IVY HOLDCO LIMITED

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

Company Registration Number 07497036

ANNUAL REPORT AND THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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STRATEGIC REPORT

As at 31 March 2016, Ivy Holdco Limited ("the Company") has four wholly-owned subsidiaries: Gatwick Airport Limited ("Gatwick", "GAL", "the Airport"), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively known as "the Group". On 31 March 2015 Gatwick Airport Limited acquired 100% of the issued share capital of Ivy Bidco Limited.

The Company's subsidiary, Gatwick Airport Limited, accounts for the significant majority of the Group's operations.

Strategy

The Ivy Holdco Group continues to operate in a competitive market. Passengers have a choice as to which airport they fly from and airlines have alternative bases from which to operate. The strategy for the Airport is to transform the passenger experience and improve efficiency for the airlines and the Airport itself, thereby improving its competitiveness in the London airport market. A key element of Gatwick's strategy is to build and maintain strong relationships with its airline customers, regulators and other stakeholders.

Gatwick has set out its ambition – compete to grow and become London's airport of choice, and has established six strategic priorities to which its activities are aligned.

The strategic priorities and the approach Gatwick is taking to achieve them have been outlined below:

- deliver the best passenger experience: by listening to its passengers and delivering the kind of service that will make them choose to fly from Gatwick;
- help our airlines grow: by understanding airlines' goals and developing commercial partnerships;
- increase value and efficiency: by maximising income, lowering its operating costs and driving capital efficiency;
- protect and enhance its reputation: by building strong and constructive relationships with its stakeholders based on openness and trust;
- build a strong environment, health and safety ("EH&S") culture: by maintaining a relentless focus on achieving zero incidents; and
- develop the best people, processes and technology: by investing in high-performing people, continuous improvement and deploying the right systems.

STRATEGIC REPORT (continued)

Regulatory Environment

On 1 April 2014 the new regulatory framework based on Commitments backed by a licence, supplemented by a monitoring regime, came into operation at Gatwick. The Commitments are a set of legally enforceable undertakings, made by GAL to airlines, covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The Commitments also enable GAL to enter into a series of bilateral contracts incorporating, for example, price, service and duration, agreed on a contractual basis between 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. Obligations on third parties, contained in the Commitments do not form part of the licence.

In the Decision, the CAA set out, amongst other things, its view of the "fair price" in the five years from 1 April 2014 of RPI-1.6% per year. The CAA also considered that GAL should undertake capital investment expenditure of at least £160.0 million per annum on average (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. The CAA will undertake a review of Commitments in the second half of 2016 to assess whether they are operating in the passenger interest.

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

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

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

STRATEGIC REPORT (continued)

Airports Commission

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

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

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

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

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

The Airports Commission issued its final report on 1 July 2015. It recommended the Heathrow northwest scheme to the Government subject to a number of conditions. These conditions relate, for example, to the management of noise by banning all scheduled night flights, and by requiring capacity to be released only where compliance with UK and EU air quality legislation can be achieved. The Commission also said that Gatwick was a credible, deliverable and financeable option.

The Prime Minister confirmed in Parliament in July 2015 that it was for the Government to take a decision by the end of 2015. In parallel with continued engagement with the other shortlisted options, the Department for Transport continued to engage with Gatwick between July and December 2015.

On 14 December 2015 the Secretary of State for Transport made a statement to the House of Commons on the Government's emerging airport's policy. He confirmed the Government's acceptance of the case for airport expansion and its acceptance of the shortlist of expansion options drawn up by the Airports Commission. He explained that, before making a decision on which option should be taken forward, the Government would carry out further work on air quality, noise, carbon and community impacts, and compensation. The Government is expected to conclude this work by the summer of 2016 at the earliest.

Since then Gatwick has continued to engage with the DfT on its proposed scheme and on issues that are relevant to the Government's decision.

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

STRATEGIC REPORT (continued)

Airports Commission (continued)

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

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

The Government has confirmed that it intends to produce an airports National Policy Statement and that whichever expansion proposal is selected will be taken forward as a Nationally Significant Infrastructure Project ("NSIP") under the Planning Act 2008. If Gatwick were selected by the Government, there would be need to take a formal decision to prepare a Development Consent Order (DCO) application and, subject to obtaining consent and satisfactory conditions, construction could commence in 2020 with the first phase opening in 2025.

Review of the Business

Under section 414A of the Companies Act 2006 ("the Act"), the Group is required to produce a fair review of the business of the Group, including a description of the principal risks and uncertainties facing the Group, an analysis of the development and performance of the business during the year, and position at the year end. Furthermore, additional information is provided under this Business Review in accordance with the Walker Guidelines, which sets out suggestions for best practice for Portfolio Companies owned by private equity investors (of which Gatwick Airport Limited is deemed to be one), which the Group has complied with.

Overview of the Year Ended 31 March 2016

The financial statements for the year ended 31 March 2016 are the first the Group has prepared in accordance with International Financial Reporting Standards ("IFRS"). In preparing its opening IFRS Statement of Financial Position at 1 April 2014 and comparative information for the year ended 31 March 2015, the Group has restated results previously reported under UK Generally Accepted Accounting Practice ("UK GAAP"). An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 33.

The Group has reported a profit of £142.2 million for the year ended 31 March 2016 compared to a profit of £101.8 million for the year ended 31 March 2015. These results are discussed in more detail in the financial review section of this report.

STRATEGIC REPORT (continued)

Passenger Traffic Trends

	Year ended 31 March 2016	Year ended 31 March 2015
Passengers	**40,789,703**	38,656,483
Air transport movements ("ATMs")	**265,970**	255,798
Passengers per ATM	**153.4**	151.1
Seats per ATM	**181.4**	180.1
Load factors (%)	**84.5%**	83.9%

Commercial flight types only

In the year ended 31 March 2016, a total of 40.8 million (2015: 38.7 million) passengers travelled through Gatwick: an increase of 2.1 million passengers or 5.5%. The growth in passenger numbers came mainly from an increase in Air Transport Movements ("ATMs"), which were up 4.0% compared to the prior year. Seat capacity also grew, which can be attributable to easyJet upgrading their fleet, BA's increase in seats per movement, and on long-haul routes where some fleets have been updated with larger aircraft such as the Airbus A380 used by Emirates on its Dubai service. Average load factors were 84.5%, an increase of 0.6% pts compared to 2015.

The table below outlines passenger numbers by region for the year ended 31 March 2016 and the comparative year ended 31 March 2015.

	Year ended 31 March 2016 m	Year ended 31 March 2015 m
Europe	**34.2**	32.1
North America	**2.4**	2.2
Caribbean and Latin America	**1.7**	1.6
Northern and Sub-Saharan Africa	**1.3**	1.6
Middle East and Central Asia	**1.0**	0.9
Far East and South Asia	**0.2**	0.3
Total	**40.8**	38.7

83.9% of Gatwick's passenger traffic was on European routes (including the UK and Channel Islands). Traffic on these routes grew by 2.1 million passengers (5.5%), with growth not only in the southern European destinations of Spain, Italy, Greece and France, but also Germany, the Netherlands and Ireland.

Traffic on flights to North America grew by 9.1% (0.2 million passengers). Most of this growth came from Norwegian Air Shuttle: passenger numbers on their US routes more than doubled during the year, with new services to Orlando and Puerto Rico being introduced.

The terrorist attacks in Tunisia and Egypt during 2015 have had a significant impact on the number of passengers travelling to Northern Africa. Traffic to this region was down 0.3 million passengers or 18.8% compared to the prior year.

The airlines contributing most to Gatwick's growth were for the most part the established incumbent companies such as easyJet, Norwegian Air Shuttle and British Airways. Low-cost carrier Vueling Airlines, which is a relative newcomer to Gatwick, also showed significant growth in traffic, with passengers up 85.1% (0.3 million passengers).

STRATEGIC REPORT (continued)

Route Development

Gatwick continued to develop its route network and maintained market share through both existing and new airlines. Gatwick reached record traffic figures during the year ended 31 March 2016 of 40.8 million with a 26% share of the London market, in spite of strong competition from Stansted and Luton who have both grown market share in the past year.

The majority of Gatwick's growth continued to come from its existing airlines. Vueling grew strongly in the past year and their growth continues into 2016 with the addition of a daily Paris flight and services to Santiago de Compostela and Asturias. British Airways is continuing to grow long haul services at Gatwick with an 11th Gatwick based Boeing 777 being added to their fleet this summer, flying to New York, Lima and Costa Rica.

Norwegian delivered significant growth during the year ended 31 March 2016, primarily through their popular low cost long haul services, adding Puerto Rico and Orlando in the winter season to their existing services to New York, Los Angeles and Fort Lauderdale. This summer Norwegian has 4 Dreamliners based at Gatwick. In addition to increased frequencies to New York and Los Angeles, Norwegian have added new destinations; Oakland - San Francisco & Boston.

easyJet continued their strong growth at Gatwick, focusing on increasing frequency on business routes such as Amsterdam, Jersey and Paris as well as launching new leisure routes such as Pula, Preveza, Figari, Brindisi, Reykjavik and Friedrichshafen and a new business route to Stuttgart.

Other existing airlines continued to increase capacity during the year including Icelandair and Wow to Reykjavik, Pegasus to Istanbul and Ukraine International to Kiev.

There were a number of exciting new developments and announcements during the year which will contribute to future passenger growth within the long haul market with the following notable highlights:

- WestJet commence services to 6 cities in Canada for summer 2016 (28 per week) and continuing the service in winter 2016 for Toronto and Calgary (4 per week).
- Tianjin Airlines announced a new twice weekly service to China (Chongqing & Tianjin) commencing June 2016.
- Wizz Air announced a daily service to Budapest commencing June 2016.
- Cathay Pacific announced a new daily service to Hong Kong commencing September 2016.
- Emirates has announced a 4th daily service to Dubai commencing in October 2016, this will initially be flown using a Boeing 777 and will complement their existing 3 daily A380 services.
- British Airways has announced a 12th Gatwick based Boeing 777 aircraft from November 2016, which will be used to launch a new service to Cape Town and increase frequency on existing routes.

Some airlines ceased their operations to Gatwick during the year ended 31 March 2016. This included Caribbean & Garuda Indonesia, the latter moved their operations to Heathrow for the summer 2016 season. Aer Lingus has had a reduction in flights at the Airport due to the remedy measures required following their purchase by IAG. As a result of the remedy, Ryanair are now flying 3 extra Belfast flights and 2 extra Dublin flights per day and have announced plans to add an extra daily departure to both Dublin and Belfast from November 2016.

STRATEGIC REPORT (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 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

	31 March 2016 £m	31 March 2015 £m
Capital expenditure	**220.1**	181.4

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 being held to a fixed investment programme, the new framework allows flexibility, innovation and pace in making investments at the Airport to improve services for our passengers and airline customers. The framework includes a commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years.

In May 2016, GAL published its 2016 Capital Investment Programme for consultation with passengers and airlines, outlining the capital investment undertaken in the first year under Commitments and the plan for the following six years. Gatwick has continued to invest heavily in its Capital Investment Programme, spending £220.1 million in the year ended 31 March 2016 (2015: £181.4 million). Capital investment is forecast to be approximately £1.6 billion over the seven year Commitments period, 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.

Key capital investment projects and programmes completed and in construction during the year ended 31 March 2016 can be summarised as follows:

- **Pier 1:** Construction of a new South Terminal Baggage Factory and Pier 1, including delivery of an automated baggage storage facility, continued from the prior year and was successfully opened on 1 June 2016. The innovative design solution includes an automated baggage storage facility, providing airlines and passengers with greater check-in and baggage processing capacity and flexibility, including enhanced early check in options, as well as modern gate rooms and segregated departures and arrivals routes.

- **Pier 5:** The second phase of a project reconfiguring aircraft stands and upgrading gate rooms in Pier 5 completed in July 2015. The Pier 5 project has the overall business objective of delivering improved Pier Service Levels ("PSL") to meet future growth in passenger numbers in the North Terminal and support the overall PSL target of 95%. The project has created a new and faster route for passengers from the departure lounge to the gate rooms.

STRATEGIC REPORT (continued)

Capital Investment Programme (continued)

- **North Terminal Development Programme:** A major programme to transform the North Terminal continued from the prior year with the world's largest self-bag drop check-in facility successfully completed and opened in April 2016. Construction is well under way on upgrading security facilities with the first phase Gen II security opened during February 2016 and a refurbished arrivals hall on the ground floor level ongoing. The programme will go on to deliver a modern walkthrough duty free store and reconfigured departure lounge to match those facilities already successfully operating in the South Terminal.

- **Commercial:** A number of projects were completed during the year which has enhanced the retail and food and beverage offerings at the airport. Catering remains a real highlight as several new restaurants were opened throughout the year, including Wagamamas in both terminals as well as Wondertree and The Grain Store in the South Terminal. In addition, the "Nicholas Culpeper" bar and grill, North Terminal Landside, which is themed around a distillery producing artisan gin on site opened in September 2015. Within retail, there were new stores for both Cath Kidston and Boots in the South Terminal while the North Terminal Development projects has enabled the redesign of the arrivals area with new outlets for M&S, Boots and London News Company.

- **Airport Transformation Programme:** An extensive programme of works began during the year which will see British Airways relocating to the South Terminal, Virgin relocating to the North Terminal and easyJet consolidating its entire operation in the North Terminal. The programme is designed to enhance the passenger experience through upgrading existing facilities, simplifying the passenger journey and providing improved offerings. The project will affect a number of areas within the airport including; check in desks, crew report facilities, engineering facilities, airline lounges, piers, gate rooms and stands through the 42 associated construction projects. The programme is due for substantial completion with a committed move date in January 2017.

- **Asset Stewardship:** Investment to maintain the existing asset base of the Airport has been ongoing during the year. The works can be categorised into: Airfield, Facilities, Commercial, IT and Compliance and EHS and are considered critical to enhance the passenger experience whilst passing through the Airport. Investment during the year was in excess of £40.0 million and included the toilet refurbishment programme, upgrades to FEGP, pilot schemes for the new hold baggage screening project and replacement of the North Terminal roof.

- **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 nearly £10.0 million during the year with an additional £20.0 million of capital investment funds ring-fenced for delivering capital projects over the next five years for investment in flood management, power and IT upgrades, terminal equipment, and weather and disruption events protection projects.

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

STRATEGIC REPORT (continued)

Financing Structure

Gatwick Airport Limited is party to a Common Terms Agreement (“CTA”) with, *inter alia*, the Royal Bank of Scotland plc as Authorised Credit Facility (“ACF”) agent and previously the Initial Authorised Credit Facility (“Initial ACF”) agent. Gatwick 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*, Initial ACF Agreement, the ACF Agreement and the Borrower Loan Agreement.

During the year ended 31 March 2014, Gatwick completed a refinancing whereby the Initial ACF Agreement was fully prepaid and terminated and the ACF Agreement was agreed. The ACF Agreement has a Revolving Credit Facility of £300.0 million and a tenor of 5 years giving a termination date of 27 March 2019. As at 31 March 2016, Gatwick had £70.0 million (2015: £160.0 million) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

The Group’s subsidiary Gatwick Funding Limited, has issued £1,550.0 million of 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; £300.0 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively; £300.0 million Class A 5.25 per cent. Bonds with scheduled and legal maturities of 2024 and 2026 respectively; £300.0 million Class A 5.75 per cent. Bonds with scheduled and legal maturities of 2037 and 2039 respectively; and £350.0 million Class A 4.625 per cent. Bonds with scheduled and legal maturities of 2034 and 2036 respectively. As at 31 March 2016, total bond debt was £1,550.0 million (2015: £1,550.0 million).

During the year ended 31 March 2016, the average interest rate payable on borrowings was 4.85% p.a. (2015: 5.37% p.a.).

The Group regularly prepares long-term cash flow forecasts to test the sufficiency of its financing facilities to meet its funding requirements. The Directors consider that the current level of credit facilities is sufficient to meet its present forecast funding requirements and provides the Group with appropriate headroom.

Further information on the financing structure is included in note 24 of the financial statements.

