.9**	(124.7)	(104.5)
Net increase/(decrease) in cash and cash equivalents	**256.6**	2.4	(0.1)
Cash and cash equivalents at the beginning of the period	**3.0**	3.1	3.1
Cash and cash equivalents at the end of the period	**259.6**	5.5	3.0

The notes on pages 17 to 29 form an integral part of these unaudited condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2017

1. BASIS OF PREPARATION

Ivy Holdco Limited ("the Company") is a private company, limited by shares, and is registered and incorporated in England, United Kingdom.

These financial statements are the condensed interim consolidated financial statements of Ivy Holdco Limited and its subsidiaries ("the Group") for the six months ended 30 September 2017. The comparative periods are the six months ended 30 September 2016 and the year ended 31 March 2017. They are presented in sterling and rounded to the nearest £0.1 million. They have been prepared applying the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the EU and prepared under the historical cost convention, except for investment properties, available-for-sale assets, derivative financial instruments and financial liabilities that qualify as hedged items under a fair value hedge accounting system. These exceptions to the historic cost convention have been measured at fair value in accordance with IFRS as adopted by the EU and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

Going Concern

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

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

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

All of the Group's financial covenants have been met and are forecast to be met for the years ending 31 March 2018, 2019 and 2020.

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

The financial statements were approved by the Directors on 22 November 2017.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 March 2017.

3. GENERAL INFORMATION

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 March 2017 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 2017 financial statements is unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

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 revenue arises in the United Kingdom and is from continuing operations. Additional details of the revenue generated by each of the Group's key activities are given below.

	Unaudited six months ended 30 September 2017 £m	Unaudited six months ended 30 September 2016 £m	Audited year ended 31 March 2017 £m
Airport and other traffic charges	**263.0**	250.9	380.9
Retail	**98.1**	90.6	163.0
Car parking	**55.7**	53.4	86.3
Property income	**13.8**	12.5	25.2
Operational facilities and utilities income	**18.8**	17.9	32.7
Other	**20.3**	19.9	36.9
	469.7	445.2	725.0

5. OTHER OPERATING INCOME

During the year ended 31 March 2017, the Group received other income in the form of insurance proceeds.

	Unaudited six months ended 30 September 2017 £m	Unaudited six months ended 30 September 2016 £m	Audited year ended 31 March 2017 £m
Other income	**-**	-	5.0

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

6. OPERATING COSTS

	Unaudited six months ended 30 September 2017 £m	Unaudited six months ended 30 September 2016 £m	Audited year ended 31 March 2017 £m
Wages and salaries	**82.5**	77.9	159.3
Social security costs	**7.6**	7.1	14.8
Pension costs	**4.7**	10.0	19.6
Share-based payments	**0.3**	0.3	0.5
Other staff related costs	**3.6**	3.0	6.2
Staff costs	**98.7**	98.3	200.4
Retail expenditure	**1.1**	1.3	2.5
Car parking expenditure	**10.6**	10.4	19.0
Depreciation and amortisation	**77.1**	70.8	147.3
Maintenance and IT expenditure	**20.1**	18.2	37.5
Rent and rates	**15.3**	15.7	30.8
Utility costs	**10.9**	9.6	19.3
Police costs	**6.5**	6.4	13.0
General expenses	**9.7**	14.4	21.5
Aerodrome navigation service costs	**6.2**	6.4	12.4
Operating costs – exceptional (note 7)	**-**	-	18.4
	256.2	251.5	522.1

7. OPERATING COSTS - EXCEPTIONAL

	Unaudited six months ended 30 September 2017 £m	Unaudited six months ended 30 September 2016 £m	Audited year ended 31 March 2017 £m
Impairment of fixed assets [(a)]	**-**	-	9.1
Staff related exceptional costs [(b)]	**-**	-	33.9
Pension curtailment credit [(b)]	**-**	-	(30.2)
Other exceptional costs [(c)]	**-**	-	5.6
	-	-	18.4

(a) During the year ended 31 March 2017 the Group impaired assets in the course of construction by £9.1 million because it was deemed that a project had a significant change in scope and the costs associated with it should not be carried forward to completion.

