GATWICK FUNDING LIMITED

Annual Report and Financial Statements
for the year ended 31 March 2016

Company Registration Number: 107376 (Jersey)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

CONTENTS **Page**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Andrew Gillespie-Smith
Michael McGhee
William Woodburn
Robert Berry
John McCarthy
Helena Whitaker

SECRETARY

Structured Finance Management Offshore Limited

REGISTERED OFFICE

44 Esplanade
St Helier
Jersey
SE4 9WG

INDEPENDENT AUDITOR

KPMG LLP
Chartered Accountants and Statutory Auditors
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

BANKER

The Royal Bank of Scotland plc
2 ½ Devonshire Square
London
EC2M 4BA

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for Gatwick Funding Limited ("the Company" or "Issuer") for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company is a wholly-owned subsidiary of Gatwick Airport Limited. The principal activity of Gatwick Funding Limited is to act as the bond issuer for Gatwick Airport Limited. The Company is incorporated in Jersey, but is resident in the United Kingdom ("UK") for taxation purposes.

The Company's primary purpose is to raise external funding for Gatwick Airport Limited. This is done through the issuance of external bonds and the use of external interest rate and index-linked derivatives, the terms of which are then replicated in a "back-to-back" relationship with Gatwick Airport Limited.

The Company is part of "the Ivy Holdco Group". Other companies in the group include:

Company	Principal Activity	Bond Issuances
Ivy Holdco Limited	Holding company	Security trustee
Gatwick Airport Limited	Airport owner and operator	Borrower
Ivy Bidco Limited	Investment property holding company	Borrower
Gatwick Airport Pension Trustees Limited	Dormant company	-
Gatwick Funding Limited	Financing company	Issuer

The Company has a share capital of £2.00 comprising two ordinary shares at £1.00 per share. None of the Directors hold any interests in the share capital of the Company.

BOND ISSUANCES

On 24 February 2011, Gatwick Funding Limited (as Issuer) entered into, *inter alia*, a Borrower Loan Agreement with both Gatwick Airport Limited (as Borrower and Issuer Cash Manager) and Deutsche Trustee Company Limited (as Borrower Security Trustee). Under the Borrower Loan Agreement, the proceeds of all bond issuances by the Company (together "the Bonds" or "the Class A Bonds") are lent to Gatwick Airport Limited on terms that are "back-to-back" with those of the Bonds. Further refinancing agreements, including a Common Terms Agreement ("CTA") and a Master Definitions Agreement, were also executed between 15 February 2011 and 2 March 2011 by the Ivy Holdco Group.

On 2 March 2011, the Company issued £600.0 million publicly listed fixed rate secured bonds comprising £300.0 million Class A 6.125 per cent. Bonds with scheduled and legal maturities of 2026 and 2028 respectively, and £300.0 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively.

On 20 January 2012, the Company issued a further £600.0 million of publicly listed fixed rate secured bonds comprising £300.0 million Class A 5.25 per cent. Bonds with scheduled and legal maturities of 2024 and 2026 respectively, and £300.0 million Class A 5.75 per cent. Bonds with scheduled and legal maturities of 2037 and 2039 respectively.

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

Further information on the bond issuances is included in note 13 of the financial statements.

DIRECTORS' REPORT (continued)

FINANCIAL INSTRUMENTS

On 2 March 2011, the Company also entered into both variable rate to index-linked and fixed rate to index-linked swaps (together "the Swaps"). The nominal value of these Swaps is £396.0 million. The Swaps were entered into to economically hedge debt instruments and inflation-linked revenue in the Ivy Holdco Group. The Company then entered into agreements with Gatwick Airport Limited, under the Borrower Loan Agreement, for swaps with terms that are "back-to-back" with those entered into by the Company.

On 27 March 2014, the Company restructured £97.0 million of variable rate to index-linked swaps converting them to fixed rate to index-linked swaps. At the same time the Company entered into two £40.0 million overlay swaps giving an effective position of £396.0 million nominal fixed to index-linked swaps. The overlay swaps of £40.0 million matured in March 2016. The Company then entered into agreements with Gatwick Airport Limited, under the Borrower Loan Agreement, for swaps with terms that are "back-to-back" with those entered into by the Company.

REVIEW FOR THE YEAR

Results and Dividends

For the year ended 31 March 2016 the Company made a profit after taxation of £2,400 (2015: £2,370). The results for the year are set out in the Income Statement.

No bonds were issued during the year ended 31 March 2016.

No transactions in relation to the Swaps occurred during the year.

Going Concern

The Company has entered into "back-to-back" agreements with Gatwick Airport Limited, under the Borrower Loan Agreement, for all its external liabilities including the Bonds and the Swaps. This ensures the Company has a neutral balance sheet position for these liabilities.

The Company has no significant scheduled debt maturities in the 12 months from the date of signing these financial statements. The first scheduled debt maturities are due in 2024.

All the Ivy Holdco Group's financial covenants (refer to note 13 of the financial statements), which are defined in relation to the financial performance, position and cash flows of the Borrower, have been met for the year ended 31 March 2016 and are forecast to be met for the years ending 31 March 2017, 2018 and 2019.

