IVY HOLDCO LIMITED

Directors' Report and Consolidated Financial Statements for the year ended 31 March 2013

Company Registration Number 07497036

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Andrew Gillespie-Smith	
James Hime	(appointed 30 January 2013)
Michael McGhee	
William Woodburn	

SECRETARY

TMF Corporate Administration Services Limited

REGISTERED OFFICE

5th Floor
6 St Andrew Street
London
EC4A 3AE

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
First Point
Buckingham Gate
Gatwick
West Sussex
RH6 0NT

BANKERS

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

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for Ivy Holdco Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 March 2013.

Results for the Company are presented for the year ended 31 March 2013, and the prior period comparatives represent the results from incorporation on 18 January 2011 to 31 March 2012. The results of the Group are presented for the year ended 31 March 2013, and the comparative period is the year ended 31 March 2012.

BASIS OF PREPARATION

The Group completed a refinancing on 2 March 2011. As part of this refinancing, ownership of Gatwick Airport Limited was transferred from Ivy Bidco Limited to the Company on 2 March 2011 ("the Transaction"). The Company is a wholly-owned subsidiary of Ivy Bidco Limited. In the opinion of the Directors, the Transaction constituted a group reconstruction rather than an acquisition, since the shareholders of the Company are the same as the former shareholders of Gatwick Airport Limited, and the rights of each shareholder, relative to the others, remain unchanged. Consequently, the consolidated financial statements have been accounted for in accordance with the principles of merger accounting.

The main consequence of applying merger accounting rather than acquisition accounting is that the balance sheet of the merged group includes the assets and liabilities of each of the Group's subsidiaries at their carrying values prior to the Transaction, rather than at their fair values at the date of the Transaction. The results and cash flows of all group entities have been included in the consolidated financial statements of the Group for the year ended 31 March 2013. In addition, the results and cash flows for the year ended 31 March 2012 have also been presented as if the Group had always existed in its current form.

PRINCIPAL ACTIVITIES

The Company is a holding company with two wholly-owned subsidiaries: Gatwick Airport Limited is the owner and operator of Gatwick Airport ("the Airport") and Gatwick Funding Limited is a financing company.

REVIEW FOR THE YEAR

Company operations

The year ended 31 March 2013 is the second reporting date since the Company was incorporated on 18 January 2011.

The Company was incorporated with a share capital of £100.00 comprising 100 ordinary shares at £1.00 per share.

On 2 March 2011 the Group completed a refinancing and as part of the Transaction, the Company issued a further 597,117,801 shares at £1.00 per share. In consideration for the issue of the share capital, the Company acquired 100% of the share capital in Gatwick Airport Limited from its parent, Ivy Bidco Limited.

As part of the refinancing on 2 March 2011, the Company received a dividend of £350,500,000 from Gatwick Airport Limited. Also on 2 March 2011, the Company undertook a capital reduction of £350,500,000 (comprising 350,500,000 ordinary shares at £1.00 per share) in share capital on 2 March 2011, reducing the share capital of the Company to 246,617,901 ordinary shares at £1.00 per share. This capital reduction was enacted by means of a special resolution supported by a solvency statement, and resulted in an equal amount being transferred to the profit and loss reserve. Finally, the Company declared and paid a £350,500,000 dividend to its parent, Ivy Bidco Limited.

DIRECTORS' REPORT (continued)

REVIEW OF THE BUSINESS

Group operations

The Company's subsidiary, Gatwick Airport Limited, provides the significant majority of the Group's operations, with the results of the Company considered immaterial as it did not trade during the current or prior year. Gatwick Funding Limited has material financing transactions which are replicated in a "back-to-back" agreement with Gatwick Airport Limited (its parent). Therefore, the business and financial reviews of Gatwick Airport Limited in the Gatwick Airport Limited Directors' report and financial statements for the year ended 31 March 2013 are considered an appropriate review of the Group's operations.

The Gatwick Airport Limited Directors' report for the year ended 31 March 2013 compares the 12 months ended 31 March 2013 with the 12 months ended 31 March 2012. This provides an appropriate review of the operations of the Group.