(b) During the year ended 31 March 2017, the Group undertook a consultation to amend its defined benefit pension plan. Staff related exceptional costs include payments incurred as a result of staff transitioning to the defined contribution pension plan and also severance payments. As a result of the changes to the Group's pension scheme, the Group received a pension curtailment credit.

(c) Other exceptional costs were incurred during the year ended 31 March 2017 in relation to the Airport Transformation Programme.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

8. LOSS ON DISPOSAL OF FIXED ASSETS

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

	Unaudited six months ended 30 September 2017 £m	Unaudited six months ended 30 September 2016 £m	Audited year ended 31 March 2017 £m
Loss on disposal of fixed assets	**0.2**	-	1.7

9. FINANCE INCOME

	Unaudited six months ended 30 September 2017 £m	Unaudited six months ended 30 September 2016 £m	Audited year ended 31 March 2017 £m
Interest receivable on money markets and bank deposits	**-**	-	0.2
Interest receivable on derivative financial instruments [(a)]	**9.8**	9.9	19.7
Finance lease income	**0.4**	0.4	0.9
	10.2	10.3	20.8

(a) These amounts relate to interest receivable on £396.0 million interest to index-linked derivatives. Refer to note 15 for detail on the nominal value of the Group's swaps.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

10. FINANCE COSTS

	Unaudited six months ended 30 September 2017 £m	Unaudited six months ended 30 September 2016 £m	Audited year ended 31 March 2017 £m
Interest on fixed rate bonds	**47.7**	43.6	90.8
Interest on bank borrowings [(a)]	**0.3**	1.8	1.9
Interest payable on derivative financial instruments [(b)]	**5.5**	5.5	11.1
Amortisation of debt costs	**1.0**	0.8	2.2
Non-utilisation fees on bank facilities	**0.8**	0.8	2.1
Finance lease expense	**4.7**	4.5	8.9
Net charge on pension scheme	**0.6**	0.8	1.6
Capitalised borrowings costs [(c)]	**(5.0)**	(6.8)	(9.6)
	55.6	51.0	109.0

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

(b) These amounts relate to interest payable on £396.0 million interest to index-linked derivatives. Refer to note 15 for more detail on the nominal value of the Group's swaps.

(c) Borrowing costs have been capitalised using a rate of 5.4% (30 September 2016: 5.1%, 31 March 2017: 5.2%), 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.

11. TAX CHARGE

The tax charge for the six months ended 30 September 2017 is based on an effective tax rate of 16.7% (30 September 2016: 8.7%). This is driven by the estimated effective tax rate for the full year and movement in the Group's deferred tax liabilities.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

12. PROPERTY, PLANT AND EQUIPMENT

Cost	Terminal complexes £m	Airfield assets £m	Group occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	Total £m
1 April 2017 (audited)	1,426.6	499.8	125.3	432.6	184.9	2,669.2
Additions at cost	-	-	-	-	98.1	98.1
Interest capitalised	-	-	-	-	5.0	5.0
Transfers to completed assets (including to investment properties and intangible assets)	52.1	10.1	3.0	64.9	(148.1)	(18.0)
Disposals	(0.1)	-	-	(3.9)	-	(4.0)
30 September 2017 (unaudited)	**1,478.6**	**509.9**	**128.3**	**493.6**	**139.9**	**2,750.3**
Depreciation						
1 April 2017 (audited)	(208.4)	(86.6)	(11.7)	(107.9)	-	(414.6)
Charge for the period	(40.5)	(14.3)	(2.2)	(17.7)	-	(74.7)
Disposals	0.1	-	-	3.7	-	3.8
30 September 2017 (unaudited)	**(248.8)**	**(100.9)**	**(13.9)**	**(121.9)**	**-**	**(485.5)**
Net book value						
30 September 2017 (unaudited)	**1,229.8**	**409.0**	**114.4**	**371.7**	**139.9**	**2,264.8**
30 September 2016 (unaudited)	1,146.3	413.1	67.8	246.3	328.3	2,201.8
31 March 2017 (audited)	1,218.2	413.2	113.6	324.7	184.9	2,254.6

Security

As part of the financing agreements outlined in note 17, the Group have granted security over their assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

13. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 April 2017 (audited)	882.4
Transfers to completed assets (from Assets in the course of construction)	17.3
30 September 2017 (unaudited)	**899.7**