Based on the "back-to-back" nature of the Company's assets and liabilities under the terms of the Borrower Loan Agreement, the overall Ivy Holdco Group's liquidity position and financial covenants, and the scheduled debt maturities for the Class A bonds, the Directors have a reasonable expectation that the Company will have adequate resources to continue as a going concern and accordingly the financial statements have been prepared on that basis.

FUTURE DEVELOPMENTS

The Directors do not expect changes in the Company's activities as a financing company within the Ivy Holdco Group in the 12 months following the approval of these financial statements.

DIRECTORS' REPORT (continued)

KEY PERFORMANCE INDICATORS

Given the nature of the Company, the Directors are of the opinion that analysis using key performance indicators ("KPIs") is not necessary for an understanding of the development, performance or position of the Company.

RISK MANAGEMENT

The Company actively manages all identified corporate risks. Details of the risk management policies of Gatwick Airport Limited, the Company's parent, are detailed in the financial statements of Gatwick Airport Limited for the year ended 31 March 2016.

The principal corporate risks of the Company are treasury related financial risks.

Financial Risk Management

The Company's principal financial instruments comprise external borrowings and derivatives, which are then distributed to Gatwick Airport Limited under terms and conditions which mirror those of the external instruments, leaving no net cash flow or market value exposure to the Company.

The Company's financial risk management objectives are aligned with the Ivy Holdco Group. The Ivy Holdco Group is the level at which financial risks for the Company are managed. The treasury policies of the Ivy Holdco Group are set out below.

The Board of Directors approves prudent treasury policies for the Ivy Holdco Group and delegates certain responsibilities to senior management who directly control day-to-day treasury operations. The treasury function is not permitted to speculate in financial instruments. Its purpose is to identify, mitigate and hedge treasury related financial risks inherent in the Ivy Holdco Group's business operations and funding. To achieve this, the Ivy Holdco Group enters into interest rate and index-linked swaps to protect against interest rate and inflation risks.

The primary treasury related financial risks faced by the Ivy Holdco Group are:

(a) Cash Flow Interest Rate Risk

The Ivy Holdco Group maintains a mix of fixed and floating rate debt. As at 31 March 2016, fixed rate debt after hedging with derivatives represented 89.3% (31 March 2015: 91.7%, 1 April 2014: 102.1%) of the Ivy Holdco Group's total external nominal debt.

The Ivy Holdco Group mitigates the risk of mismatch between the Airport's asset base and aeronautical income, which are directly linked to changes in the retail price index, and nominal debt and interest payments, by the use of inflation linked derivatives. As at 31 March 2016, the nominal amount of index-linked derivatives equated to 22.2% (31 March 2015: 23.4%, 1 April 2014: 25.5%) of the Ivy Holdco Group's external debt.

(b) Funding and Liquidity Risk

The Ivy Holdco Group has established a multicurrency programme for the issuance of bond debt in addition to bank debt and a liquidity facility. To ensure continuity of funding and flexibility, debt maturities are spread over a range of dates, thereby ensuring that the Ivy Holdco Group is not exposed to excessive refinancing risk in any one year.

The Ivy Holdco Group has positive cash flows before capital expenditure. The Ivy Holdco Group had cash flows from operations of £340.2 million for the year ended 31 March 2016 (2015: £303.3 million). As at 31 March 2016, cash at bank was £3.1 million (2015: £3.3 million), undrawn headroom under bank revolving facilities was £70.0 million (2015: £160.0 million) and undrawn headroom under the liquidity facility was £100.0 million (2015: £100.0 million).

DIRECTORS' REPORT (continued)

Financial Risk Management (continued)

(b) Funding and Liquidity Risk (continued)

Covenants under the financing arrangements are monitored and forecast on an ongoing basis with formal testing reported to the Board of Directors, Audit Committee and Executive Management Board, along with all investors. The Ivy Holdco Group continues to comply with all borrowing obligations and financial covenants, and forecasts to do so for at least the next three years from the Financial Position date.

(c) Credit Risk

The Ivy Holdco Group's exposure to credit-related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument.

CORPORATE GOVERNANCE

The Directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued, the Company is largely exempt from the disclosure requirements of the Financial Conduct Authority pertaining to the Disclosure and Transparency Rules (DTR) as detailed in DTR 7.1 audit committees and 7.2 corporate governance statements (save for DTR 7.2.5 requiring a description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the report of the Directors. The Directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement.

EMPLOYEES

The Company has no employees (2015: nil). All employees of the Ivy Holdco Group are employed by Gatwick Airport Limited. Details of the employee policies of Gatwick Airport Limited are included in the financial statements of Gatwick Airport Limited for the year ended 31 March 2016.

DIVIDENDS

No dividends were declared or paid during the year (2015: nil))

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS

The Company's Board of Directors who served during the year and up to the date of approval of these financial statements are as follows:

Andrew Gillespie-Smith	
Michael McGhee	
William Woodburn	
Robert Berry	
John McCarthy	
Helena Whitaker	Appointed 16 November 2015
Jonathan Keighley	Resigned 16 November 2015

DIRECTORS' INDEMNITY

The Company's Articles of Association provide that, subject to the provisions of the section Companies (Jersey) Law 1991, but without prejudice to any indemnity to which the person concerned might otherwise be entitled, every Director of the Company shall be indemnified out of the assets of the Company against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

DISCLOSURE OF INFORMATION TO AUDITOR

So far as the Directors who held office at the date of approval of this Directors' Report are aware, there is no relevant audit information of which the auditor is unaware and each Director has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

INDEPENDENT AUDITOR

Pursuant to the provisions of section 113(5) of the Companies (Jersey) Law 1991, KPMG LLP will automatically be re-appointed as Auditor of the Company.