STRATEGIC REPORT (continued)

Operational Performance

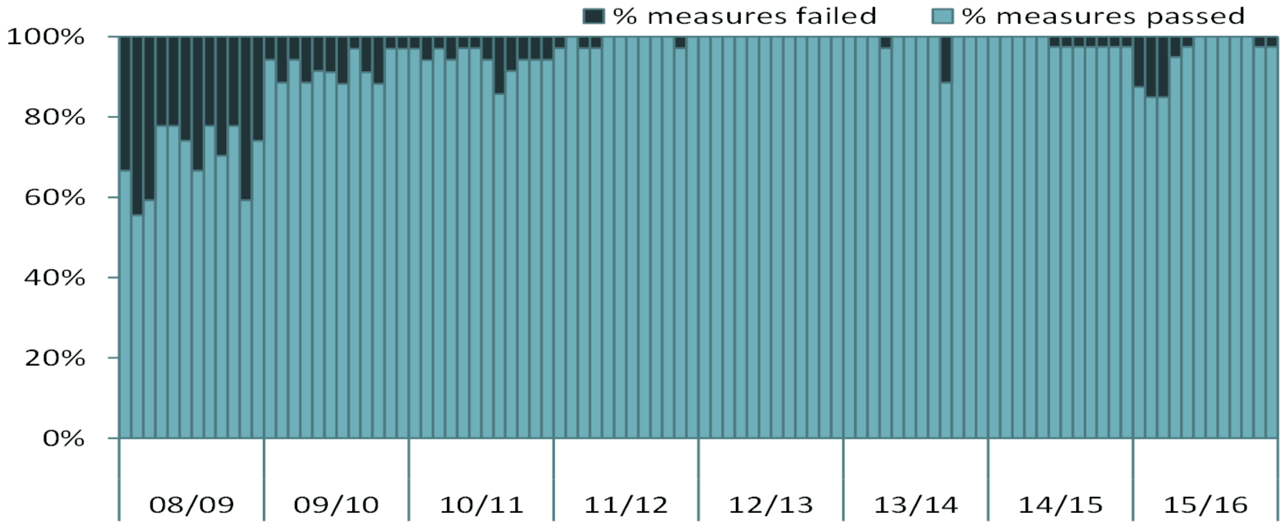
The Core Service Standards (“CSS”) are stretching standards for a variety of measures impacting the passenger experience, from security queuing times to the availability of terminal and airfield assets, ensuring Gatwick is constantly focused on the performance in these key areas. The scheme also incorporates the results of a passenger survey, the Quality of Service Monitor (“QSM”), which provides a measure of passenger satisfaction with certain airport services and facilities (cleanliness, wayfinding, flight information, and departure lounge seat availability). If service standards are not met for a number of aspects of the Airport’s facilities and services for passengers and airlines, Gatwick pays rebates of airport charges to airlines.

Gatwick reports its performance against the CSS (including QSM) targets on a monthly basis on its website. Gatwick uses, amongst other measures, total CSS targets passed, security queuing, overall QSM score, and on time departure performance, to monitor whether it is delivering the best passenger experience, and forms part of the Commitments framework under which it operates.

Service Quality

Gatwick achieved 95% of its CSS targets during the year ended 31 March 2016 compared to 99% in the prior year.

Percentage of Core Service Standards passed per month



During the year, Gatwick failed 22 out of a possible 480 CSS targets. Nine of these failures were caused by non-availability of Pier 5 in the early part of the year, due to delays by the contractor carrying out the building work. These issues were resolved by the end of June 2015.

Two of the failures related to cleanliness within the North Terminal as surveyed through the QSM as a result of ongoing construction. Gatwick has taken action to remedy any issues, and the scores for this measure were consistently better than target from June 2015 onwards.

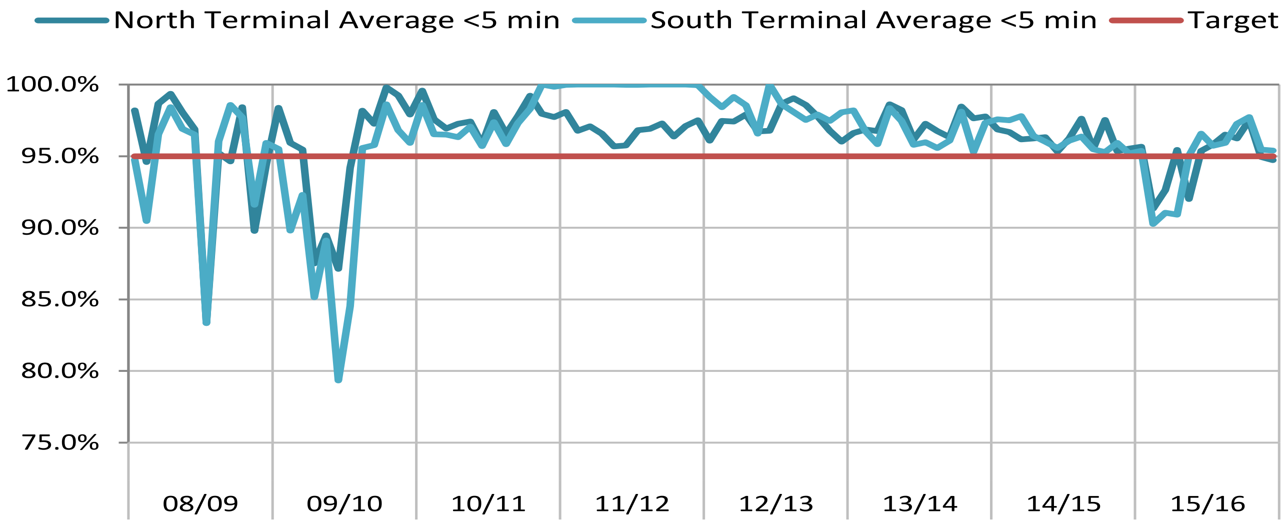
A further nine failures were related to the length of queues in the departures security areas, where the main CSS target is for queue times to be less than five minutes 95% of the time. During the year Gatwick introduced new ground breaking equipment and working practices in these areas which have since vastly improved the rate at which passengers can pass through security. The early stages of using these new systems in the South Terminal coincided with the busiest months in the Airport’s history which resulted in a number of occasions where length of queues exceeded target, such that 97% of the time passengers queued for less than 6 minutes. The same process/equipment change has now been implemented in the North Terminal.

The remaining CSS failures were caused by isolated technical problems with the outbound baggage systems, which were quickly remedied.

STRATEGIC REPORT (continued)

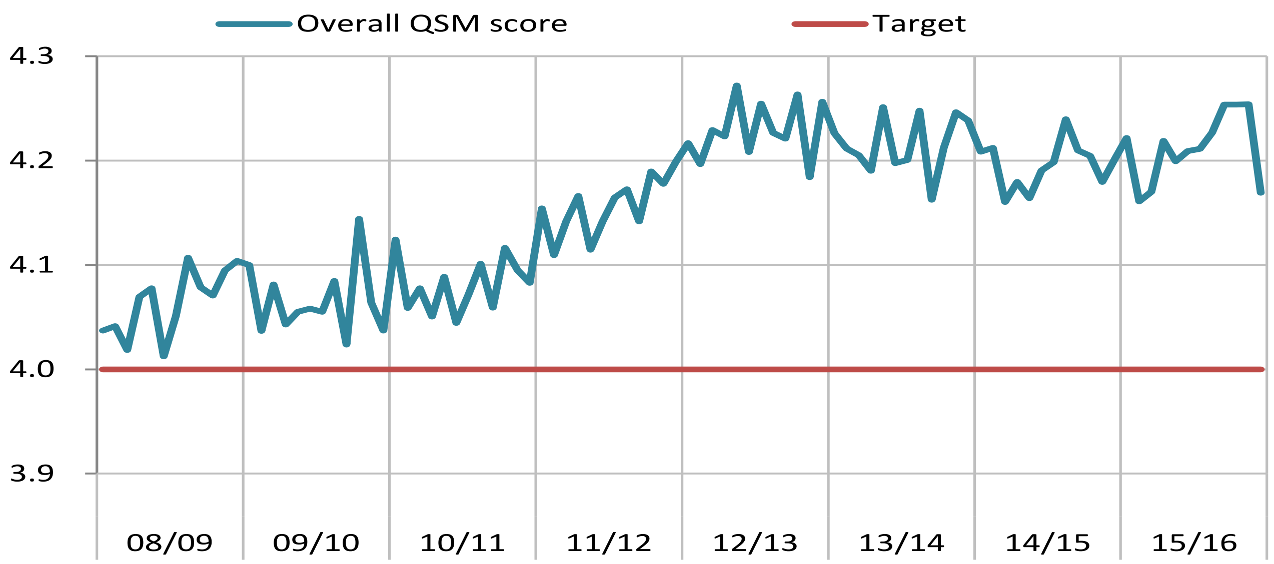
Security Queuing

The following graph shows the percentage of Gatwick's passengers that queued at security for less than five minutes during each month for the last 8 years:



Passenger Satisfaction

Gatwick's QSM is an on-going customer service survey conducted amongst a cross-section of departing and arriving passengers by Gatwick's market research team. Passengers are asked to rate their experience of certain services and facilities at Gatwick. A QSM service quality score is calculated following a CAA formula and published each month. Gatwick's overall QSM score was 4.2 in 2016 and 4.2 in 2015 (5 = excellent; 4 = good; 3 = average; 2 = poor; 1 = extremely poor). The following chart shows Gatwick's improved performance over the last 8 years against a backdrop of increased passenger numbers.

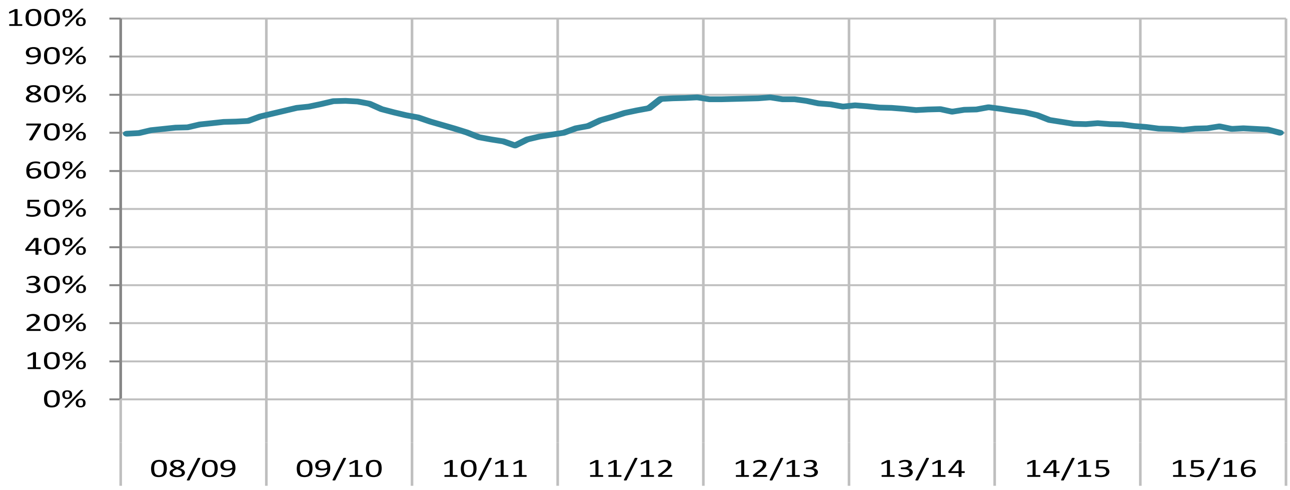


STRATEGIC REPORT (continued)

Airfield Performance

On time departure of a flight is of great importance to Gatwick as it has an impact on passengers and subsequent flights. During the year ended 31 March 2016, 70% (2015: 72%) of flights departed on time (measured as flights departing within +/- 15 minutes of the scheduled time of departure). Gatwick continues to work with its air traffic control service provider as well as the airlines. Gatwick has a significant proportion of traffic travelling to/from Europe and as such, increasing congestion in European airspace is becoming a significant factor in on-time performance; during the Summer 2015, the number of airspace restriction events doubled compared to 2014. With increasing demand on the facilities at Gatwick, the performance of ground handling agents have also been a significant factor, with Menzies Aviation (ground handler for easyJet) experiencing difficulty in achieving staff levels in Summer 2015, having a direct effect on easyJet. Gatwick have introduced a new incentive scheme in Summer 2016 targeted at airlines and their ground handling partners to address on-time departure performance.

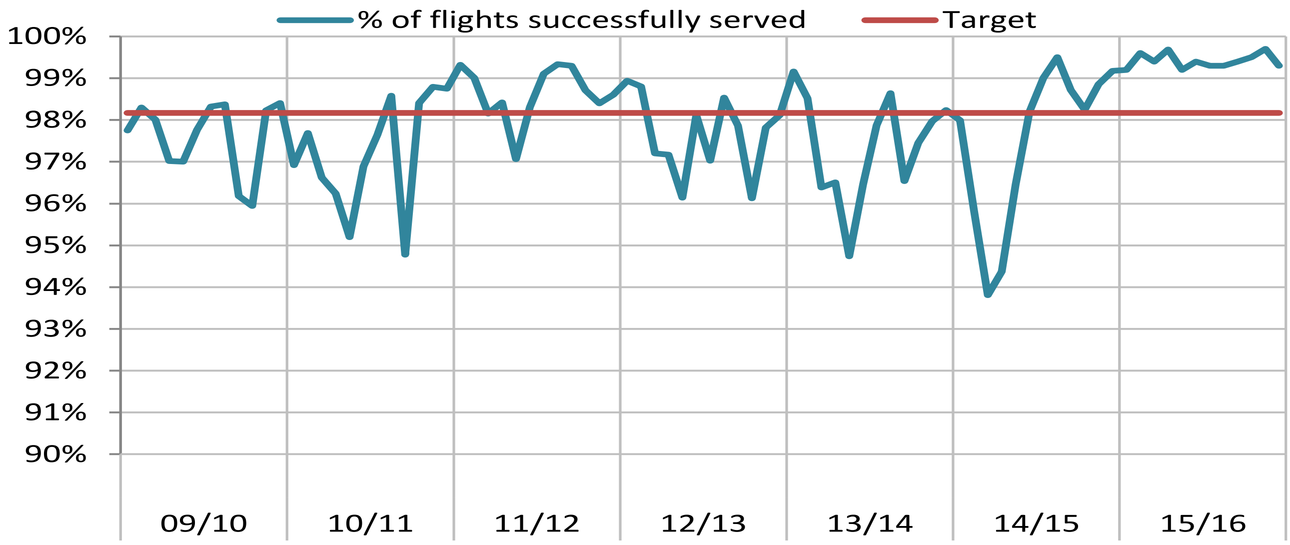
The graph below shows the percentage of flights departing on time on a 12 month moving average total by month.



STRATEGIC REPORT (continued)

Inbound Baggage

Inbound baggage (the measure of how timely the delivery of baggage is from the plane to the reclaim belt) is of great importance to Gatwick as it has a significant impact on the passenger experience. During the year ended 31 March 2016, 99% (2015: 98%) of flights had arrivals bags delivered on time (measured as last bag delivered to the baggage belt within 55 minutes of blocks of time). Gatwick has continued to work with its airlines and their ground handling partners to improve baggage delivery performance, as a result of which the 98% target was consistently achieved and comfortably exceeded throughout the year.



Airspace Change

During 2015 Gatwick received a Post Implementation Review from the CAA in respect of the introduction of Precision Based Navigation ("PBN") on all of its departure routes in 2014. The CAA suggested changes to three routes. One of these, a change to route 26-LAM, was expected and Gatwick has already submitted and proposes to introduce an amendment to this route in advance of the 2016 summer season. Minor amendments to the two other routes are also in process for implementation later in the year.

In August 2015, in response to concerns expressed by residents around the airport, Gatwick commissioned an Independent Review of Arrivals to ensure that everything that could reasonably be done to ameliorate disturbance caused by arrivals traffic was being done, and to look into the complaints procedures at the airport. The review was completed at the end of January 2016; it made 23 recommendations to the airport and other aviation stakeholders which might improve the experience of local communities. Gatwick has stated that it is minded to accept all of these recommendations, has consulted with stakeholders as to the detail of its final response so as to formulate an implementation plan for the adoption of those recommendations, and in light of this, published its Action Plan on 1 June 2016.

Community Engagement

Gatwick values good relationships with its neighbours in the local community and across the region, and engage in many different ways to understand what matters most to people and to keep them up to date about Gatwick airport issues. Gatwick is in regular touch with the neighbouring County Councils to ensure there is an understanding of the issues which cause concern for them. Gatwick also regularly brief MPs on airport matters, as well as Parish Councils, Town Councils and neighbourhood groups across the region, where members of the Airport's management team are available to discuss Gatwick's operations and any concerns the communities may have.