Net book value

30 September 2017 (unaudited)	**899.7**
30 September 2016 (unaudited)	802.0
31 March 2017 (audited)	882.4

14. INTANGIBLE ASSETS

Cost	Intangible assets £m
1 April 2017 (audited)	46.7
Transfers to completed assets (from Assets in the course of construction)	0.7
Disposals	(2.6)
30 September 2017 (unaudited)	**44.8**

Amortisation

1 April 2017 (audited)	(36.9)
Charge for the period	(2.4)
Disposals	2.6
30 September 2017 (unaudited)	**(36.7)**

Net book value

30 September 2017 (unaudited)	**8.1**
30 September 2016 (unaudited)	9.6
31 March 2017 (audited)	9.8

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

15. DERIVATIVE FINANCIAL LIABILITIES

	Notional	**Unaudited fair value 30 September 2017**	Notional	Unaudited fair value 30 September 2016	Notional	Audited fair value 31 March 2017
	£m	**£m**	£m	£m	£m	£m
Variable rate to index-linked swaps	**40.0**	**31.7**	40.0	35.4	40.0	33.2
Fixed rate to index-linked swaps	**356.0**	**179.6**	356.0	157.4	356.0	179.2
	396.0	**211.3**	396.0	192.8	396.0	212.4

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

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

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

16. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments (other than derivatives) comprise bank loans, cash and short term deposits. The main purpose of these instruments is to raise finance for the Group's operations.

The Group also enters into derivative transactions, principally interest rate swaps and index-linked swaps. The purpose of these transactions is to manage the interest rate and inflation risks arising from the Group's operations and its sources of finance.

The Group does not use financial instruments for speculative purposes. The treasury function operates on a centralised non-speculative risk basis. Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the Group's business operations and funding.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

16. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category

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

Loans and receivables

	Unaudited 30 September 2017 £m	Unaudited 30 September 2016 £m	Audited 31 March 2017 £m
Finance lease receivables	**16.9**	17.0	16.9
Trade receivables	**35.5**	40.6	21.5
Other receivables	**4.6**	4.5	9.5
Cash and cash equivalents	**259.6**	5.5	3.0
Total financial assets	**316.6**	67.6	50.9

	Unaudited 30 September 2017		Unaudited 30 September 2016		Audited 31 March 2017	
	Other financial liabilities at amortised cost	**Liabilities at fair value through income statement**	Other financial liabilities at amortised cost	Liabilities at fair value through income statement	Other financial liabilities at amortised cost	Liabilities at fair value through income statement
	£m	**£m**	£m	£m	£m	£m
Borrowings	**2,166.1**	**-**	1,717.6	-	1,867.8	-
Derivative financial liabilities	**-**	**211.3**	-	192.8	-	212.4
Finance lease liabilities	**47.6**	**-**	45.2	-	45.6	-
Trade payables	**14.8**	**-**	21.6	-	23.7	-
Other payables	**5.8**	**-**	2.3	-	2.8	-
Capital payables	**47.3**	**-**	48.8	-	48.1	-
Total financial liabilities	**2,281.6**	**211.3**	1,835.5	192.8	1,988.0	212.4

At 30 September 2017, the Group has not designated any financial liabilities at fair value through the Income Statement, other than its derivative financial liabilities which do not qualify for hedge accounting.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

16. FINANCIAL INSTRUMENTS (continued)

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and net settled derivative financial instruments as at 30 September 2017 to the contract maturity date.

	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
30 September 2017 (unaudited)				
Class A Bonds – Principal payments	**-**	**-**	**-**	**2,200.0**
Class A Bonds – Interest payments	**105.9**	**105.9**	**317.6**	**1,289.4**
Derivative financial instruments	**(8.1)**	**(7.9)**	**47.3**	**201.6**
	97.8	**98.0**	**364.9**	**3,691.0**
30 September 2016 (unaudited)				
Class A Bonds – Principal payments	-	-	-	1,550.0
Class A Bonds – Interest payments	87.1	87.1	261.2	1,015.6
Derivative financial instruments	(8.2)	(7.8)	35.9	131.9
	78.9	79.3	297.1	2,697.5
31 March 2017 (audited)				
Class A Bonds – Principal payments	-	-	-	1,850.0
Class A Bonds – Interest payments	94.9	94.9	284.8	1,125.4
Derivative financial instruments	(8.1)	(7.8)	44.5	211.2
	86.8	87.1	329.3	3,186.6