By order of the Board

Andrew Gillespie-Smith
Director
27 June 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors' are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Andrew Gillespie-Smith
Director
27 June 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATWICK FUNDING LIMITED

We have audited the financial statements of Gatwick Funding Limited (the "Company") for the year ended 31 March 2016 which comprise the Income Statement, Statement of Changes In Equity, Statement of Financial Position, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Opinion on other matters

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company; or
- returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Ian Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT
27 June 2016

INCOME STATEMENT
For the year ended 31 March 2016

	Note	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Operating costs	5	**(0.1)**	(0.2)
Operating profit		**(0.1)**	(0.2)
Analysed as:			
Operating profit before exceptional items		**(0.1)**	(0.2)
Operating costs - exceptional		-	-
Financing			
Interest receivable and similar income	6	**97.3**	97.4
Interest payable and similar charges	7	**(97.2)**	(97.2)
Fair value gain/(loss) on derivative financial instruments	8	**4.1**	(3.8)
Fair value (loss)/gain on derivative financial instruments with other group undertakings	9	**(4.1)**	3.8
Profit before tax		**-**	-
Income tax credit	10	**-**	-
Profit for the year		**-**	-

The notes on pages 14 to 32 form an integral part of these financial statements.

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

There is no other comprehensive income for the current year and prior year other than that stated in the Income Statement and accordingly no Statement of Other Comprehensive Income has been presented.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2016

	Note	Share Capital £m	Retained Earnings £m	Total £m
Balance at 1 April 2014	16	-	-	-
Profit for the year	17	-	-	-
Balance at 31 March 2015		-	-	-
Profit for the year	17	-	-	-
Balance at 31 March 2016		-	-	-

The notes on pages 14 to 32 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	Note	**31 March 2016 £m**	31 March 2015 £m	1 April 2014 £m
Assets				
Non-current assets				
Amounts owed by group undertakings - interest bearing	15	**1,525.5**	1,524.4	1,523.4
Derivative financial instruments with other group undertakings	14	**155.8**	186.7	227.9
		1,681.3	1,711.1	1,751.3
Current assets				
Trade and other receivables	11	**11.7**	11.7	11.6
Total assets		**1,693.0**	1,722.8	1,762.9
Liabilities				
Non-current liabilities				
Borrowings	13	**(1,525.5)**	(1,524.4)	(1,523.4)
Derivative financial instruments	14	**(155.8)**	(186.7)	(227.9)
		(1,681.3)	(1,711.1)	(1,751.3)
Current liabilities				
Trade and other payables	12	**(11.7)**	(11.7)	(11.6)
Total liabilities		**(1,693.0)**	(1,722.8)	(1,762.9)
Net assets		**-**	-	-
Equity				
Share capital	16	**-**	-	-
Retained earnings	17	**-**	-	-
Total equity		**-**	-	-

The notes on pages 14 to 32 form an integral part of these financial statements.

The Company has called up share capital of £2.00 representing 2 ordinary shares at £1.00 per share.

These financial statements of Gatwick Funding Limited (company registration number 107376) were approved by the Board of Directors and authorised for issue on 27 June 2016. They were signed on its behalf by:

Andrew Gillespie-Smith
Director

Michael McGhee
Director

CASH FLOW STATEMENT
For the year ended 31 March 2016

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Cash flows from operating activities		
Profit before tax	**-**	-
Adjustments for:		
Finance income	**(97.3)**	(97.4)
Finance costs	**97.2**	97.2
Net cash from operating activities	**(0.1)**	(0.2)
Cash flows from investing activities		
Interest received	**0.1**	0.2
Net cash from investing activities	**0.1**	0.2
Net decrease in cash and cash equivalents	**-**	-
Cash and cash equivalents at the beginning of the year	**-**	-
Cash and cash equivalents at the end of the year	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1. BASIS OF PREPARATION

These are the financial statements of Gatwick Funding Limited ("the Company") for the year ended 31 March 2016. The comparative year is the year ended 31 March 2015. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments in accordance with the Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

For all years up to and including the year ended 31 March 2015, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). These financial statements, for the year ended 31 March 2016, are the first the Company has prepared in accordance with IFRS and consequently it has applied IFRS 1 First-time Adoption of International Financial Reporting Standards. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 21.

The Company is a wholly-owned subsidiary of Gatwick Airport Limited and forms part of the Ivy Holdco Group as defined in the Directors report.

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

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

- the forecast turnover and operating cash flows from the underlying operations;
- the Ivy Holdco Group's funding structure and the facilities that are available to the Ivy Holdco Group (refer to note 13); and
- the overall Ivy Holdco Group's liquidity position, including the projected upstream of cash, remaining committed and uncommitted facilities available to it, its scheduled debt maturities, its forecast financial ratios and ability to access the debt markets.