STRATEGIC REPORT (continued)

Community Engagement (continued)

The Gatwick Airport Consultative Committee (GATCOM) is the Airport's formal consultative body. It is run by West Sussex County Council; with 32 committee members from groups across the region representing a wide range of interests including civil aviation, passenger service, business development, tourism and environmental issues. GATCOM meets quarterly, with appointed sub-committees to discuss matters of particular interest or concern. Gatwick has continued its work with community groups and industry bodies on airspace management issues to improve the noise environment locally; and during 2015 an independent review of arrivals operations was launched with an emphasis on local community engagement about noise from arriving aircraft.

Gatwick Airport is a significant contributor to the South East region's economic activity and is a major regional employment site, generating around 21,000 direct on-airport jobs. Gatwick participates in regional activities through active membership of economic groups and partnerships, working together to build a strong local supply chain; boost business and to strengthen opportunities for employment and skills development. During 2015/16 Gatwick took part in regional employment and skills development activities, including working with schools and colleges to promote interest in Science and Technology subjects; and Gatwick continues to develop its well-established engineering apprenticeship scheme and a number of graduate engineering, management and IT programmes.

Gatwick's programme of community sponsorship and charitable donations supports projects across the region. Two charities (in 2015/16; Cancer Research UK and Chestnut Tree House) are nominated by staff, along with supporting Travelcare, a charity providing assistance for passengers in difficulty at the airport. The Gatwick Airport Community Trust, set up through the Section 106 agreement, where the funds support local communities most affected by the airport and its operations, gave awards to 141 local causes in 2015/16.

Future Developments

For planning purposes, Gatwick is currently projecting 43 million passengers to travel through the airport during the year ended 31 March 2017, a 5.4% increase on the prior year (actual for year ended 31 March 2016: 40.8 million).

From 1 April 2014, Gatwick is operating under the Contracts and Commitments framework, under which the gross increase in allowable yield is RPI+1.0% with the blended increase being RPI+0.0%. In addition to the rates noted above and in the licence granted by the CAA, Gatwick is cognisant of the "fair price" determined by the CAA of RPI-1.6% included within the monitoring framework. A gross change to the tariff of RPI+0.9% has been applied for the year ending 31 March 2017.

The result of the referendum in favour of the UK leaving the EU is expected to create some economic uncertainty in the UK and Europe in the near term, but we do not believe this will have a material effect on the strategy and financial performance of Gatwick in the longer-term.

In the short-term, the referendum result may have a bearing on the level of passenger demand growth, such as through exchange rates affecting the relative levels of UK outbound travel and inbound visits to the UK. It is envisaged the impact on Gatwick of any such effect will become more evident later this year through the airline capacity declaration process for Summer 2017.

In the medium term, the negotiation of the UK exit from the EU and implementation of new trading arrangements will need to address the air service arrangements between the UK and other countries. This may affect the strategies adopted by individual airlines to serve the UK market, but is not expected to materially affect the inherent level of market demand for air travel to/from the UK.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW

During the year ended 31 March 2016 the Group made a profit on ordinary activities after taxation of £142.2 million (2015: £ 101.8 million profit).

Revenue

In the year to 31 March 2016, the Group's revenue increased as a result of the increased passenger numbers benefitting aeronautical, retail and car parking income.

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Aeronautical income	**350.8**	332.7
Retail income	**152.5**	149.1
Car parking income	**77.9**	72.4
Property income	**24.7**	26.2
Operational facilities and utilities income	**31.9**	30.6
Other income	**35.3**	27.0
Total revenue	**673.1**	638.0

Aeronautical Income

Aeronautical income is driven by both traffic volume and the level of airport charges. Since 1 April 2014, Gatwick has been operating under a Contracts and Commitments framework. Under this framework, default prices and service standards are published in Gatwick's Conditions of Use but there is scope for modifications (to both price and service standards) through bilateral contracts with individual airlines. Gatwick has entered into a number of such agreements, with contracts in place with airlines which accounted for 85% of passengers by the end of the year.

As part of the Contracts and Commitments framework, Gatwick has committed to limit the increase in gross yield under the published tariff (i.e. the revenue per passenger before discounts and marketing support under bilateral contracts) to RPI+1.0% and limit the increase in net yield (i.e. the revenue per passenger after discounts and marketing support) to RPI+0.0%. There is scope for prices to be higher or lower than the price path in a given year, with the commitment relating to the overall price profile across the 7 year term of the Commitments period.

During the year ended 31 March 2016, aeronautical income (after discounts and marketing support) increased by £18.1 million; equivalent to an increase of 5.4%. The net income per passenger (£8.60) was in line with prior year. The planned increase in the gross yield (under the published tariff) was limited by Gatwick to 1.9% (equivalent to RPI-0.5%). The impact of this price increase was largely off-set by variances in traffic mix relative to expectations when the tariff was set. With strong increases in passengers per ATM and a higher proportion of quieter (Chapter 4) aircraft operating at Gatwick, and at a net revenue level by an increase in the level of discounts and marketing support offered to airline customers.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Retail Income

Net retail income increased by £2.5 million or 1.7% during the year ended 31 March 2016 compared to a 5.5% increase in passengers. Net retail income per passenger is calculated as follows:

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Retail income		
Duty and tax-free	**47.9**	49.2
Specialist shops	**38.6**	38.0
Catering	**27.6**	24.4
Bureau de change	**23.3**	22.0
Other retail	**15.1**	15.5
	152.5	149.1
Less: retail expenditure	**(2.6)**	(1.7)
Net retail income	**149.9**	147.4
Passengers (m)	**40.8**	38.7
Net retail income per passenger	**£3.67**	£3.81

Net retail income per passenger decreased by £0.14 or 3.7% year-on-year to £3.67 (2015: £3.81).

Sales and income continued to increase overall, delivering another record year for Gatwick retail. In income per passenger terms the year proved challenging and business was impacted by continued changes in passenger mix and adverse currency movements against sterling. These issues were most noticeable in performance from the Duty and Tax Free category with income down 2.6%.

Gatwick continues to invest in the potential for future growth improving our retail offer with Cath Kidston and Boots opening new stores in the South Terminal. The North Terminal development project has provided opportunities to remodel the landside retail offer with new stores opening for M&S, London News Company, Boots and Excess Baggage. Gatwick has continued its successful “pop up” retail strategy in the North Terminal departure lounge with brands such as Pandora, Havaianas, Kipling and Skinny Dip.

Catering remains a real highlight as several new restaurants were opened throughout the year, including Wagamamas in both terminals as well as Wondertree and The Grain Store in the South Terminal. Gatwick’s approach to innovation in this sector is best illustrated by the opening of the “Nicholas Culpeper” bar and grill, North Terminal Landside, which is themed around a distillery producing artisan gin on site.

The Gatwick retail strategy is based on a sound understanding of our customers and a relentless approach to ensuring our retail mix is highly relevant to our growing passenger numbers. It is therefore pleasing for us to see that customer satisfaction remains at an all-time high; in Q1 2016 87% of customers rated our selection of food and beverage outlets as Excellent or Good with 84% of customers giving this score to our choice of retail stores.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Car Parking Income

Net car parking income increased by 13.0% during the year ended 31 March 2016. Net car parking income per passenger is calculated as follows:

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Car parking income	**77.9**	**72.4**
Less: car parking expenditure	**(17.8)**	**(19.2)**
Net car parking income	**60.1**	**53.2**
Passengers (m)	**40.8**	**38.7**
Net car parking income per passenger	**£1.47**	**£1.37**

Net car parking income per passenger increased by £0.10 (7.3%) in the year ended 31 March 2016. Pre-book revenue increased by 7.8% in the year as a result of improved yield management and capacity increases. Immediate actions taken in response to the closure of Multi Storey Car Park 6 (pending remedial safety works) included product location changes that helped to effectively mitigate the negative impact this had on income. Roll-up revenue increased by 5.7% due to introducing a new short-stay tariff structure. Costs decreased by £1.4 million. This reflects lower sales costs following the re-negotiation of all third party contracts and ongoing work with our PPC agency to optimise the account. Savings were also seen in operating costs due to the transition to a new car park operations company.

Other Income Categories

Other income categories (i.e. excluding aeronautical, retail and car parking) increased by £8.1 million to £91.9 million in 2016 (2015: £83.8 million). Passenger Reduced Mobility income increased by £6.3 million with unit rates increased to recover the increased costs of service delivery and shortfalls carried forward from prior years. Operational facilities income increased by £1.3 million and logistics income by £1.5 million offset by a reduction in Property Income due to construction projects reducing available rental space.

Income per Passenger

Income per passenger was in line with prior year at £16.50 (2015: £16.49) as outlined above.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Operating Costs

Operating costs pre-exceptional items have increased by £4.2 million or 0.9% to £470.4 million during the year ended 31 March 2016 (2015: £466.2 million).

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Staff costs	**178.2**	164.8
Retail expenditure	**2.6**	1.7
Car parking expenditure	**17.8**	19.2
Maintenance and IT expenditure	**33.5**	33.7
Utility costs	**18.2**	18.5
Rent and rates	**29.5**	28.1
General expenses	**62.3**	72.4
Depreciation or amortisation	**128.3**	127.8
Total operating costs	**470.4**	466.2

Staff costs increased by £13.4 million or 8.1% for the year ended 31 March 2016, reflecting the 2.7% increase in staff numbers, the 2% annual pay increase awarded to staff, higher bonus payments and overtime costs. These increases are offset partially by the higher proportion of new starters on lower initial salary scales.

Staff costs associated with the capital expenditure programme increased by £7.4 million (33%). These are offset by the subsequent capitalisation of these costs, which appears as part of general expenses. Overall, total staff costs capitalised were £29.6 million in the year ended 31 March 2016 (2015: £22.2 million).

Staff costs are offset by the subsequent capitalisation of these costs, which appear as part of general expenses above. Overall, total staff costs capitalised were £29.6 million in the year ended 31 March 2016 (2015: £22.2 million).

Average full-time equivalent (“FTE”) employee numbers increased from 2,436 in the prior year to 2,501 in the current year. Average operational FTE employees increased from 2,091 to 2,148 during the year, and non-operational FTE employees increased from 345 to 353. The increase in operational staff was driven largely by increased security headcount due to higher passenger numbers.

Car parking expenditure decreased by £1.4 million driven by lower sales costs as a result of re-negotiating all third party contracts.

Rent and rates increased by £1.4 million or 5.0% reflecting the increased number of rateable assets following their return from construction over the last 12 months.

Total general expenses decreased by £10.1 million. The increase in staff costs recharged to the capital expenditure programme accounts for £7.4 million of this. Professional consultants and marketing costs related to the ongoing Airports Commission process reduced by £5.9 million year-on-year. These savings were offset by higher bad debt provisions of £3.1 million, increased costs of the PRM service of £1.8 million and payments to airlines for service standard failures of £2.0 million.

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

EBITDA

Reconciliation of EBITDA to operating profit before exceptional items:

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Operating profit before exceptional items	**202.7**	**173.8**
Add back: depreciation	**128.3**	**127.8**
EBITDA	**331.0**	**301.6**

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by £29.4 million in the year ended 31 March 2016, as a result of continued strong financial performance throughout all areas.

Going Concern

The Group's net asset position has increased to £651.8 million (2015: £554.3 million).

All the Group's financial covenants (see below) 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 availability of undrawn committed borrowing facilities, and as further detailed in note 1 of the financial statements, the Directors have a reasonable expectation that the Group will continue as a going concern and accordingly the financial statements have been prepared on that basis.

Senior RAR and Senior ICR

The maximum net indebtedness to the total regulatory asset base[1] ("Senior RAR") and minimum interest cover ratio ("Senior ICR") are the Group's financial covenants that govern the Group's ability to draw new loans under the ACF Agreement. As at 31 March 2016, the Group's Senior RAR ratio was 0.54 (2015: 0.59). The Senior ICR for the year ended 31 March 2016 was 3.51 (2015: 3.11).

1 Regulatory Asset Base is a multiple of EBITDA as defined in the CTA.

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS

The following are the key performance indicators ("KPIs") that Gatwick's Executive Management Board and Board of Directors use to monitor the performance of the Group. They are detailed throughout the Strategic Report:

- passengers and air transport movements;
- passengers per air transport movement and load factors;
- Service Quality Regime ("SQR") and security queuing;
- overall Quality of Service Monitor ("QSM");
- on-time departures;
- net retail income per passenger;
- net car parking income per passenger;
- income per passenger;
- EBITDA pre-exceptional items;
- loss time injury ("LTI") rates;
- absenteeism per employee;
- net indebtedness to total Regulatory Asset Base ("Senior RAR"); and
- interest cover ratio ("Senior ICR").

RISK MANAGEMENT

Risk management is a central element of the Group's strategic decisions and operations. The Group is committed to implementing appropriate strategies and processes that identify, analyse and manage the risks associated with the organisation in order to minimise the frequency and impact of undesired and unexpected events on the Group's objectives, while enabling it to optimise its business opportunities.

The principal aim of the risk management strategy is to embed the awareness of risk at all levels of the organisation, in such a way that ensures all significant business decisions are risk-informed. Particular emphasis is given to safety and security, environmental, commercial, financial, reputational and legal risks.

A key element of the risk management process is the risk profiling methodology. This determines the threats to the achievement of business objectives and day-to-day operations in terms of likelihood and consequence at both inherent and residual level, after taking account of mitigating and controlling actions. Details are maintained in a hierarchy of risk registers used as the basis for regular reviews of risk management by the Audit and Governance Committee.

The risk management process is also aimed at defining and implementing clear accountabilities, processes and reporting formats that deliver efficient and effective management assurance to the Board of Directors to ensure statutory compliance and protect and enhance our reputation, while supporting business units to successfully manage their operations and properly embed risk management. The operation of the process and the individual registers are subject to review by the Group's Business Assurance function, to provide independent assurance to the Audit and Governance Committee and Board of Directors that the controls put in place to mitigate risks are working effectively.

The Audit and Governance Committee was established to provide, amongst other things, independent oversight of the risk management of the Group.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

The principal corporate risks as identified by the Board of Directors are as follows:

Health and Safety and Security Risks

The Airport mitigates safety and security risks by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading-edge security technology. Gatwick works closely with government agencies, the police and the Armed Forces to match security measures to a level commensurate with the current raised threat environment.

Furthermore Gatwick has implemented a health and safety management system in line with OHSAS18001:2007 to mitigate this risk. The system incorporates the settings of standards and targets, monitoring performance, the legal register, and putting plans in place for improving performance.

Assurance over health and safety and security risks is provided through management reporting processes and a specialist compliance audit function.

Gatwick has implemented robust controls to manage the risks associated with works undertaken by contractors. This includes establishing a contractor support centre which manages all aspects of contractor activities including induction training, issuing permits and undertaking audits. This function is designed to provide a consistent experience for all contractors ranging from retail to construction. In addition, Gatwick has implemented new controls and systems to ensure that the appropriate measures are in place during the tender phase of projects.

The CAA aerodrome standards department visit each aerodrome periodically as part of their audit/inspection programme. The CAA inspectors assess compliance with the requirements of CAP168 licencing of aerodromes, audit the aerodrome's management safety and assess the competence of those responsible for safety.

The last major audit carried out at Gatwick was in October 2010. During that audit the inspectors found no category 1 or 2 non-compliance. An interim audit by the CAA in May 2013 again found no category 1 or 2 non-compliance.

Regulatory Environment, Legal and Reputational Risks

CAA Regulation

The Group's operations, and in particular Gatwick's operations, are subject to regulatory review by the CAA, with the most recent review completed in February 2014 with an interim review scheduled for late 2016, the scope of which is subject to a current consultation by the CAA. The risk of an adverse outcome from the review is mitigated as far as possible by a dedicated team which ensures full compliance with formal regulatory requirements, has established a sound relationship with the CAA and advises Gatwick's management and Board of Directors on regulatory matters. Regulation is represented on Gatwick's Executive Management Board by the Chief Financial Officer.

An important part of the regulatory framework is Gatwick's involvement in continuous dialogue with the airlines that operate at the airport. In order to mitigate the risk of adverse airline relations, in addition to regular operational meetings with airline representative bodies on a range of operational and strategic issues, there are regular bilateral meetings between senior management at Gatwick and the major airlines operating at Gatwick. Furthermore airlines have been invited to participate at all stages of the Capital Investment Plan including steering and working groups, with Gatwick pro-actively disclosing information to these groups. The UK Government introduced the Civil Aviation Bill ("the Bill") into Parliament to reform the framework for the economic regulation of airports. The Bill achieved Royal Assent in December 2012 ("The Civil Aviation Act 2012").

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Competition Rules

The penalties for failing to comply with the 1998 Competition Act and relevant EU law are recognised as risks to be managed within the Group, given its position in certain markets. Clear policy direction, which includes compulsory awareness training and close support from the internal legal department, is in place to mitigate this risk.