Financing

The Gatwick Airport Limited Directors' report for the year ended 31 March 2013 includes a summary of the Group's financing, and certain information is included in note 18 to these consolidated financial statements.

FUTURE DEVELOPMENTS

The Directors do not expect changes in the Company's activities as a holding company in the 12 months following the approval of these financial statements. Future developments in respect of Gatwick Airport Limited, the main trading entity of the Group, are disclosed in the financial statements of that company.

FINANCIAL REVIEW

During the year ended 31 March 2013 the Group made a loss on ordinary activities after taxation of £29.1 million (2012: £45.7 million). At 31 March 2013 the Group had net current liabilities of £17.7 million (2012: £2.9 million).

Going concern

The Group's net current liability position has increased to £17.7 million (2012: £2.9 million).

As at 31 March 2013 the Company had net current liabilities of £19,000 (2012: £10,000) and net assets of £597.1 million (2012: £597.1 million).

All the Group's financial covenants (refer to note 1 and note 18 of the financial statements) have been met and are forecast to be met for the years ending 31 March 2014, 2015 and 2016.

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 Company and Group will continue as a going concern and accordingly the financial statements have been prepared on that basis.

DIRECTORS' REPORT (continued)

KEY PERFORMANCE INDICATORS

Given the nature of the Company, the Directors are of the opinion that analysis using key performance indicators ("KPIs") is not necessary for an understanding of the development, performance or position of the Company. Key performance indicators in respect of Gatwick Airport Limited, the main trading entity of the Group, are disclosed in the financial statements of that company.

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 risks of the Group are largely the risks of Gatwick Airport Limited. The risks, risk management strategy and risk management process of Gatwick Airport Limited are detailed in the financial statements of Gatwick Airport Limited for the year ended 31 March 2013.

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

Financial risk management

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

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

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

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

(a) Cash Flow Interest Rate Risk

The Ivy Holdco Group maintains a mix of fixed and floating rate debt. As at 31 March 2013, fixed rate debt after hedging with derivatives represented 95.9% (2012: 99.1%) of the Ivy Holdco Group's total external nominal debt.

The Ivy Holdco Group mitigates the risk of mismatch between the Airport's regulatory 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 2013, the nominal amount of index-linked derivatives equated to 27.7% (2012: 30.3%) of the Ivy Holdco Group's external debt.

DIRECTORS' REPORT (continued)

Financial risk management (continued)

(b) Funding and Liquidity Risk

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

The Ivy Holdco Group has positive cash flows before capital expenditure. The Ivy Holdco Group had cash flows from operations of £244.7 million for the year ended 31 March 2013 (2012: £199.3 million). As at 31 March 2013, cash at bank was £0.5 million (2012: £12.2 million), undrawn headroom under bank capex and revolving facilities was £228.0 million (2012: £350.0 million) and undrawn headroom under the liquidity facility was £100.0 million (2012: £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 Ivy Holdco Group continues to comply with all borrowing obligations and financial covenants, and forecasts to do so for at least the next three years.

(c) Credit Risk

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

EMPLOYEES

The Company has no employees. All employees of the Group are employed by Gatwick Airport Limited. Details of the Gatwick Airport Limited employee policies are included in the Gatwick Airport Limited financial statements for the year ended 31 March 2013.

PAYMENT PRACTICE

The Group complies with the UK Government's Better Payment Practice Code which states that responsible companies should:

- Agree payment terms at the outset of a transaction and adhere to them;
- Provide suppliers with clear guidance on payment procedures;
- Pay bills in accordance with any contract agreed or as required by law; and
- Advise suppliers without delay when invoices are contested and settle disputes quickly.

The Group had 19 days purchases outstanding at 31 March 2013 (2012: 25 days) based on the average daily amount invoiced by suppliers during the year.

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made charitable donations of £0.2 million (2012: £0.2 million). The main beneficiary was the Gatwick Airport Community Trust, which provides support for local community projects close to Gatwick Airport. No political donations were made during the year (2012: nil).

DIRECTORS' REPORT (continued)

DIVIDENDS

No dividends were declared or paid during the year (2012: nil).