On 24 February 2011, Gatwick Funding Limited (as Issuer) entered into, *inter alia*, a Borrower Loan Agreement with both Gatwick Airport Limited (as Borrower and Issuer Cash Manager) and Deutsche Trustee Company Limited (as Borrower Security Trustee). Under the Borrower Loan Agreement, the proceeds of all bond issuances by the Company (together "the Bonds" or "the Class A Bonds") are lent to the Gatwick Airport Limited on terms that are "back-to-back" with those of the Bonds. The Borrower Loan Agreement covers all the Company's external liabilities and ensures the Company has a neutral balance sheet position.

The Company has no significant debt maturities in the 12 months from the date of signing these financial statements. The first scheduled debt maturities are due in 2024.

All the Ivy Holdco Group's financial covenants (refer to note 13), which are defined in relation to the financial performance, position and cash flows of the Borrower, have been met for the year ended 31 March 2016 and are forecast to be met for the years ending 31 March 2017, 2018 and 2019.

As a result of the review, having made appropriate enquiries of management and allowing for headroom to accommodate a reasonable downside scenario, the Directors have a reasonable expectation that sufficient funds are available to meet the Company's funding requirements, as part of the Ivy Holdco Group, over a period of at least 12 months from the date of the approval of the financial statements. Accordingly the Directors have a reasonable expectation that the Company will continue as a going concern, and the financial statements have been prepared on that basis.

The financial statements were approved by the Directors on 27 June 2016.

The accounting policies set out in note 3 have been applied consistently by the Company to all years presented in these financial statements and in preparing an opening IFRS Statement of Financial Position as at 1 April 2014 for the purposes of the transition to adopted IFRS.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

2. STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The following standards, amendments and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 9 Financial Instruments;
- Amendments to IAS 1 Disclosure initiative;
- Annual improvements to IFRS 2012-2014;
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation; and
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The Directors do not anticipate that the adoption of these standard and interpretations will have a material impact on the Company's financial statements. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Interest Receivable, Interest Payable and Similar Income and Charges

Interest income and interest expenditure are recognised on an accruals basis using the effective interest rate method.

(b) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

(c) Current and Deferred Taxation

The tax expense for the year comprises current and deferred taxation. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in equity.

Current tax assets or liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Financial Position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, for instance, deferred tax is recognised on temporary differences arising from the revaluation of investment properties and to reflect differences between the tax base and the accounting value for buildings subject to industrial building allowances ("IBAs").

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred taxation is determined using the tax rates and laws that have been enacted, or substantively enacted, by the Financial Positon date and are expected to apply in the periods in which the temporary differences are expected to reverse.

Whilst the Company is incorporated outside the UK, it is a UK resident company for tax purposes. The Company also qualifies as a "securitisation company" within the scope of the Taxation of Securitisation Companies Regulations 2006 under UK tax law. As a result, the Company will be subject to UK corporation tax on a small margin of £3,000 per annum rather than on the profit or loss shown in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Trade and Other Payables

Creditors are non-interest bearing and are initially stated at their fair value and subsequently measured at amortised cost using the effective interest method.

(e) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the financial position date and are discounted to present value where the effect is material.

(f) Share Capital

Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

(g) Dividend Distribution

A dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the year in which the shareholders' right to receive payment of the dividend is established by approval of the dividend at the Annual General Meeting or board meeting for interim dividends.

(h) Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

(i) Financial Instruments

Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

The Company's financial assets are classified as loans and receivables and assets at fair value through profit and loss. Classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(i) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in payments; or
- it becoming probable that the counterparty will enter administration/bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial Liabilities

Financial liabilities are classified as either:

- financial liabilities at fair value through profit and loss (FVTPL); or
- other financial liabilities (i.e. borrowings, trade and other payables, etc.)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of a business after deducting all of its liabilities.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

(ii) Debt issue costs and arrangement fees

Issue costs are those that are incurred directly in connection with the issue of a financial instrument, that would not have been incurred had the instrument not been issued. These are accounted for as a deduction from the amount of consideration received and amortised under the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

(ii) Debt issue costs and arrangement fees (continued)

Facility and arrangement fees resulting from the negotiation of finance that do not qualify as issue costs are written off to the income statement as incurred. Debt issue costs on refinanced instruments are written off directly to the income statement.

(iii) Trade and other payables

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(iv) Derivative financial instruments

The Company has a number of derivative financial instruments used to manage its exposure to inflation and interest rate risk. The derivative financial instruments utilised by the Company are interest rate and index-linked swaps.

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each Financial Position date.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Company’s current derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the income statement, net with a reduction to reflect the credit risk of the Company on its swap position at the reporting date in accordance with IFRS 13.

The periodic amounts of interest payable and receivable on interest rate and index-linked swaps, and the periodic change in the accrued amount of inflation accretion on the notional principal value of the index-linked swaps, are taken to the income statement; accrued interest payable and receivable is included in current creditors or debtors, and the inflation accretion accrual is included in non-current debt in the Statement of Financial Position.