Permission to Grow

With increasing demand for air travel, failure to secure planning permissions for new infrastructure would result in Gatwick having insufficient capacity to meet the expected demands of the industry resulting in increased congestion and declining passenger service. This risk is mitigated through extensive consultation with community groups and authorities at a local level, supported by a Section 106 agreement which was renewed during the course of the year, and active participation in Government consultations and other advisory groups.

The Aviation White Paper “The Future of Air Transport” (“the White Paper”) was published in December 2003 and clarified the Government’s policies regarding airport expansion for the whole of the country. It emphasised the need for airport operators to invest in delivering new capacity as well as maximising the use of existing capacity. Shortly after the UK Coalition Government came into power, in May 2010, it indicated that it would not support any new runway development in the South East of England, ruling out any proposals for new runways at Heathrow, Stansted and Gatwick. More recently, the Government has been reviewing aviation policy in the UK. In September 2012 the Government established the Airports Commission. In February 2013 Gatwick formally submitted a letter of intent to the Airports Commission confirming its intention to put forward development options for Gatwick and in July 2013 submitted its proposal for providing additional runway capacity in the long term. The Airports Commission reported to the Government in December 2013 concluding that there is a need for one net additional runway to be in operation in the South East by 2030. The Airports Commission included the provision of a second runway at Gatwick as one of three short-listed options. From December 2013 to May 2014 GAL consulted on options and developed its preferred scheme, submitting its updated scheme design to the Airports Commission on 14 May 2014.

The Airports Commission consulted in the Autumn 2014 on its evaluation of the short-listed options at Gatwick and Heathrow for new runway capacity. The Airports Commission issued its final report on 1 July 2015. It recommended the Heathrow northwest scheme to the Government subject to a number of conditions. These conditions relate, for example, to the management of noise by banning all scheduled night flights, and by requiring capacity to be released only where compliance with UK and EU air quality legislation can be achieved. The Commission also said that Gatwick was a credible, deliverable and financeable option.

On 14 December 2015 the Secretary of State for Transport made a statement to the House of Commons on the Government’s emerging airport’s policy. He confirmed the Government’s acceptance of the case for airport expansion and its acceptance of the short-list of expansion options drawn up by the Airports Commission. He explained that, before making a decision on which option should be taken forward, the Government would carry out further work on air quality, noise, carbon and community impacts and compensation. The Government is expected to conclude this work by the Summer of 2016 at the earliest.

Since then Gatwick has continued to engage with the DfT on its proposed scheme and on issues that are relevant to the Government’s decision. Gatwick will continue to play an active role in this process to help the Government in coming to a policy decision.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Environment

Environmental risks need to be mitigated to ensure compliance with environmental legislation and to minimise environmental impact. Poor environmental performance has the potential to impact Gatwick's reputation, our licence to operate and our potential to grow. These risks are mitigated at a number of levels including the implementation of an environmental management system certified to the ISO14001 standard. This incorporates a legal register to understand what legislation applies to the business operations and sets targets around significant environmental impacts. Gatwick continues to monitor performance against targets and undertakes internal audit and training programmes. Gatwick works proactively with stakeholders to ensure that it effectively manages the challenges posed to the environment by the Airport's operation.

Noise Management

Gatwick has demonstrated a clear commitment to building strong and constructive relationships with local residents, in particular its commitment to improve community engagement on the subject of aircraft noise and airspace changes. Noise complaints and aircraft noise compliance issues are managed through the Flight Performance Team. This team reports to the Director of Corporate Affairs and Sustainability in order to improve communication with local communities. Complaints about aircraft noise are reported on a quarterly and annual basis and the team regularly engages with the local community through public meetings and our annual airspace event.

All this work is underpinned by Gatwick's European Noise Directive Action Plan which has been endorsed by the Secretary of State for Transport. As Gatwick delivers against these actions through 2016 they will create the foundations for the Airport to become a leader in this field.

As a result of feedback from local communities, Gatwick commissioned an Independent Review to assess if more could be done to meet the concerns of local communities regarding noise from arriving aircraft. This comprehensive Review was conducted during 2015 with the full participation of local campaign groups and community representatives. The recommendations were published in January 2016, and in response the Airport has set out an action plan to implement these recommendations. These will form the basis of Gatwick's ongoing strategy to reduce and mitigate the impact of aircraft noise, both in the short term but also with some longer term aspirational changes.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Capital Projects

Gatwick recognises that failure to control key capital project costs and delivery could damage its financial standing and reputation. The Airport mitigates this risk through adherence to a rigorous project process, and by systems of project reviews before approval, during construction and after project completion.

Changes in Demand

The risk of unanticipated long term changes in passenger demand for air travel could lead to misaligned operational capacity within the Airport. Since it is not possible to identify the timing or period of such an effect, Gatwick carries out evaluations through a series of scenario planning exercises.

Under the Contracts and Commitments framework from 1 April 2014, Gatwick carries the financial risk from a reduction in passenger volume during the seven year period of the framework. The framework requires Gatwick to limit its 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"). The CAA has also set out its view of the "fair price" over a five year period of RPI-1.6% per year. The "blended price" is based on the inclusion of airline discounts which are defined, in part, by committed passenger volumes. The Airport has the ability to alter prices by up to RPI+10.0% in any year subject to the requirements set out above to maintain average prices over the seven year period of the framework.

Industrial Relations

Industrial action by key groups of employees that affects critical services or curtails operations could have potentially adverse financial and/or reputational impacts on the Airport. Gatwick recognises three trade unions – Unite, Prospect, and PCS.

Gatwick has a range of formal consultative bodies that discuss pay, conditions of employment, and business issues with the recognised trade unions. Increasing emphasis has been placed on resolving issues at a departmental level thereby avoiding escalation. A revised term of reference has been agreed for the Gatwick Joint Committee, the highest consultative forum in the Airport, which puts more focus on business strategy and performance. There are formal agreements designed to resolve disputes.

Industrial relations have been stable throughout 2015/16 by maintaining ongoing relationships with full time union officers and building working relationships with representatives in the forums and meetings as per the collective agreement. During this period a pay deal was reached where prolonged talks concluded with a two and a half year pay deal. The pay talks coincided with changes to work in security under the Gen II transformation including changes to the role of the security officer and associated rosters.

Additionally there is the potential for adverse financial impacts in the event that industrial action is taken within suppliers of key services (i.e. air traffic controllers) or by employees of key clients (i.e. airlines).

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

Financial Risk Management

The Group's principal financial instruments comprise external borrowings and derivatives.

The Board of Directors approves prudent treasury policies for the 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 Group's business operations and funding. To achieve this, the 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 Group are:

(a) Cash Flow Interest Rate Risk

The 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 Group's total external nominal debt.

The 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 Group's external debt.

(b) Funding and Liquidity Risk

The 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 Group is not exposed to excessive refinancing risk in any one year.

The Group has positive cash flows before capital expenditure. The 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).

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 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 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.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

CORPORATE SOCIAL RESPONSIBILITY

Sustainability Management

Gatwick develops strategies, policies and targets that pave the way for sustainable growth.

The Airport's sustainability approach is built into its governance framework and is led by the Executive Management Board. Gatwick's aim is to: ensure that the right systems are in place to set strategy and policies; determine and deliver appropriate plans; and to manage the business safely and responsibly.

The Airport works closely with its local authorities, having signed a Section 106 ("S106") legal agreement with the West Sussex County Council and Crawley Borough Council in December 2008. In December 2015, the legal agreement was extended until the end of 2018. The legal agreement provides the framework for Gatwick's approach on social, environmental and economic matters. It defines how Gatwick's operation, growth and environmental impacts will be managed and ensures the Airport's wider sustainability strategy is aligned with key local authority partners. It is considered good practice in the UK by external stakeholders. The agreement underpins the important relationship between Gatwick and its local authorities who have responsibilities for planning, environmental management and highways. Performance against the legal agreement is communicated through the Sustainability Performance Review and to Gatwick's Consultative Committee ("GATCOM").

Gatwick continues to build and maintain strong relationships with stakeholders including the Government, airlines, business partners, passengers and employees. Working closely with these stakeholders ensures that the Airport can influence and shape future policy and decisions that may affect Gatwick and the aviation industry, and also to identify joint working opportunities to promote best practice.

Our Decade of Change Progress

In 2010 Gatwick published its Decade of Change sustainability strategy. This outlined the following sustainability priorities:

- to enable Gatwick to be the airport of choice for our passengers and customers;
- to ensure the safety and security of our passengers, partners and employees;
- to generate national and regional economic wealth, connectivity, increased airport catchment and employment;
- to reduce adverse impacts to the environment;
- to build and maintain constructive relationships with stakeholders; and
- to recognise the value of our employees, partners and communities.

Six years on from launching the strategy Gatwick continues to work collaboratively with its partners, making significant progress on all areas of focus. This progress is detailed in Gatwick's Annual Sustainability Report published on Gatwick's website.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

CORPORATE SOCIAL RESPONSIBILITY (continued)

Sustainability Performance

Gatwick monitors its performance in a number of key sustainability areas and produces a comprehensive sustainability report on an annual basis. Full details of Gatwick's sustainability approach and associated performance reporting can be found on Gatwick's website.

Environment, Health and Safety

Gatwick continues to develop its Environment, Health and Safety ("EH&S") Programme. Our programme is designed to continually improve the Health, Safety and Well-Being of our employees and third parties, as well as our environment, with the ultimate goal of achieving GatwickSAFE – safety and health of our people, safety of our assets and safety of our environment. As part of this programme, Gatwick invested £1.0 million in implementing a contractor support centre and creating a registered contractor database, designed to strengthen contractor controls and includes a robust permit to work system. In addition and as part of our Programme, Gatwick launched an Occupational Health and Well-Being Strategy which involved a stronger focus on the health and well-being of our employees, as well as third parties and contractors.

A key success for the year ended 31 March 2016 has been re-certification to our Management Systems ISO14001 and OHSAS 18001, which were renewed as part of a three year auditing cycle. Both certifications demonstrate the Airport's commitment to implementing robust systems and controls for managing EH&S risks, which are independently audited and verified for effectiveness.

One of the key performance indicators which Gatwick uses to measure and drive improvement in EH&S performance is the reduction of lost time injuries ("LTI") rates (LTI per 100,000 hours). In the year ended 31 March 2016 the Gatwick reported a 55% reduction with nine employee LTIs at an LTI rate per 100,000 hours of 0.11 (2015: 20 LTIs at a rate of 0.36). This year-on-year decrease in the LTI rate has resulted largely from programme improvements.

Gatwick also delivered reduction in our other two Health and Safety Key Performance Indicators, with a 56% reduction in fire alarm evacuations and a 37% reduction in road traffic incidents.

The Group enters 2016/17 with a clear mandate to "build a strong EHS culture" with focus on six key runway deliverables – Leadership; Competence and Training; Occupational Health and Well-Being; Communications and Engagement; Environmental Stewardship; and Performance Improvement.

STRATEGIC REPORT (continued)

RISK MANAGEMENT (continued)

CORPORATE SOCIAL RESPONSIBILITY (continued)

Modern Slavery Act 2015

Gatwick has a zero tolerance policy towards modern slavery and human trafficking, and are committed to ensuring that there is no modern slavery or human trafficking in the supply chains or in any part of the business, and to do what can be done to prevent the airport from being used by human traffickers.

There are three broad areas to which Gatwick has regard:

- supply chain – Gatwick has in the region of 750 suppliers; to ensure all those in the supply chain and contractors comply with Gatwick's values and ethics, and Gatwick intends to establish a supply chain compliance programme;
- business partners - Gatwick will seek to ensure that business partners, not just suppliers, comply with the values and ethics; and
- use of the Airport.

Gatwick works with the police and other agencies to assist them in detecting and disrupting human trafficking which might be taking place at the airport. In addition, security officers are being trained to recognise and assist those who might be vulnerable. Gatwick is working with The Good Corporation to develop and implement training and compliance programmes. Gatwick's Slavery and Human Trafficking Statement can be found on Gatwick's website.

DEVELOPING OUR PEOPLE

Investment in People Accreditation

Following re-assessment in 2015, Gatwick achieved IiP Gold accreditation, having previously been awarded the Core standard in 2013. 15,000 businesses assessed in the UK hold the IiP accreditation and out of those only 7% (just over 1000) achieve the Gold standard.

The assessor concluded that the employee experience at Gatwick is of the highest level and our people understand what Gatwick is about, feel a part of it, are engaged and motivated to do a great job and want to play a part in the Airport's success.

In 2015 a key focus was to actively manage talent within the senior leader population, a detailed potential review resulted in a number of promotions and changes to role responsibility. In 2016 the process will be cascaded down to Frontline leaders to identify potential future leaders.

Employee Relations

Gatwick recognises three trade unions which represent approximately 1,650 of its employees. Relationships with all three unions have historically been cordial with no instances of industrial action during the past 20 years. A two and a half year pay deal for non-managerial staff was secured from 1 April 2015 to 30 September 2017.

Gatwick's reward strategy is based on the principle of rewarding individual performance subject to overall Group performance. In addition to an EBITDA target (being the trigger to enable a bonus pot) there is a weighted set of measures which reflect our priorities for the year ahead covering customer service (including on-time performance) and environment, health and safety targets. The amount of any payment to eligible employees depends both on their grade and their individual performance.

STRATEGIC REPORT (continued)

DEVELOPING OUR PEOPLE (continued)

Attendance Management

The year has seen a reduction in absenteeism to an average of 9.8 days (2015: 10.1 days). The new organisation structure established in South Terminal Security with better aligned teams, as part of the Gen II transformation is seen as a positive influence in this regard. It is expected this will continue to improve throughout 2016/17 now that North Terminal Security has completed the same transition.

Learning and Development

Gatwick is committed to the development of its people. As part of an overall learning and development strategy there has been a strong focus during the year on developing our Frontline managers, in particular to provide support for our new Lane Performance Managers in Security. Called “Leading People”, the programme has been designed specifically for Operations and covers a range of subjects spread across six one day sessions. A session is run every two months allowing the delegates to practice in between the sessions. Feedback to date has been extremely positive and the programme will continue to be rolled out in 2016/17. A team of dedicated operational trainers are employed by Gatwick to deliver compliance and regulatory courses. All employees have performance objectives and personal development plans. Two leadership events are run during the year to reinforce the link between the Group’s ambition & strategy and its yearly business objectives.

Headcount

Headcount turnover was down significantly on last year at 6.48% (2015: 15.4%). There were 200 leavers of which 52% resigned, 24% were made redundant or took special severance (there having been an extensive special severance programme run in 2014/15), 12% were normal fixed term contract ends, 9% were dismissed and 3% left under medical retirement. This year has been a year of growth with the average FTE at 2,501 (2015: 2,436).

Resourcing

Gatwick actively recruits internally, promoting the development and progression of the Airport’s employees and continuously focusses on improving its selection and recruitment processes both internally and externally.

The previously outsourced recruitment function is in the process of being brought in house to ensure the highest standards. Wider campus recruitment is also being supported with the creation of the Resourcing Alliance. Gatwick has a range of equal opportunities policies in order to create and support a diverse workforce. It is the policy of Gatwick that no form of discrimination due to disability, race, sex or age, amongst other characteristics, should/will exist in the workplace. At 31 March 2016 within the Group 9% of Board members were female and 91% of Board members were male (2015: 100%), 25% of senior management were female and 75% male (2015: 22% and 78%), and 36% of other employees were female and 64% male (2015: 37% and 63%).

Applications for employment by disabled persons are welcomed and fully considered against the needs of the role. In the event of employees becoming disabled, every effort is made to ensure that their employment with Gatwick continues and that appropriate reasonable adjustments and training are provided.

By order of the Board

Andrew Gillespie-Smith
Director
29 June 2016

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 March 2016.

OWNERSHIP

As at 31 March 2016, Ivy Holdco Limited ("the Company") has four wholly-owned subsidiaries: Gatwick Airport Limited ("Gatwick", "GAL", "the Airport"), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively known as ("the Group").

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The Company is a wholly-owned subsidiary of Ivy Midco Limited, a United Kingdom ("UK") incorporated company, and is ultimately owned by a consortium through a number of UK and overseas holding companies and limited liability partnerships.

The Company's subsidiary, Gatwick Airport Limited, provides the significant majority of the Group's operations.

Gatwick Airport Limited owns 100% of the share capital of Gatwick Funding Limited, a company incorporated in Jersey but resident in the UK for tax purposes. The primary purpose of Gatwick Funding Limited is to raise external funding and provide it to 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" agreement with Gatwick Airport Limited.