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	
James Hime	(appointed 30 January 2013)
Michael McGhee	
William Woodburn	

On 29 October 2012, Christopher Koski resigned as a director.

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.

INDEPENDENT AUDITORS

Pursuant to the provisions of section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will automatically be re-appointed as Auditors of the Company.

By order of the Board

Andrew Gillespie-Smith
Director
24 June 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 418, Directors' reports shall include a statement, in the case of each director in office at the date the Directors' report is approved, that:

(a) so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board

Andrew Gillespie-Smith
Director
24 June 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED

We have audited the Group financial statements of Ivy Holdco Limited for the year ended 31 March 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Reconciliation of Movements in Shareholders' Funds, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, set out on page 7, the directors are responsible for the preparation of the 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on 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 2013 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Directors' Report for the financial year for which the consolidated 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:

- 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.

Other matter

We have reported separately on the parent company financial statements of Ivy Holdco Limited for the year ended 31 March 2013.

Graham Lambert (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
24 June 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2013

	Note	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Turnover	4	**538.9**	517.4
Operating costs	5	**(422.6)**	(401.2)
Operating profit		**116.3**	116.2
Loss on disposal of tangible fixed assets – non-operating	7	**(2.4)**	(1.2)
Net interest payable and similar charges – ordinary	8	**(93.1)**	(86.7)
Net interest payable and similar charges – exceptional	6	**(49.1)**	(76.9)
Loss on ordinary activities before taxation		**(28.3)**	(48.6)
Tax on loss on ordinary activities	9	**(0.8)**	2.9
Loss for the financial year	21	**(29.1)**	(45.7)

The notes on pages 13 to 41 form an integral part of these financial statements.

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

There are no material differences between the losses on ordinary activities before taxation and the retained losses for the current year and prior year and their historical cost equivalents.

Historical cost profits and losses

	Note	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Reported loss on ordinary activities before taxation		**(28.3)**	(48.6)
Realisation of property revaluation (losses)/gains from prior years	23	**(1.8)**	1.7
Historical cost loss on ordinary activities before taxation		**(30.1)**	(46.9)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2013

	Note	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Loss for the financial year	21	**(29.1)**	(45.7)
Actuarial losses on pension scheme	21	**(16.8)**	(21.1)
Deferred tax deductions allocated to actuarial losses	21	**3.9**	5.1
Unrealised revaluation surplus/(deficit)	21	**27.7**	(5.6)
Total recognised losses relating to the year		**(14.3)**	(67.3)

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 March 2013

	Note	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Loss for the financial year	21	**(29.1)**	(45.7)
Dividends paid	10	**-**	-
Retained loss for the financial year		**(29.1)**	(45.7)
Actuarial losses on pension scheme net of tax		**(12.9)**	(16.0)
Capital contribution		**0.6**	0.3
Other net recognised gains/(losses) relating to the year	21	**27.7**	(5.6)
Net reduction in shareholders' funds		**(13.7)**	(67.0)
Opening shareholders' funds		**328.7**	395.7
Closing shareholders' funds		**315.0**	328.7

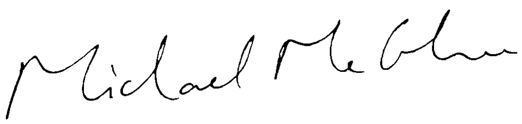
The notes on pages 13 to 41 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 March 2013