(j) Related Party Disclosures

The Group’s ultimate parent entity in the UK is Ivy Midco Limited, a company registered in England and Wales. The results of the Group are included in the audited consolidated financial statements of Ivy Midco Limited for the year ended 31 March 2016. The results of the Group will be included in the audited consolidated financial statements of Ivy Luxco I S.à.r.l. for the year ended 31 March 2016 (the largest group to consolidate these financial statements for the year)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the Company's accounting policies, management have made estimates and judgements. Actual results may, however, differ from the estimates calculated and management believe that the following is the more significant judgement impacting these financial statements.

Fair Value of Derivative Financial Instruments

The fair value of derivative financial instruments is determined by using valuation techniques. These techniques require judgement and make assumptions that are mainly based on market conditions existing at each reporting date. The valuation technique used is a discounted cash flow methodology.

5. OPERATING COSTS

Operating costs

All operating costs incurred by the Company are recovered by way of an ongoing facility fee from Gatwick Airport Limited (as Borrower) under the Borrower Loan Agreement.

Operating costs include audit fees of £5,000 (2015: £5,000).

No other fees are payable to KPMG UK LLP.

Employee information

The Company has no employees (2015: nil). All employees of the Ivy Holdco Group are employed by Gatwick Airport Limited, the Company's parent. Gatwick Airport Limited incurs all staff costs for the Ivy Holdco Group.

Directors' remuneration

During the year a fee of £6,061 (2015: £6,133) was paid to Structured Finance Management Offshore Limited, a related party, for the provision of corporate administration services, including the provision of director services by Robert Berry, Jonathan Keighley and Helena Whitaker.

No other Directors of the Company were remunerated during the year or the prior year for services to the Company.

The aggregate of Company contributions paid in respect of money purchase schemes during the year was nil (2015: nil).

No directors are members of the Gatwick Airport Limited defined benefit pension scheme (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Interest receivable from other group undertakings(a)	**88.3**	88.2
Net interest receivable on derivative financial instruments	**9.0**	9.2
	97.3	97.4

(a) "Interest receivable from other group undertakings" relates to interest charged on the loan receivable from Gatwick Airport Limited under the Borrower Loan Agreement, the terms of which are "back-to-back" with those of the Class A Bonds.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Interest payable on external borrowings – Class A Bonds	**88.2**	88.0
Net interest payable on derivative financial instruments with other group undertakings(a)	**9.0**	9.2
	97.2	97.2

(a) This amount relates to interest payable on derivative financial instruments with Gatwick Airport Limited under the Borrower Loan Agreement, the terms of which are "back-to-back" with those of the derivative financial instruments the Company has entered on 2 March 2011 and 27 March 2014 to economically hedge debt.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

8. FAIR VALUE GAIN/ (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value gain/(loss) on derivative financial instruments represents the year-on-year decrease in the present value of expected net cash outflows in interest rate and index linked derivative contracts (refer to note 15).

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Fair value loss on variable rate to index-linked derivative financial instruments(a)	**(0.6)**	(8.3)
Fair value gain on fixed rate to index-linked derivative financial instruments(a)	**4.7**	4.5
	4.1	(3.8)

(a) These amounts relate to the £396.0 million of derivative financial instruments (together (“the Swaps”) that the Company entered into on 2 March 2011 and 27 March 2014 to economically hedge debt instruments and inflation-linked revenue in the Ivy Holdco Group. The Company has entered into agreements with Gatwick Airport Limited, under the Borrower Loan Agreement, for swaps with terms that are “back-to-back” with those entered into by the Company (refer to note 9).

9. FAIR VALUE (LOSS)/GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS WITH OTHER GROUP UNDERTAKINGS

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Fair value gain on variable rate to index-linked derivative financial instruments with other group undertakings(a)	**0.6**	8.3
Fair value loss on fixed rate to index-linked derivative financial instruments with other group undertakings(a)	**(4.7)**	(4.5)
	(4.1)	3.8

(a) These amounts relate to the £396.0 million of derivative financial instruments that the Company entered into on 2 March 2011 and 27 March 2014 with Gatwick Airport Limited, under the Borrower Loan Agreement, with terms that are “back-to-back” with those entered into by the Company (refer to note 8).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

10. INCOME TAX

Recognised in the income statement

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Current tax charge	**-**	-
Total current tax charge	**-**	-

Reconciliation of total tax

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Profit for the year	**-**	-
Total tax charge	**-**	-
Profit excluding taxation	**-**	-
Tax using the UK corporation tax rate of 20% (2015: 21%)	**-**	-
Total current tax charge	**-**	-

As the Company is subject to corporation tax within the Taxation of Securitisation Companies Regulations 2006, the Company is subject to UK corporation tax on a small margin rather than on the profit shown in the Income Statement.

For the year ended 31 March 2016, the profit subject to corporation tax was £3,000 (2015: £3,000) with an associated tax liability of £600 (2015: £630).

No deferred tax arose during the year to 31 March 2016 or the year ended 31 March 2015.

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013.

The Finance Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

11. TRADE AND OTHER RECEIVABLES

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Due within one year:			
Accrued interest receivable from other group undertakings(a)	**10.3**	10.3	10.3
Accrued interest receivable	**1.4**	1.4	1.3
	11.7	11.7	11.6

(a) "Accrued interest receivable from other group undertakings" relates to interest receivable on the interest rate and index-linked derivatives with Gatwick Airport Limited and interest accrued on the balance of the loan receivable from Gatwick Airport Limited under the Borrower Loan Agreement. The advances under the Borrower Loan Agreement are secured and issued on the same terms as the Class A Bonds issued by the Company.