On 31 March 2015 Ivy Midco Limited (the Company's ultimate parent in the UK), sold 100% of the issued share capital of Ivy Bidco Limited to Ivy Holdco Limited. Following this transaction, Gatwick Airport Limited acquired 100% of the issued share capital of Ivy Bidco Limited from Ivy Holdco Limited.

The consortium that ultimately owns the Group currently comprises the following parties:

Global Infrastructure Partners, LP ("GIP 1")[1]	41.95%
The Abu Dhabi Investment Authority ("ADIA")[2]	15.90%
The California Public Employees' Retirement System ("CalPERS")[3]	12.78%
National Pension Service of Korea ("NPS")[4]	12.14%
Future Fund Board of Guardians ("Future Fund")[5]	17.23%

[1] Global Infrastructure Partners, LP ("GIP 1") is a US$5.64 billion independent, specialist infrastructure fund that invests worldwide in infrastructure assets and businesses in both OECD and select emerging market countries. GIP 1 was founded in 2006 by former senior executives from Credit Suisse and the General Electric Company. GIP 1 targets investments in power and utilities, natural resources infrastructure, air transport infrastructure, seaports, freight railroad, water distribution and treatment, and waste management. Global Infrastructure Management, LLC, the manager of GIP 1, has offices in New York and London with an affiliate in Sydney and portfolio operations headquarters in Stamford, Connecticut.

[2] The Abu Dhabi Investment Authority ("ADIA"), established in 1976, is a globally diversified investment institution, whose sole mission is to invest funds on behalf of the Government of the Emirate of Abu Dhabi to make available the necessary financial resources to secure and maintain the welfare of the Emirate.

[3] The California Public Employees' Retirement System ("CalPERS") manages retirement benefits for more than 1.8 million public employees, retirees, and their families and more than 3,000 employers in the state of California, United States of America. CalPERS also manages health benefits for more than 1.4 million members. The CalPERS fund invests in a range of asset classes, with a market value of approximately US$279 billion.

[4] National Pension Service of Korea ("NPS") is a public pension fund for the general public in Korea with assets of US$430 billion, and is the third largest pension fund in the world.

[5] Future Fund Board of Guardians ("Future Fund") is a financial asset fund established by the Future Fund Act 2006 to assist the Australian government meet the cost of public sector superannuation liabilities by delivering investment returns on contributions to the fund. The fund has approximately A$117 billion assets under management.

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS

The Directors of the Company 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
John McCarthy

As most of the airport's operations occur within Gatwick, below lists the two executive and nine non-executive directors that served on the Board of Gatwick Airport Limited.

The following non-executive directors oversee Gatwick Airport Limited on behalf of the consortium:

- Raphael Arndt (resigned 23 March 2016)
- Andrew Gillespie-Smith;
- John McCarthy;
- Michael McGhee;
- William Woodburn; and
- Wendy Norris (appointed 23 March 2016).

The Gatwick Airport Limited's Board of Directors who served during the year and up to the date of approval of these financial statements, except where otherwise stated, were as follows:

Sir Roy McNulty (Non-executive Chairman)
Sir Roy McNulty was appointed Chairman of Gatwick Airport Limited on 1 April 2013, having first joined the Board in April 2011 as a Non-executive Director. Sir Roy is Chairman of Norbrook Laboratories Limited and a Non-executive Director of Monarch Group Limited. Sir Roy was previously Chairman of the CAA, the UK's specialist aviation regulator, a post he held for eight years. Prior to this he was Executive Chairman of National Air Traffic Services Limited ("NATS") from May 1999 to July 2001. Sir Roy was appointed by the former Secretary of State in February 2010 as Chairman to lead a special Rail Value for Money Study which reported in May 2011. Other previous posts include being Chief Executive and latterly Chairman of Short Brothers plc, the Belfast-based aerospace company now part of Bombardier Inc., President of the Society of British Aerospace Companies, Chairman of the former Department of Trade and Industry Aviation Committee, Deputy Chairman of the Olympic Delivery Authority, and Chairman of the Ilex Urban Regeneration Company in Northern Ireland.

Stewart Wingate (Chief Executive Officer)
Stewart is the Chief Executive Officer (CEO). Stewart was with BAA from 2004 until September 2009, first as Customer Services Director of Glasgow Airport, then as Chief Executive Officer of Budapest Airport and most recently as Managing Director of Stansted Airport. He is a Chartered Engineer and a Fellow of the Institute of Engineering and Technology. Stewart has a Masters in Business Administration with distinction and a first-class honours degree in Electrical and Electronic Engineering.

Nicholas Dunn (Chief Financial Officer)
Nick was appointed Chief Financial Officer (CFO) in April 2010. Nick joined from Anglo American plc where he was General Manager, Corporate Finance. Prior to that, he worked for six years with Centrica plc in a number of senior finance roles including as Director of Group M&A, Finance Director for Centrica Energy and Finance Director for British Gas Business. Nick has more than ten years' experience in investment banking, with the majority of this time specialising in the transportation and energy sectors. He has advised governments and private investors on the financing of airports and air traffic control and has managed airport acquisition, IPO and financing transactions in the UK and internationally. Nick holds a BEng (1st Class Honours) in Electronic Engineering from the University of Southampton.

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS (continued)

Wendy Norris (Non-executive Director, Future Fund representative)
Wendy Norris joined the Future Fund in April 2010 and is the Head of Infrastructure and Timberland. Wendy is responsible for managing and establishing the strategy for the infrastructure and timberland portfolios. Prior to this role, Wendy was a Director of Infrastructure and Timberland. Wendy was previously an Investment Director with Hastings Funds Management where she was responsible for managing infrastructure investments and leading transactions in Australia, the UK and the US. Wendy holds an Applied Science degree from the University of New South Wales and a graduate management diploma from the Australian Graduate School of Management.

Andrew Gillespie-Smith (Non-executive Director, GIP representative)
Andrew joined Global Infrastructure Partners ("GIP") in 2008 and led the M&A team for GIP in acquiring Gatwick Airport. Prior to joining GIP, Andrew was a Managing Director of the Investment Banking Department of Credit Suisse. He joined Credit Suisse in 1998 when BZW's corporate finance business was acquired by Credit Suisse. Andrew has advised clients on a broad range of corporate finance transactions including mergers and acquisitions, debt and equity financings. These transactions spanned airports, airlines and related businesses, air traffic control, shipping, coal and power generation sectors across Australia, Europe, Asia and the Americas. Prior to joining BZW, he qualified as a corporate lawyer at the London-based law firm Herbert Smith.

James van Hoften (Non-executive Director)
James is a former senior vice president and partner of the Bechtel Corporation. He was Managing Director of the global airport design and construction business and was responsible for airport developments in the Middle East, Japan, and North and South America. In the early 1990s, he was the programme manager of the US$23 billion Hong Kong Airport Core Programme including the new Hong Kong Airport. Previously, James spent eight years as a NASA astronaut including two flights on the space shuttle and four space walks. James is also a director of the Cianbro Corporation and is on the Board of Trustees of the University of California, Berkeley.

Andrew Jurenko (Non-executive Director)
Andrew advised the consortium on the Gatwick acquisition and is a consultant to a number of property businesses. He was previously employed by BAA plc and was a member of BAA plc's executive committee, as Managing Director of BAA International, where he led the acquisition of Budapest Airport. Andrew's international experience also includes serving as CEO of Australia Pacific Airports Corporation Limited ("APAC"), as interim CEO of Melbourne Airport following its successful acquisition and as Managing Director of BAA Pacific Ltd in Hong Kong. In the UK, Andrew, was also Managing Director of BAA's World Duty Free direct retailing arm, co-Chairman of BAA's non-airport retail joint venture, McArthur Glen, and Managing Director and then Chairman of the commercial property company, BAA Lynton.

Michael McGhee (Non-executive Director, GIP representative)
Michael is a transport partner of GIP and is based in London. He was a Managing Director of the Investment Banking Department of Credit Suisse and Head of the Global Transportation and Logistics Group since 1998. Previously he was head of BZW's Global Transportation Group, since founding it in July 1990, and has advised governments on several privatisations in the transport sector globally.

David McMillan (Non-executive Director)
David McMillan has had a long career in the transport sector, with a focus on aviation. Previously he has held a number of key positions including Chair of the global Flight Safety Foundation and Director General of Eurocontrol, which coordinates air traffic across 40 European states. Before that he was UK Director General of Civil Aviation and spoke for Europe on environmental issues at ICAO. Earlier in his career, David led for the Government on the establishment of both the NATS PPP and of Network Rail; and was Secretary to the RUCATSE report on airport capacity in South East England. David started his career in the Diplomatic Service and is a fellow of both the Chartered Institute of Transport and the Royal Aeronautical Society.

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS (continued)

William Woodburn (Non-executive Director, GIP representative)
William is an operating partner of GIP and is based in New York City and Stamford, Connecticut. Before joining GIP, he was the President and CEO of GE Infrastructure and previously president and CEO of GE Specialty Materials. Prior to this, William was executive Vice President and a member of the Office of the CEO at GE Capital, with oversight responsibilities for GE Capital Equipment Management businesses, including Americom, Fleet Service, Rail Services, TIP & Modular Space and Penske Truck Leasing. He served on the GE Capital Board in 2000 and 2001 and oversaw GE Capital India, GE Capital Global Sourcing, GE Capital Container Finance and GE SeaCo JV.

John McCarthy (Non-executive Director, ADIA representative)
John McCarthy is Global Head of Infrastructure at Abu Dhabi Investment Authority. He is responsible for developing and implementing investment strategy for the infrastructure division and for overseeing all day-to-day activities within the infrastructure team. This includes managing ADIA's existing investment portfolio, as well as new transactions.

With over 20 years' experience in this sector, John joined ADIA from Deutsche Bank where he was Managing Director and Global Head of Infrastructure. Prior to that he worked at ABN AMRO and BZW in Australia. He holds a post graduate degree in Finance and a BA in Economics from Monash University, Melbourne.

BOARD COMMITTEES

There are four sub-committees of the Board of Directors: an Audit and Governance Committee, a Capital Investment Board Sub-Committee, Environment Health and Safety and Operational Resilience Committee, and a Nomination and Remuneration Committee.

The Audit and Governance Committee (Chairman, Andrew Gillespie-Smith) is responsible for the independent oversight of corporate governance, the system of internal control, risk management and the financial reporting processes of the Group.

The Capital Investment Board Sub-Committee (Chairman, Andrew Gillespie-Smith) is primarily responsible for discharging the Board's duties in relation to capital investment. In particular, it is responsible for the approval of any project over £10.0 million and the annual Capital Investment Plan.

The Environment Health and Safety and Operational Resilience Committee (Chairman, David McMillian) is responsible for reviewing the Group's strategy with respect to health and safety, operational resilience and business continuity. The Committee monitors the Group's performance against targets and drives management commitment and accountability with respect to managing risks.

The Nomination and Remuneration Committee (Chairman, Michael McGhee) is responsible for overseeing Board and Senior Management appointments, remuneration and succession planning.

These committees meet at least twice per annum.

DIRECTORS' REPORT (continued)

EXECUTIVE MANAGEMENT BOARD

Gatwick also has an Executive Management Board which includes the Chief Executive Officer, the Chief Financial Officer and other members of senior management. The Executive Management Board meets monthly and is responsible for the day-to-day management of the Group. In particular, the Executive Management Board has collective responsibility for assisting the Board of Directors in the performance of their duties for the Group including:

- the development and implementation of strategy, operational plans and budgets;
- the achievement of business plans and targets;
- the assessment and control of risk;
- ensuring compliance with legal and regulatory requirements; and
- the development and implementation of the Group's ethics and business standards and health, safety, security and environmental policies and procedures.

DIVIDENDS

On 11 December 2015, the Directors declared and paid a dividend of 18.87p per share amounting to £48.0 million (2015: £80.0 million on 31 July 2014 and £53.0 million on 26 November 2014). The Directors did not recommend the payment of a final dividend (2015: nil).

DIRECTORS' INDEMNITY

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, 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 Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Andrew Gillespie-Smith
Director
29 June 2016

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

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

Company law requires the directors to prepare consolidated and parent company financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 group and parent company and of their profit or loss for that period. In preparing each of the consolidated and parent company 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 they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

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

By order of the Board

Andrew Gillespie-Smith
Director
29 June 2016

INDEPENDENT AUDITOR'S REPORT
To the members of Ivy Holdco Limited

We have audited the consolidated financial statements of Ivy Holdco Limited for the year ended 31 March 2016 set out on pages 38 to 77. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the consolidated 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 consolidated 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 consolidated financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the consolidated 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 Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter – parent company financial statements

We have reported separately on the parent company financial statements of Ivy Holdco Limited for the year ended 31 March 2016.

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
29 June 2016

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2016

	Note	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Revenue	5	**673.1**	638.0
Other operating income	6	**-**	2.0
Operating costs	7	**(476.3)**	(484.0)
Operating profit		**196.8**	156.0
Analysed as:			
Operating profit before exceptional items		**202.7**	173.8
Operating costs - exceptional	8	**(5.9)**	(17.8)
Investment property revaluation	17	**28.7**	17.0
Loss on disposal of fixed assets	9	**(6.4)**	(1.1)
Financing			
Fair value gain/(loss) on derivative financial instruments	10	**4.1**	(3.8)
Finance income	11	**21.3**	21.4
Finance costs	12	**(103.5)**	(110.1)
Profit before tax		**141.0**	79.4
Income tax credit	13,23	**1.2**	22.4
Profit for the year		**142.2**	101.8

The notes on pages 42 to 77 form an integral part of these financial statements.
All income and expenses recognised during the current and prior year are from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2016

	Note	**Year ended 31 March 2016 £m**	Year ended 31 March 2015 £m
Profit for the year		**142.2**	101.8
Other comprehensive income			
Items that will not be reclassified to the consolidated income statement			
Actuarial gain/(loss) on retirement benefit obligations	25	**3.7**	(11.5)
Tax (charge)/credit	23	**(0.9)**	2.4
Other comprehensive income/(loss) for the year		**2.8**	(9.1)
Total comprehensive income for the year		**145.0**	92.7

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

	Note	**Share capital £m**	**Merger reserve £m**	**Retained earnings £m**	**Total £m**
Balance at 1 April 2014		246.6	(260.8)	600.4	586.2
Profit for the year		-	-	101.8	101.8
Other comprehensive income		-	-	(9.1)	(9.1)
Capital contribution	15	-	-	0.6	0.6
Dividends	14	-	-	(133.0)	(133.0)
Shares issued		7.8	-	-	7.8
Balance at 31 March 2015		254.4	(260.8)	560.7	554.3
Profit for the year		-	-	142.2	142.2
Other comprehensive income		-	-	2.8	2.8
Capital contribution	15	-	-	0.5	0.5
Dividends	14	-	-	(48.0)	(48.0)
Shares issued		-	-	-	-
Balance at 31 March 2016		**254.4**	**(260.8)**	**658.2**	**651.8**

The notes on pages 42 to 77 form an integral part of these financial statements.

CONSOLIDATED 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				
Property, plant and equipment	16	**2,138.1**	2,049.8	2,001.0
Investment properties	17	**801.3**	765.5	747.0
Intangible assets	18	**12.3**	14.5	16.3
Finance lease receivables	21	**17.0**	17.1	16.9
Other non-current assets	22	**0.1**	0.1	0.1
		2,968.8	2,847.0	2,781.3
Current assets				
Inventories		**2.9**	3.6	3.6
Trade and other receivables	19	**44.5**	55.4	45.8
Cash and cash equivalents		**3.1**	3.3	13.4
		50.5	62.3	62.8
Total assets		**3,019.3**	2,909.3	2,844.1
Liabilities				
Non-current liabilities				
Borrowings	24	**(1,753.8)**	(1,662.2)	(1,520.7)
Derivative financial liabilities	20	**(155.8)**	(186.7)	(227.9)
Finance lease liabilities	21	**(44.0)**	(43.7)	(43.0)
Deferred tax	23	**(243.9)**	(244.2)	(269.0)
Retirement benefit obligations	25	**(45.2)**	(40.7)	(24.0)
Other non-current liabilities	26	**-**	(50.0)	(49.0)
		(2,242.7)	(2,227.5)	(2,133.6)
Current liabilities				
Finance lease liabilities	21	**(0.3)**	(0.9)	(0.3)
Trade and other payables	27	**(109.4)**	(111.6)	(108.9)
Current tax liabilities		**(3.3)**	(2.9)	(2.8)
Deferred income		**(11.8)**	(12.1)	(12.3)
		(124.8)	(127.5)	(124.3)
Total liabilities		**(2,367.5)**	(2,355.0)	(2,257.9)
Net assets		**651.8**	554.3	586.2
Equity				
Share capital	28	**254.4**	254.4	246.6
Retained earnings		**658.2**	560.7	600.4
Merger reserve		**(260.8)**	(260.8)	(260.8)
Total equity		**651.8**	554.3	586.2

The notes on pages 42 to 77 form an integral part of these financial statements.