	30 September 2017 Book value £m	30 September 2017 Fair value £m
Fair value of borrowings		
Class A Bonds	**2,200.0**	**2,719.6**

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

Fair value estimation

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

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

The fair value of the Group's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 30 September 2017, all of the resulting fair value estimates in the Group are included at Level 2 except for Bonds which are valued at Level 1, consistent with previous years (30 September 2016: Level 2 except for Bonds which are valued at Level 1, 31 March 2017: Level 2 except for Bonds which are valued at Level 1).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

17. BORROWINGS

	Unaudited 30 September 2017 £m	Unaudited 30 September 2016 £m	Audited 31 March 2017 £m
Fixed rate borrowings	**2,166.1**	1,526.0	1,821.9
Authorised Credit Facility–Revolving Facility [(a)]	**-**	191.6	45.9
	2,166.1	1,717.6	1,867.8
Maturity Profile:			
Repayable between 1 and 2 years	**-**	-	45.9
Repayable between 2 and 5 years	**-**	191.6	-
Repayable in more than 5 years	**2,166.1**	1,526.0	1,821.9
	2,166.1	1,717.6	1,867.8

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

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

Ivy Holdco Group Facilities

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

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. There are £nil drawings outstanding on the Revolving Credit Facility at 30 September 2017 (30 September 2016: £197.0 million, 31 March 2017: £47.0 million).

The Group's subsidiary Gatwick Funding Limited has issued £2,200.0 million of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	**As at 30 September 2017 £m**	As at 30 September 2016 £m	As at 31 March 2017 £m
Class A 6.125 per cent. Bonds	2026	2028	**300.0**	300.0	300.0
Class A 6.5 per cent. Bonds	2041	2043	**300.0**	300.0	300.0
Class A 5.25 per cent. Bonds	2024	2026	**300.0**	300.0	300.0
Class A 5.75 per cent. Bonds	2037	2039	**300.0**	300.0	300.0
Class A 4.625 per cent. Bonds	2034	2036	**350.0**	350.0	350.0
Class A 2.625 per cent. Bonds	2046	2048	**300.0**	-	300.0
Class A 3.125 per cent. Bonds	2039	2041	**350.0**	-	-
			2,200.0	1,550.0	1,850.0

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

17. BORROWINGS (continued)

At 30 September 2017, the average interest rate payable on borrowings was 5.13% (30 September 2016: 4.96%, 31 March 2017: 4.96%).

At 30 September 2017, the Group had £300.0 million (30 September 2016: £107.0 million, 31 March 2017: £253.0 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 2017 (30 September 2016: all covenants tested and complied with, 31 March 2017: all covenants tested and complied with).

The following table summarises the Group's financial covenants compliance as at 30 September 2017 under the CTA, and lists the trigger and default levels:

Covenant	Unaudited 30 September 2017	Audited 31 March 2017	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**4.12**	**3.96**	<1.50	<1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.49**	**0.51**	>0.70	>0.85

18. 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 2017 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 2017 £m	Unaudited 30 September 2016 £m	Audited 31 March 2017 £m
Present value of plan liabilities	**(458.8)**	(554.5)	(477.0)
Fair value of plan assets	**421.4**	413.5	432.2
Deficit	**(37.4)**	(141.0)	(44.8)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2017

19. TRADE AND OTHER PAYABLES

	Unaudited 30 September 2017 £m	Unaudited 30 September 2016 £m	Audited 31 March 2017 £m
Trade payables	**22.5**	21.6	23.7
Accruals	**23.6**	22.0	46.6
Corporation tax payable	**13.9**	-	-
Capital payables	**47.3**	48.8	48.1
Accrued financing charges	**0.3**	0.1	0.3
Accrued interest payable	**61.7**	54.1	14.1
Other payables	**5.8**	2.3	2.8
	175.1	148.9	135.6

20. CLAIMS AND CONTINGENT LIABILITIES

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

Other than the above, the Group has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 30 September 2017.

21. SUBSEQUENT EVENTS

On 27 September 2017 the Directors approved an interim dividend of 68.78p per share amounting to £175.0 million. This was subsequently paid on 12 October 2017.