12. TRADE AND OTHER PAYABLES

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Accrued interest payable	**10.3**	10.3	10.3
Accrued interest payable to other group undertakings(a)	**1.4**	1.4	1.3
	11.7	11.7	11.6

(a) "Accrued interest payable to other group undertakings" relates to interest payable on the interest rate and index-linked derivative financial instruments with Gatwick Airport Limited.

13. BORROWINGS

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Non-Current borrowings			
Secured			
Class A Bonds:			
5.250% £300 million due 2024/26	**297.4**	297.1	296.8
6.125% £300 million due 2026/28	**296.0**	295.7	295.3
4.625% £350 million due 2034/36	**343.0**	342.9	342.9
5.750% £300 million due 2037/39	**292.1**	291.8	291.6
6.500% £300 million due 2041/43	**297.0**	296.9	296.8
Total borrowings (excluding interest payable)	**1,525.5**	1,524.4	1,523.4

All the above borrowings are secured and carried at amortised cost based on their designation as "other financial liabilities at amortised cost".

The maturity dates of the Class A Bonds listed above reflect their scheduled redemption and legal maturity dates respectively. The Bonds are not callable in nature and are expected to be repaid on their scheduled redemption date. However, to meet rating agency requirements the Bonds have a legal maturity that is two years later.

The Company is the Issuer under the Ivy Holdco Limited Group Common Terms Agreement dated 15 February 2011 ("CTA"). The CTA together with a Master Definitions Agreement covers, *inter alia*, the Borrower Loan Agreement, which was entered into on 24 February 2011.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

13. BORROWINGS (continued)

On 2 March 2011, the Company issued £600.0 million publicly listed fixed rate secured bonds comprising £300.0 million Class A 6.125 per cent. Bonds with scheduled and legal maturities of 2026 and 2028 respectively, and £300.0 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively.

On 20 January 2012, the Company issued a further £600.0 million of publicly listed fixed rate secured bonds comprising £300.0 million Class A 5.25 per cent. Bonds with scheduled and legal maturities of 2024 and 2026 respectively, and £300.0 million Class A 5.75 per cent. Bonds with scheduled and legal maturities of 2037 and 2039 respectively.

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

All proceeds from the issue of the Bonds were lent to Gatwick Airport Limited under the Borrower Loan Agreement, the terms of which are “back-to-back” with those of the Class A Bonds.

As at 31 March 2016, the £1,525.5 million (31 March 2015: £1,524.4 million, 1 April 2014: £1,523.4 million) comprises the net amount raised from the issue of Class A Bonds, and is stated less other directly attributable fees and accrued amortisation.

At 31 March 2016, the average interest rate payable on borrowings, including the impact of the swaps, was 4.85% (31 March 2015: 5.37%, 1 April 2014: 6.06%) p.a.

	31 March 2016 Book value £m	31 March 2016 Fair value £m
Fair value of borrowings		
Class A Bonds	**1,525.5**	**1,915.5**

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

Financial covenants

Under the CTA, the Ivy Holdco Group is required to comply with certain financial and information covenants, which are defined in relation to the financial performance, position and cash flows of Gatwick Airport Limited. All financial covenants have been tested and complied with as at 31 March 2016 (2015: all covenants tested and complied with, 2014: all covenants tested and complied with).

The following table summarises Gatwick Airport Limited’s financial covenants compliance as at 31 March 2016 under the CTA, and lists the trigger and default levels:

Covenant	31 March 2016	Trigger	Default
Minimum interest cover ratio (“Senior ICR”)	**3.51**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base (“Senior RAR”)	**0.54**	> 0.70	> 0.85

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Notional £m	Fair value assets £m	Fair value liabilities £m	Total £m
31 March 2016				
Derivative financial assets				
Variable rate to index-linked swaps with other group undertakings	40.0	26.6	-	26.6
Fixed rate to index-linked swaps with other group undertakings	356.0	129.2	-	129.2
	396.0	**155.8**	**-**	**155.8**
Derivative financial liabilities				
Variable rate to index-linked swaps	(40.0)	-	(26.6)	(26.6)
Fixed rate to index-linked swaps	(356.0)	-	(129.2)	(129.2)
	(396.0)	**-**	**(155.8)**	**(155.8)**
31 March 2015				
Derivative financial assets				
Variable rate to index-linked swaps with other group undertakings	-	27.0	-	27.0
Fixed rate to index-linked swaps with other group undertakings	396.0	159.7	-	159.7
	396.0	186.7	-	186.7
Derivative financial liabilities				
Variable rate to index-linked swaps	-	-	(27.0)	(27.0)
Fixed rate to index-linked swaps	(396.0)	-	(159.7)	(159.7)
	(396.0)	-	(186.7)	(186.7)
1 April 2014				
Derivative financial assets				
Variable rate to index-linked swaps with other group undertakings	-	25.4	-	25.4
Fixed rate to index-linked swaps with other group undertakings	396.0	202.5	-	202.5
	396.0	227.9	-	227.9
Derivative financial liabilities				
Variable rate to index-linked swaps	-	-	(25.4)	(25.4)
Fixed rate to index-linked swaps	(396.0)	-	(202.5)	(202.5)
	(396.0)	-	(227.9)	(227.9)

The Company did not apply hedge accounting in relation to any of its derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 in the Ivy Holdco Group. A "back-to-back" agreement replicating the terms of these swaps has been entered into with Gatwick Airport Limited.