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

Michael McGhee
Director

Andrew Gillespie-Smith
Director

CONSOLIDATED CASH FLOW STATEMENT
For the 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	**141.0**	79.4
Adjustments for:		
Investment property revaluation	**(28.7)**	(17.0)
Loss on disposal of fixed assets	**6.4**	1.1
Fair value (gain)/loss on financial instruments	**(4.1)**	3.8
Finance income	**(21.3)**	(21.4)
Finance costs	**103.5**	110.1
Depreciation and amortisation	**128.3**	127.8
Impairment of fixed assets	**5.9**	12.0
Decrease/(increase) in stock, trade and other receivables	**4.0**	(2.8)
(Decrease)/increase in trade and other payables	**(2.3)**	5.1
Increase in net pension liability	**6.8**	4.6
Other provision movements	**0.7**	0.6
Net cash from operating activities	**340.2**	303.3
Cash flows from investing activities		
Interest received	**1.4**	1.1
Purchase of fixed assets	**(213.8)**	(182.4)
Net cash from investing activities	**(212.4)**	(181.3)
Cash flows from financing activities		
Interest paid	**(93.3)**	(89.9)
Increase in external borrowings	**90.0**	135.7
Payment of inflation accretion	**(26.7)**	(44.9)
Repayment of related party borrowings	**(50.0)**	-
Equity dividends paid	**(48.0)**	(133.0)
Net cash from financing activities	**(128.0)**	(132.1)
Net decrease in cash and cash equivalents	**(0.2)**	(10.1)
Cash and cash equivalents at the beginning of the year	**3.3**	13.4
Cash and cash equivalents at the end of the year	**3.1**	**3.3**

The notes on pages 42 to 77 form an integral part of these financial statements.

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

1. BASIS OF PREPARATION

These are the consolidated financial statements of Ivy Holdco Limited (“the Company”) and its subsidiaries (“the Group”) for the year ended 31 March 2016. The comparative year is the year ended 31 March 2015. They are presented in sterling and rounded to the nearest £m. 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 and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

For all years up to and including the year ended 31 March 2015, the Group prepared its consolidated 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 Group has prepared in accordance with IFRS and consequently it has applied IFRS 1 First-time Adoption of International Financial Reporting Standards. IFRS 1 grants certain exemptions from the full requirements of IFRS in the transition period. The following exemption has been taken in these financial statements: at 1 April 2014, fair value has been used as deemed cost for some items of plant, property and equipment previously measured at depreciated cost. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 33. This note includes reconciliations of equity and total comprehensive income for the comparative periods reported under UK GAAP to those reported under IFRS.

The Directors 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 (refer to note 24); and
- the Group’s financial covenants.

All of the Group’s financial covenants (refer to note 24) have been met 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 (including a fall in passenger numbers), the Directors have a reasonable expectation that sufficient funds are available to meet the Group’s funding requirements 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 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 29 June 2016.

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

NOTES TO THE CONSOLIDATED 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;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IAS 1 Disclosure initiative;
- Annual improvements to IFRS 2012-2014;
- Amendments it IAS 27: Equity Method in Separate Financial Statements;
- Amendments to IAS 16 and IAS 36: 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 standards and interpretations will have a material impact on the Group and parent 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Ownership

On 3 December 2009, BAA (AH) Limited ("BAA") completed the sale of the Gatwick Airport Limited to Ivy Bidco Limited, a UK incorporated company. On 2 March 2011, Ivy Bidco Limited transferred its shares in GAL to Ivy Holdco Limited, its wholly-owned subsidiary.

Ivy Holdco Limited, a United Kingdom ("UK") incorporated company, is ultimately owned by a consortium through a number of UK and overseas holding companies and limited liability partnerships.

Gatwick Airport Limited owns 100% of the share capital of Gatwick Funding Limited, a company incorporated in Jersey but resident in the UK for tax purposes.

On 31 March 2015 Ivy Midco Limited (the Company's ultimate parent in the UK), sold 100% of the issued share capital of Ivy Bidco Limited to Ivy Holdco Limited. Following this transaction, Gatwick Airport Limited acquired 100% of the issued share capital of Ivy Bidco Limited from Ivy Holdco Limited.

Gatwick Airport Limited, its parent entity Ivy Holdco Limited, Gatwick Funding Limited, Ivy Bidco Limited and its subsidiary Gatwick Airport Pension Trustees Limited are collectively referred to in this Annual Report and the financial statements as "the Ivy Holdco Group".

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and it can be measured reliably. Revenue is measured at the fair value of the consideration received net of rebates, discounts and VAT and comprises:

- Airport and other traffic charges:
  - Passenger charges levied on passengers on departure;
  - Aircraft landing charges levied according to noise certification and weight on landing;
  - Aircraft parking charges based on a combination of weight and time parked; and
  - Other charges levied (i.e. fixed electrical ground power) when these services are rendered.

- Retail:
  - Concession fees recognised based upon weekly sales turnover information supplied by concessionaires, which is verified at least annually by sales turnover certificates supplied by concessionaires.

- Car parking:
  - Car park income is recognised based upon the date of parking.

- Property and operational facilities:
  - Property letting income, recognised on a straight-line basis over the term of the rental period;
  - Usage charges made for the operational systems (i.e. check-in desks, baggage handling), recognised as each service is provided;
  - Proceeds from the sale of trading properties, recognised on the unconditional completion of the sale; and
  - Other invoiced sales, recognised on the performance of the service.

- Contractual income is treated as deferred income and released to the income statement as earned.

(c) Exceptional Items

Exceptional items are material items of income or expense that, because of the unusual nature or frequency of the events giving rise to them, merit separate presentation to allow an understanding of the Group's financial performance. Such items may include gains or losses on disposal of assets, impairment of assets, major reorganisation of business, closure or mothballing of terminals and those costs incurred in bringing new airport terminal complexes and airfields to operational readiness that are not able to be capitalised as part of the project.

Details of items treated as exceptional are provided in note 8.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment

Property, plant and equipment constitutes the Group's operational asset base including terminal complexes, airfield assets, plant, equipment and Group occupied properties. The Group has elected to use the cost model under IAS 16 Property, plant and equipment as modified by the transitional exemption to account for assets at deemed cost that were fair valued upon transition to IFRS in accordance with IFRS 1. Consequently, property, plant and equipment is stated at cost or deemed cost less accumulated depreciation.

Assets in the course of construction are stated at cost less provision for impairment (if any). Assets in the course of construction are transferred to completed assets when substantially all the activities necessary to get the asset ready for use are complete. Where appropriate, cost includes relevant borrowing costs, own labour costs of construction and related project management costs, and directly attributable overheads. Costs associated with projects that are in the early stages of planning are capitalised where the Directors are satisfied that it is probable the necessary consents will be received and the resources will be available to achieve a successful delivery of an asset such that future commercial returns will flow to the Group.

The Group reviews these projects on a regular basis, and at least every six months, to determine whether events or circumstances have arisen that may indicate that the carrying amount of the asset may not be recoverable, at which point the asset would be assessed for impairment.

Depreciation is provided on operational assets, other than land, and assets in the course of construction, on a straight-line basis over their expected useful life as follows:

Terminal building, pier and satellite structures	20 - 60 years
Terminal fixtures and fittings	5 - 20 years
Airport plant and equipment:	
baggage systems	15 years
screening equipment	7 years
lifts, escalators, travelators	20 years
other plant and equipment including runway lighting and building plant	5 - 20 years
Airport tunnels, bridges and subways	50 - 100 years
Runway surfaces	10 - 15 years
Runway bases	100 years
Taxiways and aprons	50 years
Motor vehicles	4 - 8 years
Office equipment	5 - 10 years
Computer equipment	4 - 8 years
Short leasehold properties	over period of lease

The Group assesses, at each financial position date, whether there is an indication that an asset's residual value and/or useful life may not be appropriate. If such indication exists, the useful lives and residual values are reviewed, and adjusted if appropriate.

Interest payable resulting from financing property, plant and equipment whilst in the course of construction is capitalised once planning permission has been obtained and a firm decision to proceed taken. Capitalisation of interest ceases once the asset is complete and ready for use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment Properties

The Group recognises investment property in accordance with IAS 40 Investment Properties. An investment property is one held to either earn rental income or for capital growth. The Group has elected to use the fair value model and therefore investment properties are initially recognised at cost then revalued to fair value at the reporting date by an Independent Property Valuer. Gains or losses in fair value of investment properties are recognised in the Income Statement in the period in which they arise. Gains or losses on disposal of investment property are recognised in the Income Statement on completion.

If an investment property becomes Group occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost.

(f) Intangible Assets

Intangible assets relate to computer software costs and are measured at cost less accumulated amortisation. Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful economic life, from the date that the assets are available for use. Amortisation methods and useful lives are reviewed annually and adjusted if appropriate.

(g) Investment in Subsidiaries

Investments in subsidiaries are recognised at cost and reviewed for impairment on an annual basis.

(h) Impairment of Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the asset does not generate cash flows that are independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value, on a straight-line basis over its remaining useful life.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases

Leases are classified according to the substance of the arrangement**.**

Operating Leases

(i) Group as lessor

Leases where the Group retains substantially all the risks and benefits of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on the same basis as the income.

(ii) Group as lessee

Rental costs under operating leases are charged to the Income Statement in equal instalments over the period of the lease.

Finance Leases

(i) Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(ii) Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Income Statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

(j) Inventories

Inventories consist of engineering spares and other consumable stores and are recorded at the lower of cost and net realisable value.

(k) Cash and Cash Equivalents

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

(l) Provisions

Provisions are recognised when the Group 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group 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 Group's financial assets are classified as loans and receivables. Classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

(i) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not they are presented as non-current assets.

(ii) 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 trade receivables that are not assessed to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables includes the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on trade receivables.

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.

The carrying amount of trade receivables is reduced through the use of an allowance account (i.e. a bad debt provision). When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

Financial Liabilities

Financial liabilities are classified as either:
- financial liabilities at fair value through profit or 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.

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 obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

(iv) Derivative financial instruments

The Group 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 Group are interest rate and index-linked swaps.

The purpose of the interest rate swaps is to hedge the cash interest rate risk that arises on borrowings with variable interest rates. Interest receivable on the swaps matches the benchmark interest rate payable on the borrowings, and interest payable is at a fixed rate. The purpose of the index-linked swaps is to hedge the inflation risk arising on inflation related income, particularly RPI linked aircraft and other traffic charges. Interest receivable on the swaps matches the benchmark interest rate payable on the borrowings, and interest payable on the swaps is based on a fixed real interest rate (excluding inflation) plus a periodic inflation adjustment amount based on the cumulative movement in the RPI inflation index. On each five year anniversary date of the index-linked swaps, a further payment is made based on the cumulative movement in the RPI index applied to the notional principal value of the 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 Group’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, incorporates a reduction to reflect the credit risk of the Group 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.

(n) Retirement Benefit Obligations

The Group operates a self-administered defined benefit plan. The defined benefit obligation or surplus is calculated each reporting date by independent actuaries using the projected unit method. The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the Statement of Financial Position.

Current service costs, a net interest charge on plan assets and plan administration expenses are recognised within the Income Statement as they are incurred.

Re-measurements on retirement benefit obligations are recognised in Other Comprehensive Income under IAS 19.

The Group also operates a defined contribution scheme. The pension costs of this scheme are charged to the Income Statement in the period in which they are incurred.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Share-Based Payments

Certain employees of the Group participate in a long term incentive plan ("LTIP"). Under this equity-settled plan, the Group receives services from these employees as consideration for equity instruments of another Group company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense, with the corresponding entry being a capital contribution from the Group entity ultimately issuing the equity instruments. During the year ended 31 March 2015, this Group entity was Ivy Bidco Limited. On 31 March 2015, the LTIP scheme was transferred from Ivy Bidco Limited to Ivy Midco Limited. Ivy Midco Limited will issue equity instruments in relation to this LTIP scheme from 31 March 2015 onwards.

The fair value of the employee services received is determined by reference to the fair value of the equity instruments granted, measured by use of a valuation model. Fair value excludes the impact of any non-market service and performance vesting conditions (i.e., profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each financial position date, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

(p) 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 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 position date and are expected to apply in the periods in which the timing differences are expected to reverse.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

(r) Dividend Distribution

A dividend distribution to the Group's shareholders is recognised in the Group'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.

(s) 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).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Investment Properties

Investment properties were valued at fair value at 31 March 2016 by Deloitte LLP. The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence.

Retirement Benefit Obligations

Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at year end and future returns on pension scheme assets and charges to the Income Statement. The factors have been determined in consultation with the Group's actuary taking into account market and economic conditions. Changes in assumptions can vary from year-to-year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the Statement of Comprehensive Income. Further details are available in note 25.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Taxation

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. On this basis, the recognition of a deferred tax asset in the financial statements requires judgement from management. Management make an assessment of forecast profits in future years and use this as the basis for their decision as to whether or not to recognise the deferred tax asset.

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. REVENUE

The Directors consider the business to have 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.

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Airport and other traffic charges	**350.8**	332.7
Retail	**152.5**	149.1
Car parking	**77.9**	72.4
Property income	**24.7**	26.2
Operational facilities and utilities income	**31.9**	30.6
Other	**35.3**	27.0
	673.1	638.0

6. OTHER OPERATING INCOME

During the year ended 31 March 2015, the Group received other income in the form of insurance proceeds.

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Other income	**-**	2.0

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

7. OPERATING COSTS

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Wages and salaries	**138.9**	128.0
Social security costs	**11.9**	11.2
Pension costs	**20.4**	19.4
Share-based payments	**0.5**	0.6
Other staff related costs	**6.5**	5.6
Staff costs	**178.2**	164.8
Retail expenditure	**2.6**	1.7
Car parking expenditure	**17.8**	19.2
Depreciation or amortisation	**128.3**	127.8
Maintenance expenditure	**33.5**	33.7
Rent and rates	**29.5**	28.1
Utility costs	**18.2**	18.5
Police costs	**12.7**	12.4
General expenses	**29.6**	38.6
Aerodrome navigation service costs	**20.0**	21.4
Operating costs – exceptional (note 8)	**5.9**	17.8
	476.3	484.0

Staff costs are offset by the subsequent capitalisation of these costs, which appears as part of general expenses above. Overall, total staff costs capitalised were £29.6 million in the year ended 31 March 2016 (2015: £22.2 million). Average full-time equivalent (“FTE”) employee numbers increased from 2,436 in the prior year to 2,501 in the current year. Average operational FTE employees increased from 2,091 to 2,148 during the year, and non-operational FTE employees increased from 345 to 353.

Amounts receivable by the Group’s auditor in respect of services to the Group totalled £0.2 million in 2016 (2015: £0.2 million.)

No directors of the Company were remunerated during the year for services to the Company.

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

8. OPERATING COSTS - EXCEPTIONAL

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Impairment of fixed assets (a)	5.9	12.0
Staff related exceptional costs (b)	-	6.5
Pension curtailment credit (b)	-	(0.7)
	5.9	17.8

(a) In the year ended 31 March 2015 the Group impaired tangible fixed assets by £12.0 million following a review of terminal complex assets and a structural defect identified in a car park.

A further £5.9 million impairment was identified in the year ended 31 March 2016 following further review of a structural defect identified in a car park.

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

9. LOSS ON DISPOSAL OF FIXED ASSETS

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

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Loss on disposal of fixed assets	**6.4**	1.1

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

10. 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 20).

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Fair value gain/(loss) on derivative financial instruments	**4.1**	(3.8)

11. FINANCE INCOME

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Interest receivable on money markets and bank deposits	**-**	0.2
Interest receivable on derivative financial instruments (a)	**20.4**	20.4
Finance lease income	**0.9**	0.8
	21.3	21.4

(a) These amounts relate to interest receivable on £396.0 million interest to index-linked derivatives. Refer to note 20 for detail on the nominal value of the Group's swaps.