Fixed rate to index-linked swaps
Fixed rate to index-linked swaps have been entered into economically hedge debt instruments and inflation-linked revenue in the Ivy Holdco Group. A "back-to-back" agreement replicating the terms of these swaps has been entered into with Gatwick Airport Limited.

On 27 March 2014, the Company restructured £97.0 million of its "variable rate to index linked swaps" by converting the floating leg to a fixed leg, thus converting the swaps into "fixed rate to index-linked swaps". The Company also entered into a £40.0 million overlay "index-linked to variable rate swap" thus offsetting the remaining £40.0 million "variable rate to index-linked swaps". The Company also enter a £40.0 million overlay "fixed rate to index-linked swap" giving an effective position of £396.0 million "fixed rate to index-linked" swaps and 22.2% (2015: 23.4%) of the Company's external debt index-linked. The overlay swaps of £40.0 million matured on 27 March 2016.

15. FINANCIAL INSTRUMENTS

The Company is exposed to market risk, credit risk and liquidity risk from its use of financial instruments.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates and inflation indices (such as RPI) will affect the Company's income and expenditure or the value of its holdings of financial instruments. The Company holds a mixture of fixed and floating index-linked external debt and derivative financial instruments, the terms of which are mirrored by "back-to-back" agreements with Gatwick Airport Limited. As a result of the "back-to-back" agreements, the Company has no residual exposure to market risk.

Any changes in market interest rates and/or inflation indices would have no net impact on the Company's profit or loss.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet their contractual obligations. Credit risk arises principally from cash at bank and in hand, accrued interest receivable, accrued interest receivable from other group undertakings, derivative financial assets and amounts owed by other group undertakings – interest bearing.

The Company's maximum exposure to credit risk is equal to "Total Current Assets" on the Company's Statement of Financial Position. The Company is only permitted to advance funds to, and enter into offsetting derivative contracts with, Gatwick Airport Limited under the terms of the Borrower Loan Agreement. Therefore, the Company's credit risk exposure is limited to that of its parent company.

The Company's policy is to have minimal cash at bank and in hand at any one time.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has no net cash flow exposure as the contractual cash flows associated with the Company's external borrowings and derivative financial instruments are mirrored by the contractual cash flows from the "back-to-back" agreements with Gatwick Airport Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

15. FINANCIAL INSTRUMENTS (continued)

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Company's financial liabilities and net settled derivative financial instruments as at 31 March 2016 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
31 March 2016				
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	(8.5)	(8.1)	35.0	136.7
	78.6	**79.0**	**296.2**	**2,702.3**
31 March 2015				
Class A Bonds – Principal payments	-	-	-	1,550.0
Class A Bonds – Interest payments	87.1	87.1	261.2	1,102.6
Derivative financial instruments	17.8	(8.3)	16.4	147.2
	104.9	**78.8**	**277.6**	**2,799.8**
1 April 2014				
Class A Bonds – Principal payments	-	-	-	1,550.0
Class A Bonds – Interest payments	87.1	87.1	261.2	1,189.7
Derivative financial instruments	36.2	20.9	(24.0)	179.5
	123.3	**108.0**	**237.2**	**2,919.2**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

15. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category

The Company's financial instruments as classified in the financial statements as at 31 March 2016 can be analysed under the following categories:

Assets	**Loans and receivables £m**	**Assets at fair value through profit and loss £m**	**Total £m**
31 March 2016			
Accrued interest receivable	1.4	-	1.4
Accrued interest receivable from other group undertakings	10.3	-	10.3
Amounts owed by other group undertakings – interest bearing	1,525.5	-	1,525.5
Derivative financial assets	-	155.8	155.8
Total financial assets	**1,537.2**	**155.8**	**1,693.0**
31 March 2015			
Accrued interest receivable	1.4	-	1.4
Accrued interest receivable from other group undertakings	10.3	-	10.3
Amounts owed by other group undertakings – interest bearing	1,524.4	-	1,524.4
Derivative financial assets	-	186.7	186.7
Total financial assets	**1,536.1**	**186.7**	**1,722.8**
1 April 2014			
Accrued interest receivable	1.3	-	1.3
Accrued interest receivable from other group undertakings	10.3	-	10.3
Amounts owed by other group undertakings – interest bearing	1,523.4	-	1,523.4
Derivative financial assets	-	227.9	227.9
Total financial assets	**1,535.0**	**227.9**	**1,762.9**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

15. FINANCIAL INSTRUMENTS (continued)

Liabilities

	Liabilities at fair value through profit and loss £m	Other financial liabilities at amortised cost £m	Total £m
31 March 2016			
Borrowings	-	(1,525.5)	(1,525.5)
Accrued interest payable	-	(10.3)	(10.3)
Accrued interest payable to other group undertakings	-	(1.4)	(1.4)
Derivative financial liabilities	(155.8)	-	(155.8)
Total financial liabilities	**(155.8)**	**(1,537.2)**	**(1,693.0)**
31 March 2015			
Borrowings	-	(1,524.4)	(1,524.4)
Accrued interest payable	-	(10.3)	(10.3)
Accrued interest payable to other group undertakings	-	(1.4)	(1.4)
Derivative financial liabilities	(186.7)	-	(186.7)
Total financial liabilities	**(186.7)**	**(1,536.1)**	**(1,722.8)**
1 April 2014			
Borrowings	-	(1,523.4)	(1,523.4)
Accrued interest payable	-	(10.3)	(10.3)
Accrued interest payable to other group undertakings	-	(1.3)	(1.3)
Derivative financial liabilities	(227.9)	-	(227.9)
Total financial liabilities	**(227.9)**	**(1,535.0)**	**(1,762.9)**

Fair value hierarchy

Financial instruments that are measured in the Statement of Financial Position at fair value are classified by the following 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); and
- 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 Company's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 31 March 2016, all of the resulting fair value estimates in the Company are included in Level 2 except for Bonds which are valued at Level 1, consistent with previous years (31 March 2015: Level 2, 1 April 2014: Level 2).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

16. CALLED UP SHARE CAPITAL

	31 March 2016 £	31 March 2015 £	1 April 2014 £
Authorised			
Unlimited number of shares with no par value of one class, designated as ordinary shares	**-**	-	-
Called up, allotted and fully paid			
2 ordinary shares at £1.00 each	**2**	2	2

17. RETAINED EARNINGS

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Opening reserve	-	-	-
Profit for the year(a)	-	-	-
Closing reserve	**-**	-	-

(a) The Company recorded a profit for the year ended 31 March 2016 of £2,400 (2015: £2,370).

18. RELATED PARTY TRANSACTIONS

During the year the Company entered into the following transactions with related parties as follows:

	Interest receivable with related party		Amounts owed from related party	
	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m	**As at 31 March 2016 £m**	As at 31 March 2015 £m
Gatwick Airport Limited	**75.2**	82.8	**1,690.2**	1,719.9

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

19. CLAIMS AND CONTINGENT LIABILITIES

As part of the financing agreements outlined in note 13, the Company (as part of the Ivy Holdco Group), has granted security over their assets to the Ivy Holdco Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

Other than the above, the Company has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 31 March 2016 (2015: none).

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

The Company's ultimate parent is Ivy Guernsey Holdings, L.P., a limited partnership registered in Guernsey.

The Company's parent is Gatwick Airport Limited, a company incorporated in England and Wales. The consortium that ultimately own and control the Company are Global Infrastructure Partners (41.95%), the Abu Dhabi Investment Authority (15.90%), the California Public Employees' Retirement System (12.78%), National Pension Service of Korea (12.14%), and Future Fund Board of Guardians (17.23%). The results of the Company are included in the audited consolidated financial statements of Ivy Luxco I S.à.r.l. for the year ended 31 March 2016 and of Ivy Holdco Limited for the year ended 31 March 2016, the largest and smallest groups to consolidate these financial statements respectively.

Copies of the financial statements of Ivy Holdco Limited and Ivy Luxco I S.à.r.l. may be obtained by writing to the Company Secretary of Gatwick Airport Limited at 5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex, RH6 0NP.

21. EXPLANATION OF TRANSITION TO IFRS

As stated in note 1, these are the Company's first financial statements prepared in accordance with IFRS as adopted by the EU.

The accounting policies referred to in note 3 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information for the year ended 31 March 2015 and the preparation of the opening IFRS Statement of Financial Position at 1 April 2014, the date of the Company's transition to IFRS.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

21. EXPLANATION OF TRANSITION TO IFRS (continued)

The primary difference noted within the accounts as presented under IFRS compared to UK GAAP is the bi-lateral credit spread valuation adjustment in relation to the Company's financial derivatives. Given the "back-to-back" nature of the Company, an adjustment has been recognised on both the asset and liability position in relation to financial derivatives. This resulted in both the equity and Total Comprehensive Income reported being the same under both IFRS and UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affect the Company's financial position and financial performance is set out in the following tables and notes accompanying them. There have been no significant changes to the Company's cash flows as a result of the transition.

Equity as at:	Note	31 March 2015 £m	1 April 2014 £m
Equity reported under UK GAAP		-	-
Fair value on swaps	a	-	29.7
Deferred tax on fair value on swaps		-	(5.9)
Fair value on swaps with group undertakings – non-current assets		-	(29.7)
Deferred tax on fair value on swaps with group undertakings – non-current assets		-	5.9
Total impact of IFRS adjustments at the date of transition		-	-
Net IFRS adjustments to comprehensive income		-	-
Total IFRS adjustment to equity		-	-
Equity reported under IFRS		-	-

Comprehensive income for the period:	Note	Year ended 31 March 2015 £m
Total comprehensive income reported under UK GAAP		-
Fair value on swaps	a	(6.8)
Deferred tax on fair value on swaps		1.4
Fair value on swaps with group undertakings – non-current assets		6.8
Deferred tax on fair value on swaps with group undertakings – non-current assets		(1.4)
Total impact of IFRS adjustments at the date of transition		-
Net IFRS adjustments to comprehensive income		-
Total IFRS adjustment to equity		-
Equity reported under IFRS		-

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