12. FINANCE COSTS

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Interest on fixed rate bonds	**87.1**	87.1
Interest on bank borrowings (a)	**1.7**	0.2
Interest on borrowings from other group undertakings (b)	**2.0**	6.2
Interest payable on derivative financial instruments (c)	**11.4**	11.4
Amortisation of debt costs	**1.6**	1.6
Non-utilisation fees on bank facilities	**1.9**	2.0
Finance lease expense	**9.6**	8.7
Net charge on pension scheme	**1.4**	1.1
Capitalised borrowing costs (d)	**(13.2)**	(8.2)
	103.5	110.1

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

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

12. FINANCE COSTS (continued)

(b) This amount relates to interest on borrowings from Ivy Midco Limited in the current year (2015: interest on borrowings from Ivy Bidco Limited)

(c) These amounts relate to interest payable on £396.0 million interest to index-linked derivatives. Refer to note 20 for detail on the nominal value of the Group's swaps.

(d) Borrowing costs have been capitalised using a rate of 5.1% (2015: 5.6%), 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.

13. INCOME TAX

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Current tax		
Total current tax charge	**-**	-
Deferred tax		
Current year	**(27.5)**	101.7
Adjustment in respect of prior years	**0.1**	0.6
Effect of change in tax rate	**27.9**	(1.1)
Benefit of previously unrecognised deferred tax assets	**-**	27.2
Recognition of revaluation on investment property	**0.7**	(106.0)
Total deferred tax credit	**1.2**	22.4
Income tax credit	**1.2**	22.4

Reconciliation of effective tax rate

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20% (2015: 21%). The actual tax charge for the current and prior year differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Profit before tax	**141.0**	79.4
Tax on profit at 20% (2015: 21%)	**(28.2)**	(16.7)
Effect of:		
Adjustment in respect of prior years	**0.1**	37.0
Expenses not deductible for tax purposes	**(6.5)**	(10.0)
Income not taxable	**0.5**	-
Tax rate changes	**27.9**	0.7
Effects of group/other relief	**8.1**	-
Deferred tax arising on transitional adjustments	**-**	11.4
Revaluation on investment property	**(0.7)**	-
Total tax credit	**1.2**	22.4

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

13. INCOME TAX (continued)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Group's future current tax charge and reduce the Group's deferred tax liability accordingly.

14. DIVIDENDS

On 11 December 2015, the Directors declared and paid a dividend of 18.87p per share amounting to £48.0 million (2015: £80.0 million on 31 July 2014 and £53.0 million on 26 November 2014). The Directors did not recommend the payment of a final dividend (2015: nil).

15. SHARE BASED PAYMENTS

The Group has an LTIP for certain members of its Executive Management Board. During the year ended 31 March 2016 the LTIP related to equity instruments of Ivy Midco Limited. On 31 March 2015, the LTIP member's interest was transferred from Ivy Bidco Limited to Ivy Midco Limited.

The value of these equity instruments will be based on the internal rate of return ("IRR") achieved by the Group's controlling shareholder from acquisition to sale of their investment in the Group. Below a minimum IRR threshold, these equity instruments will have no value. Above a ceiling IRR, the value of these equity instruments are capped. These equity instruments will vest over a period of six or eight years, depending on the member.

The initial investment by participants at 1 October 2011 is at price equal to the estimated fair value, for taxation purposes, of the equity instrument at inception of the scheme. The equity instrument has been valued for accounting purposes applying a simplified binomial valuation methodology, using the output of a discounted cash flow model under a series of probability weighted scenarios as to the financial performance of the Group, including dividend cash flows, and the timing and level of any future sale. The Group recognised total expenses of £0.5 million related to equity-settled share-based payment transactions in the year ended 31 March 2016 (2015: £0.6 million).

The participants in the scheme are party to a loan agreement with Gatwick Airport Limited, amounting to £2.8 million (2015: £2.8 million), the purpose of which enabled the participants to fund the original allotment of equity instruments of Ivy Bidco Limited under the LTIP agreement. The participants originally directed Gatwick Airport Limited to pay monies lent under the loan agreement directly to Ivy Bidco Limited for that purpose. The loan is interest free and repayable under the terms set out in the loan agreement. In particular, the loan has no fixed duration, but shall become repayable in full no later than two business days after the date on which the participant disposes of their equity instruments.

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

16. 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 2014	1,124.1	447.8	48.2	303.4	132.8	2,056.3
Additions at cost	-	-	-	0.7	180.7	181.4
Interest capitalised	-	-	-	-	8.2	8.2
Transfers to completed assets (to investment properties and intangible assets)	39.9	11.6	16.6	(5.8)	(73.1)	(10.8)
Reclass between categories (to investment properties and intangible assets)	-	-	(4.5)	(2.6)	-	(7.1)
Disposals	(0.6)	-	(1.1)	(0.1)	-	(1.8)
Impairment	(2.0)	-	-	-	-	(2.0)
31 March 2015	1,161.4	459.4	59.2	295.6	248.6	2,224.2
Additions at cost	-	-	-	-	220.1	220.1
Interest capitalised	-	-	-	-	13.2	13.2
Transfers to completed assets	39.3	2.6	16.3	29.6	(107.9)	(20.1)
Disposals	(5.6)	(0.7)	-	(8.7)	-	(15.0)
31 March 2016	**1,195.1**	**461.3**	**75.5**	**316.5**	**374.0**	**2,422.4**
Depreciation						
1 April 2014	(3.1)	(0.4)	(1.6)	(50.2)	-	(55.3)
Charge for the year	(64.5)	(25.7)	(3.6)	(26.4)	-	(120.2)
Disposals	-	-	1.1	-	-	1.1
31 March 2015	(67.6)	(26.1)	(4.1)	(76.6)	-	(174.4)
Charge for the year	(69.0)	(33.0)	(3.1)	(14.3)	-	(119.4)
Disposals	1.8	0.7	-	7.0	-	9.5
31 March 2016	**(134.8)**	**(58.4)**	**(7.2)**	**(83.9)**	**-**	**(284.3)**
Net book value						
31 March 2016	**1,060.3**	**402.9**	**68.3**	**232.6**	**374.0**	**2,138.1**
31 March 2015	1,093.8	433.3	55.1	219.0	248.6	2,049.8
1 April 2014	1,121.0	447.4	46.6	253.2	132.8	2,001.0

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

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation

Terminal complexes, airfield assets, Group occupied properties, plant and equipment and other assets are shown at historical cost or deemed cost following fair value revaluation upon the Group’s transition to IFRS (refer to note 33).

Capitalised interest

Interest costs of £13.2 million (2015: £8.2 million) have been capitalised in the year at a capitalisation rate of 5.1% (2015: 5.6%) based on a weighted average cost of borrowings.

Leased assets

The Group had assets held under finance leases, capitalised and included in property, plant and equipment as follows:

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Cost or valuation	**169.7**	170.4	168.0
Accumulated depreciation	**(5.7)**	(3.1)	(0.1)
Net book value	**164.0**	167.3	167.9

Total future minimum lease payments under finance leases are as follows:

	31 March 2016		31 March 2015	
	Land and buildings	**Other**	Land and buildings	Other
	£m	**£m**	£m	£m
Within one year	**8.2**	**-**	8.1	-
Within two to five years	**28.1**	**-**	27.8	-
After five years	**96.1**	**2.6**	95.5	3.0
	132.4	**2.6**	131.4	3.0

Total minimum lease payments for land and buildings relate to electricity supply equipment at Gatwick leased on agreement with UK Power Networks Services Limited ("UKPNS"). The lease expires in 2083. The amounts disclosed are the total estimated charges under the agreement including both the actual lease commitment and the significant maintenance element fee payable to UKPNS as neither the Group nor UKPNS are able to split the base fee between a capital and maintenance charge. The commitment has been discounted at the Gatwick's weighted average cost of capital.

Security

As part of the financing agreements outlined in note 24, the Group have granted security over its 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

17. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 April 2014	747.0
Transfers to completed assets (from assets in the course of construction)	5.0
Reclass between categories (from property, plant and equipment)	7.1
Disposals	(0.6)
Impairment	(10.0)
Revaluation surplus	25.8
Revaluation loss	(8.8)
31 March 2015	765.5
Transfers to completed assets (from assets in the course of construction)	13.4
Disposals	(0.4)
Impairment	(5.9)
Revaluation surplus	28.7
31 March 2016	**801.3**

Net book value

31 March 2016	**801.3**
31 March 2015	765.5
1 April 2014	747.0

Valuation

Investment properties and land held for development were valued at open market value at 31 March 2016 by Deloitte LLP at £801.3 million. They were valued at 31 March 2015 pre-sale at £765.5 million. These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account, *inter alia,* of planning constraints and reflecting the demand for airport related uses. As a result of the valuation, a surplus of £28.7 million is recognised in the Income Statement (2015: £25.8 million has been transferred to retained earnings). In addition to the revaluation surplus noted above, on three properties, there was a revaluation loss of £nil (2015: £8.8 million) recognised where the market values of the properties was below the historic cost. The directors believe that this is a temporary reduction in value.

The Group’s car parking assets are held as investment properties.

The fair value measurement for all of the investment properties has been categorised as a level 2 fair value based on the inputs to the valuation technique used (refer to note 21). Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence.

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

18. INTANGIBLE ASSETS

Cost	Intangible assets £m
1 April 2014	35.2
Transfers to completed assets (from assets in the course of construction)	5.8
31 March 2015	41.0
Transfers to completed assets (from assets in the course of construction)	6.7
Disposals	(4.2)
31 March 2016	**43.5**

Amortisation

1 April 2014	(18.9)
Charge for the year	(7.6)
31 March 2015	(26.5)
Charge for the year	(8.9)
Disposals	4.2
31 March 2016	**(31.2)**

Net book value

31 March 2016	**12.3**
31 March 2015	14.5
1 April 2014	16.3

19. TRADE AND OTHER RECEIVABLES

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Trade receivables	**26.6**	28.2	24.0
Accrued interest receivable from other group undertakings	**1.4**	1.4	1.3
Amounts owed by group undertakings – interest free	**0.3**	-	0.2
Other receivables	**5.4**	5.5	4.6
Prepayments and accrued income	**10.7**	20.2	15.7
Amounts owed by group undertakings – interest bearing	**0.1**	0.1	-
	44.5	55.4	45.8

At 31 March 2016, trade receivables of £2.2 million were impaired (2015: £2.3 million, 2014: £5.7 million) Trade receivables of £0.3 million were past due by more than 180 days but not impaired (2015: £1.1 million, 2014: £2.3 million).

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

20. DERIVATIVE FINANCIAL LIABILITIES

	Notional	**31 March 2016**	Notional	31 March 2015	Notional	31 March 2014
	£m	**£m**	£m	£m	£m	£m
Interest rate swaps						
Variable rate to index-linked swaps with group undertakings	**40.0**	**26.6**	-	27.0	-	25.4
Fixed rate to index-linked swaps with group undertakings	**356.0**	**129.2**	396.0	159.7	396.0	202.5
	396.0	**155.8**	396.0	186.7	396.0	227.9

Interest rate swaps
Interest rate swaps are maintained by the Group to hedge against its exposure to cash flow interest rate risk on variable rate borrowings.

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.

21. 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.

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

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Board of Directors approves prudent treasury policies for managing each of the risks which are summarised below:

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 Group's income and expenditure or the value of its holdings of financial instruments.

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a mix of fixed to floating rate debt within Board approved parameters such that a minimum of 75% of existing and forecast debt is at a fixed rate. To manage this mix, the Group enters into interest rate swaps. These swaps may be designated to hedge underlying debt obligations. The Group also uses floating rate interest bearing financial assets as a natural hedge of the exposure to fair value interest rate risk.

As at 31 March 2016, the Group's fixed floating interest rate profile, after hedging, on gross debt was 89:11 (2015: 92:08, 2014: 100:00).

As at 31 March 2016, each 0.5% change in interest rates would have resulted in the following gain/(loss) to pre-tax profit and equity, due to movement in the finance income, finance cost and mark-to-market valuation of derivatives:

		31 March 2016		31 March 2015
	Income statement impact £m	**Equity impact £m**	Income statement impact £m	Equity impact £m
0.5% increase	**3.2**	**-**	3.0	-
0.5% decrease	**(2.9)**	**-**	(3.1)	-

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet their contractual obligations. Credit risk arises from cash and cash equivalents, derivative financial instruments and accounts receivable. The Group has no significant concentrations of credit risk. The 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 and ensuring only counterparties within defined credit risk parameters are used.

The Group maintains a prudent split of cash and cash equivalents across a range of market counterparties in order to mitigate counterparty credit risk. Board approved investment policies and relevant debt facility agreements provide counterparty investment limits, based on short- and long-term credit ratings. Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with counterparties with short-term credit ratings lower than A-3/F3. The Group monitors the credit rating of derivative counterparties on a daily basis and ensures no positions are entered into with counterparties with a long-term credit rating below BBB+(S&P)/BBB+(Fitch).

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

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies – Credit Risk (continued)

As at 31 March 2016, the Group had no credit risk exposure with derivative counterparties of its interest rate swaps and index-linked swaps due to a liability position on the mark to market (2015: nil).

The carrying amount of financial assets represents the maximum credit exposure.

Further analysis on the ageing and impairment of trade receivables are disclosed in note 19.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Although there can be no certainty that financing markets will remain open for issuance at all times, debt maturities are spread over a range of dates, thereby ensuring that the Group is not exposed to excessive refinancing risk in any one year.

Financial instruments by category

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

	Loans and receivables		
	31 March 2016	31 March 2015	1 April 2014
	£m	£m	£m
Finance lease receivables	**17.0**	17.1	16.9
Trade receivables	**26.6**	28.2	24.0
Other receivables	**5.4**	5.5	4.6
Cash and cash equivalents	**3.1**	3.3	13.4
Total financial assets	**52.1**	54.1	58.9

Total future minimum lease receivables under finance leases are as follows:

	31 March 2016	31 March 2015
	£m	£m
Less than one year	**0.9**	0.9
Between one and five years	**3.6**	3.6
More than five years	**80.7**	81.6
	85.2	86.1

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The Group regularly reviews and maintains or adjusts the capital structure as appropriate in order to achieve these objectives.

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

21. FINANCIAL INSTRUMENTS (continued)

	31 March 2016		31 March 2015		1 April 2014	
	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	**1,753.8**	**-**	1,662.2	-	1,520.7	-
Derivative financial liabilities	**-**	**155.8**	-	186.7	-	227.9
Finance lease liabilities	**44.3**	**-**	44.6	-	43.3	-
Trade payables	**19.7**	**-**	25.6	-	19.7	-
Other payables	**2.6**	**-**	2.7	-	2.0	-
Capital creditors	**54.3**	**-**	53.2	-	49.7	-
Total financial liabilities	**1,874.7**	**155.8**	1,788.3	186.7	1,635.4	227.9

At 31 March 2016, 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.

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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

21. FINANCIAL INSTRUMENTS (continued)

	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.

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 31 March 2016, 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 (31 March 2015: Level 2, 1 April 2014: Level 2).

22. OTHER NON-CURRENT ASSETS

Other non-current assets relate to amounts due from group undertakings.

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Other non-current assets	**0.1**	0.1	0.1

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

23. DEFERRED TAX

The following are the deferred tax assets and liabilities recognised by the Group and associated movements during the year:

	Losses £m	Fixed assets carried at deemed cost £m	Retirement benefit obligations £m	Short term timing differences £m	Total £m
1 April 2014	36.4	(304.2)	4.8	(6.0)	(269.0)
Credit to income	14.8	5.3	0.9	1.4	22.4
Credit to equity	-	-	2.4	-	2.4
31 March 2015	51.2	(298.9)	8.1	(4.6)	(244.2)
(Charge)/credit to income	(26.4)	25.9	0.9	0.8	1.2
Charge to equity	-	-	(0.9)	-	(0.9)
31 March 2016	**24.8**	**(273.0)**	**8.1**	**(3.8)**	**(243.9)**

24. BORROWINGS

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Non-Current borrowings			
Borrower Loan Agreement			
Fixed rate borrowings from other group undertakings	**1,525.5**	1,524.4	1,523.4
Authorised Credit Facility–Revolving Facility (a)	**228.3**	137.8	(2.7)
Total non-current borrowings	**1,753.8**	1,662.2	1,520.7

Maturity Profile:			
Repayable between 1 and 2 years	**-**	-	-
Repayable between 2 and 5 years	**228.3**	137.8	(2.7)
Repayable in more than 5 years	**1,525.5**	1,524.4	1,523.4
	1,753.8	1,662.2	1,520.7

(a) Amount includes capitalised upfront costs in relation to the new 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. The Company 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.

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

24. BORROWINGS (continued)

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 £230.0 million drawings outstanding on the Revolving Credit Facility at 31 March 2016 (2015: £140.0 million, 2014: £nil).

The Group's subsidiary Gatwick Funding Limited, has issued £1,550.0 million of 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; £300.0 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively; £300.0 million Class A 5.25 per cent. Bonds with scheduled and legal maturities of 2024 and 2026 respectively; £300.0 million Class A 5.75 per cent. Bonds with scheduled and legal maturities of 2037 and 2039 respectively; and £350.0 million of publicly listed fixed rate secured bonds comprising £350.0 million Class A 4.625 per cent. Bonds with scheduled and legal maturities of 2034 and 2036 respectively.

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

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

At 31 March 2016, the Group had £70.0 million (2015: £160.0 million, 2014: £300.0 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 31 March 2016 (2015: all covenants tested and complied with, 2014: all covenants tested and complied with).

The following table summarises the Group'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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

25. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

The Group operates a defined contribution scheme for all qualifying employees.

The total cost charged to income of £3.8 million (2015: £3.6 million) represents contributions payable to this scheme by the Group at rates specified in the rules of the plans. As at 31 March 2016, no contributions (2015: nil) due in respect of the current reporting period remain unpaid to the scheme.

Defined benefit pension plan

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.

The results of the formal actuarial valuation as at 30 September 2013 were updated to 31 March 2016 by an independent qualified actuary in accordance with IAS 19.

The estimated amount of total employer contributions expected to be paid to the plan during the year ending 31 March 2017 is £9.3 million (actual for year ended 31 March 2016: £9.7 million).

The following table sets out the key IAS 19 assumptions used for the plan:

	31 March 2016 %	31 March 2015 %
Rate of increase in salaries – to 31 March 2016	**-**	1.0
– from 31 March 2016	**3.0**	3.1
– thereafter	**3.0**	3.1
Rate of increase in pensions in payment (RPI)	**3.0**	3.1
Rate of increase in pensions in payment (5% LPI)	**2.9**	3.0
Discount rate	**3.5**	3.4
Retail Prices Index inflation	**3.0**	3.1
Consumer Prices Index inflation	**2.0**	2.1

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

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

The mortality assumptions used were as follows:

	31 March 2016 Years	31 March 2015 Years
Life expectancy of male aged 60 in 2016	**27.4**	27.3
Life expectancy of male aged 60 in 2036	**29.3**	29.2

The sensitivities regarding the principal assumption used to measure the plan liabilities are set out below:

Assumptions	Change in assumption	Impact on plan liabilities at 31 March 2016 £m
Rate of increase in salaries	+0.5%	17.1
	-0.5%	(15.5)
Discount rate	+0.5%	(41.9)
	-0.5%	49.2
Life expectancy	+ 1 year	11.5
	- 1 year	(11.4)

The amount included in the Statement of Financial Position arising from the Group's obligations in respect of its defined benefit plan is as follows:

	31 March 2016 £m	31 March 2015 £m
Present value of plan liabilities	**(396.0)**	(390.8)
Fair value of plan assets	**350.8**	350.1
Deficit	**(45.2)**	(40.7)

Reconciliation of present value of plan liabilities

	31 March 2016 £m	31 March 2015 £m
Opening present value of plan liabilities	**(390.8)**	(321.1)
Current service cost	**(16.6)**	(15.8)
Curtailment credit/(past service cost)	**0.5**	0.7
Interest cost	**(13.3)**	(14.5)
Contributions from plan members[1]	**(2.2)**	(2.3)
Benefits paid	**5.1**	3.8
Actuarial gain/(loss)	**21.3**	(41.6)
Closing present value of plan liabilities	**(396.0)**	(390.8)

Contributions from plan members includes contributions paid by the Group on behalf of plan members via salary sacrifice.

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

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Reconciliation of fair value of plan assets

	31 March 2016 £m	31 March 2015 £m
Opening fair value of plan assets	**350.1**	297.1
Interest on plan assets	**11.9**	13.4
Actuarial (loss)/gain	**(17.6)**	30.1
Benefits paid	**(5.1)**	(3.8)
Admin expenses	**(0.4)**	(0.5)
Contributions paid by employer	**9.7**	11.5
Contributions paid by members	**2.2**	2.3
Closing fair value of plan assets	**350.8**	350.1

The current allocation of the plan's assets is as follows:

	31 March 2016	31 March 2015
Equities	**35%**	35%
Index-linked gilts	**0%**	21%
Diversified growth funds - Emerging market multi-asset funds	**10%**	9%
Diversified growth funds	**33%**	35%
Liability driven investment	**22%**	0%
	100%	100%

Plan assets do not include any of the Group's own financial instruments, or any property occupied by Group.

Re-measurements under IAS 19 are determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on index-linked investments are based on relevant indices as at the financial position date. Expected returns on equity investments and diversified growth funds reflect long-term real rates of return expected in the respective markets.

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

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

The amounts recognised in the income statement are as follows:

	Year ended 31 March 2016 £m	Year ended 31 March 2015 £m
Curtailment credit	**0.5**	0.7
Admin expenses	**(0.4)**	(0.5)
Employer's part of current service cost	**(16.6)**	(15.8)
Net interest charge	**(1.4)**	(1.1)
	(17.9)	(16.7)

Actuarial gains and losses

The amount recognised in other comprehensive income for the year ended 31 March 2016 is a gain of £3.7 million (2015: £11.5 million loss).

Amounts for current year and prior years

	31 March 2016 £m	31 March 2015 £m	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m
Present value of plan liabilities	**(396.0)**	(390.8)	(321.1)	(290.0)	(231.0)
Fair value of plan assets	**350.8**	350.1	297.1	281.4	239.2
(Deficit)/surplus	**(45.2)**	(40.7)	(24.0)	(8.6)	8.2

The Group operates the schemes under the UK regulatory framework. Benefits are paid to members from trustee-administered funds, and the trustees of each scheme are responsible for ensuring that each representative scheme is sufficiently funded to meet current and future benefit payments. Scheme assets are held in trusts separate to the Group. If investment experience is worse than expected, the Group's obligations increase.

26. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities relate to amounts due to group undertakings. The following amounts represent interest bearing amounts owed to Ivy Midco Limited (2015: Ivy Midco Limited, 2014: Ivy Bidco Limited).

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Other non-current liabilities	**-**	50.0	49.0

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

27. TRADE AND OTHER PAYABLES

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Trade payables	**19.7**	25.6	19.7
Accruals	**22.3**	19.5	24.4
Capital payables	**54.3**	53.2	49.7
Amounts owed to group undertakings – interest free	**-**	-	2.8
Accrued financing charges	**0.1**	0.2	-
Accrued interest payable	**10.5**	10.4	10.3
Other payables	**2.5**	2.7	2.0
	109.4	111.6	108.9

28. SHARE CAPITAL

	31 March 2016 £m	31 March 2015 £m	1 April 2014 £m
Called up, allotted and fully paid			
254,417,261 (2015: 254,417,261 2014: 246,637,901) ordinary shares of £1.00 each	**254.4**	254.4	246.6

On 31 March 2015 the Group acquired 100% of the issued share capital of Ivy Bidco Limited for consideration of £7,799,360 in the form of a share for share exchange.

29. RELATED PARTY TRANSACTIONS

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

	Interest payable to related party		Amounts owed from / (to) 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
Ivy Midco Limited	**(2.0)**	-	**0.4**	(49.8)

Ivy Midco Limited is the Group's ultimate parent entity in the UK (see note 32).

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

30. COMMITMENTS

Capital commitments

Contracted commitments for capital expenditure amount to £64.7 million (2015: £56.2 million).

Commitments under operating leases

At 31 March 2016, the Group has commitments under non-cancellable operating leases which are payable as follows:

	Land & Buildings 31 March 2016 £m	**Other leases 31 March 2016 £m**	Land & Buildings 31 March 2015 £m	Other leases 31 March 2015 £m
Within one year	**1.0**	**-**	1.0	-
Within two to five years	**2.7**	**0.1**	3.1	0.2
After five years	**2.0**	**-**	2.6	-
	5.7	**0.1**	6.7	0.2

Other commitments

In June 2006, the UK Government announced its conclusions for 2006-2012 night flights regime at the BAA Group's London airports. The regime committed the Group to introducing a new domestic noise insulation scheme to address the impact of night flights on local communities. Based on the Group's evaluation, payments under this scheme are estimated to total £2.0 million, spread over the five year period commencing 2008. This scheme concluded during the year ended 31 March 2013.

During the year ended 31 March 2014, the Group reviewed its current policy around the noise alleviation. In April 2014 Gatwick launched a new revised domestic noise insulation scheme for local communities affected by noise around the airport. The scheme is one of the most innovative in Europe and covers an additional 1,000 homes and increases the area eligible by 17km^2. Estimated payments under this scheme will total £3.0 million spread over a four year period.

In addition, there are live blight schemes to support the market for housing in areas identified for a potential future runway at Gatwick. Obligation under these schemes will only crystallise once the Group announces its intention to pursue a planning application for a new runway. At this time, no decisions have been made.

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

31. CLAIMS AND CONTINGENT LIABILTIES

As part of the refinancing agreements outlined in note 24, 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 31 March 2016 (2015: nil).

32. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

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

The Group's ultimate parent in the UK is Ivy Midco Limited, which is the largest parent undertaking in the UK to consolidate these financial statements. The consortium that ultimately own and control the Group and Ivy Midco Limited comprises 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 Groups results are also included in the audited consolidated financial statements of Ivy Luxco I S.à.r.l. and of Ivy Midco Limited for the year ended 31 March 2016 (the largest and smallest groups to consolidate these financial statements respectively).

33. EXPLANATION OF TRANSITION TO IFRS

As stated in note 1, these are the Group'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 Group's transition to IFRS.

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

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

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

33. EXPLANATION OF TRANSITION TO IFRS (continued)

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT
To the members of Ivy Holdco Limited

We have audited the parent company financial statements of Ivy Holdco Limited for the year ended 31 March 2016 set out on pages 80 to 88. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the parent company 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 parent company 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 parent company financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on parent company financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 March 2016;
- have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company 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 Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT (continued)
To the members of Ivy Holdco Limited (continued)

Other matter – consolidated financial statements

We have reported separately on the consolidated financial statements of Ivy Holdco Limited for the year ended 31 March 2016.

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
29 June 2016

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	Note	**31 March 2016**	31 March 2015	1 April 2014
		£m	£m	£m
Assets				
Non-current assets				
Investment in subsidiaries	6	**604.9**	604.9	597.1
Net assets		**604.9**	604.9	597.1
Equity				
Share capital	8	**254.4**	254.4	246.6
Retained earnings		**350.5**	350.5	350.5
Total equity		**604.9**	604.9	597.1

The notes on pages 83 to 88 form an integral part of these parent company financial statements.

These Parent Company financial statements were approved by the Board of Directors on 29 June 2016 and were signed on its behalf by:

Michael McGhee
Director

Andrew Gillespie-Smith
Director

COMPANY 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		246.6	350.5	597.1
Profit for the year	4	-	133.0	133.0
Dividends	5	-	(133.0)	(133.0)
Shares issued		7.8	-	7.8
Balance at 31 March 2015		254.4	350.5	604.9
Profit for the year	4	-	48.0	48.0
Dividends	5	-	(48.0)	(48.0)
Balance at 31 March 2016		**254.4**	**350.5**	**604.9**

The notes on pages 83 to 88 form an integral part of these financial statements.

COMPANY 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	**48.0**	133.0
Net cash from operating activities	**48.0**	133.0
Cash flows from investing activities		
	-	-
Net cash from investing activities	**-**	-
Cash flows from financing activities		
Equity dividends paid	**(48.0)**	(133.0)
Net cash from financing activities	**(48.0)**	(133.0)
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 financial statements are the financial statements of Ivy Holdco Limited ("the Company") for the year ended 31 March 2016. The comparative period is the year ended 31 March 2015. 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 and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

The Company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 12.

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 IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 12.

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

The Company has net current liabilities of £27,000 (2015: £25,000) and net assets of £604.9 million (2015: £604.9 million) as at 31 March 2016. Having made enquiries of management, and taking into account the net asset position of the Company, 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 29 June 2016.

The principal accounting policies, which have been applied consistently throughout the period, are set out below.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in subsidiaries

Investments are held as fixed assets and are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(b) Debtors

Debtors 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 income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised 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 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.

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 position date and are expected to apply in the periods in which the temporary differences are expected to reverse.

(d) Creditors

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

(e) 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.

(f) Cash

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

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

3. 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 presents the greatest level of uncertainty.

Taxation

Provision for tax contingencies require management to make judgements and estimates in relation to tax issues and exposures. Amounts provided are based on management's interpretation of the specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. In arriving at this position, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. All such provisions are included in current tax liabilities.

Investments in subsidiaries

Management regularly assesses the performance of the subsidiaries of the Company and takes into account forecast future cashflows and activities. Management believe that the carrying value of the investments are supported by their underlying net assets.

4. COMPANY RESULT FOR THE YEAR

The profit for the year ended 31 March 2016 was £48.0 million (2015: £133.0 million)

As permitted by Section 408 of the Companies Act 2006, no separate Income Statement is presented in respect of the Company.

Employee information

The Company had no employees during the period. All staff costs are borne by Gatwick Airport Limited, the Company's subsidiary.

No Directors were remunerated during the period.

5. DIVIDENDS

On 11 December 2015, the Directors declared and paid a dividend of 13.95p per share amounting to £48.0 million (2015: £80.0 million on 31 July 2014 and £53.0 million on 26 November 2014). The Directors did not recommend the payment of a final dividend (2015: nil).

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

6. INVESTMENT IN SUBSIDIARIES

	31 March 2016 £m	31 March 2015 £m
1 April	**604.9**	597.1
Additions (refer note 7)	**-**	7.8
31 March	**604.9**	604.9

Group Investments

The parent Company has investments in the following subsidiary undertakings:

Subsidiary Undertakings	**Principal activity**	**Holding**	**%**
Gatwick Airport Limited	Airport owner and operator	Ordinary Shares	100%
Gatwick Funding Limited	Financing company	Ordinary Shares	100%
Ivy Bidco Limited	Property company	Ordinary Shares	100%
Gatwick Airport Pension Trustees Limited†	Dormant company	Ordinary Shares	100%

† Held by a subsidiary undertaking

All subsidiaries are incorporated and operate in the United Kingdom, except Gatwick Funding Limited ("GFL") which is incorporated in Jersey.

7. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 2 March 2011, as part of the Group's refinancing, Ivy Bidco Limited transferred ownership of Gatwick Airport Limited to the Company, for consideration of £597,117,801, the carrying value of Ivy Bidco Limited's investment in Gatwick Airport Limited as at that date. This consideration was satisfied by the Company issuing an additional 597,117,801 ordinary shares at £1.00 per share to Ivy Bidco Limited.

As a result of the acquisition of Gatwick Airport Limited, the Company indirectly acquired ownership of Gatwick Funding Limited, being a wholly-owned subsidiary of Gatwick Airport Limited, incorporated in Jersey.

On 31 March 2015 the Company acquired 100% of the issued share capital of Ivy Bidco Limited from Ivy Midco Limited (the Company's ultimate parent in the UK), for consideration of £7,779,360 in the form of a share for share exchange. Immediately following this transaction, the company sold 100% of the issued share capital of Ivy Bidco Limited to Gatwick Airport Limited in exchange for 7,779,360 ordinary shares in Gatwick Airport Limited issued at £1 per share. As a result of the above transaction, the Company indirectly acquired ownership of Gatwick Airport Pension Trustees Limited, being a wholly-owned subsidiary of Ivy Bidco Limited, incorporated in the United Kingdom.

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

8. CALLED UP SHARE CAPITAL

	31 March 2016 £m	31 March 2015 £'m	1 April 2014 £'m
Called up, allotted and fully paid			
254,417,261 (2015: 254,417,261, 2014: 246,637,901) ordinary shares of £1.00 each	**254.4**	254.4	246.6

On 31 March 2015 the Company acquired 100% of the issued share capital of Ivy Bidco Limited for consideration of £7.8 million in the form of a share for share exchange.

9. RELATED PARTY TRANSACTIONS

During the year the Company had no notable related party transactions.

10. CLAIMS AND CONTINGENT LIABILITIES

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

Other than the above, the 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.

11. 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 Ivy Midco Limited, which is the largest parent undertaking in the UK to consolidate these financial statements. 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. and Ivy Midco 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 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.

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

12. 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 2 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.

There is no difference noted in the accounts as presented under IFRS compared to UK GAAP. Therefore the reported equity, total comprehensive income and cash flows of the Company are the same under both IFRS and UK GAAP.