	Note	**31 March 2013 £m**	31 March 2012 £m
FIXED ASSETS			
Tangible assets	12	**2,160.4**	2,017.0
CURRENT ASSETS			
Stocks	13	**3.3**	3.9
Debtors: due within one year	14	**49.7**	59.0
: due after more than one year	14	**45.9**	37.9
Cash at bank and in hand	15	**0.5**	12.2
TOTAL CURRENT ASSETS		**99.4**	113.0
CREDITORS: amounts falling due within one year	16	**(117.1)**	(115.9)
NET CURRENT LIABILITIES		**(17.7)**	(2.9)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,142.7**	2,014.1
CREDITORS: amounts falling due after more than one year	17	**(1,581.3)**	(1,500.5)
Provisions for liabilities	19	**(239.8)**	(191.1)
NET ASSETS EXCLUDING PENSION (LIABILITY)/ASSET		**321.6**	322.5
Pension (liability)/asset	25	**(6.6)**	6.2
NET ASSETS INCLUDING PENSION (LIABILITY)/ASSET		**315.0**	328.7
CAPITAL AND RESERVES			
Called up share capital	20	**246.6**	246.6
Revaluation reserve	21	**21.9**	(7.6)
Profit and loss reserve	21	**307.3**	350.5
Merger reserve	21	**(260.8)**	(260.8)
TOTAL SHAREHOLDERS' FUNDS		**315.0**	328.7

The notes on pages 13 to 41 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 24 June 2013 and were signed on its behalf by:



Michael McGhee
Director

Andrew Gillespie-Smith
Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2013

	Note	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Net cash inflow from operating activities		**244.7**	199.3
Returns on investments and servicing of finance	22	**(68.7)**	(48.1)
Capital expenditure and financial investment	22	**(234.7)**	(230.3)
Cash outflow before management of liquid resources and financing		**(58.7)**	(79.1)
Financing	22	**47.0**	89.1
(Decrease)/increase in cash in the year	23	**(11.7)**	10.0

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

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Operating profit	**116.3**	116.2
Adjustments for:		
Depreciation	**110.7**	105.3
Impairment of tangible fixed assets	**-**	(0.2)
Decrease/(increase) in stocks and debtors	**12.6**	(4.7)
Increase/(decrease) in creditors	**5.4**	(11.1)
Decrease in provisions	**(0.4)**	(2.5)
Increase in net pension (liability)/asset	**0.1**	(3.7)
Net cash inflow from operating activities	**244.7**	199.3

The notes on pages 13 to 41 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2013

1. BASIS OF PREPARATION

These financial statements are the consolidated financial statements of Ivy Holdco Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 March 2013. The comparative period is the year ended 31 March 2012. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 2006 and United Kingdom Accounting Standards ("UK GAAP") except as set out within the accounting policies note.

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 (see note 18); and
- the Group's financial covenants.

The Group's net current liability position has increased during the year to £17.7 million (2012: £2.9 million).

All of the Group's financial covenants (see note 18) have been met and are forecast to be met for the years ending 31 March 2014, 2015 and 2016.

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 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 24 June 2013.

The principal accounting policies, which have been applied consistently through the current and prior year, are set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

As at 31 March 2013, the Company has two wholly-owned subsidiaries: Gatwick Airport Limited and Gatwick Funding Limited.

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings to 31 March 2013.

The Group completed a refinancing on 2 March 2011. As part of this refinancing, ownership of Gatwick Airport Limited was transferred from Ivy Bidco Limited to the Company on 2 March 2011 (“the Transaction”). The Company is a wholly-owned subsidiary of Ivy Bidco Limited. In the opinion of the Directors, the Transaction constituted a group reconstruction rather than an acquisition, since the shareholders of the Company are the same as the former shareholders of Gatwick Airport Limited, and the rights of each shareholder, relative to the others, remain unchanged. Consequently, these consolidated financial statements have been accounted for in accordance with the principles of merger accounting.

The main consequence of applying merger accounting rather than acquisition accounting is that the balance sheet of the merged group includes the assets and liabilities of each of the Group’s subsidiaries at their carrying values prior to the Transaction, rather than at their fair values at the date of the Transaction. The results and cash flows of all group entities have been included in the consolidated financial statements of the Group for the year ended 31 March 2013. In addition, the results and cash flows for the year ended 31 March 2012 have also been presented as if the Group had always existed in its current form.

Inter-group balances and transactions are eliminated during the consolidation process. Uniform accounting policies have been applied consistently throughout the current and prior year by all group companies.

(b) Turnover

Turnover is recognised in accordance with Financial Reporting Standard (“FRS”) 5 ‘*Reporting the substance of transactions*’, net of VAT, rebates and discounts, 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 (e.g. fixed electrical ground power) when these services are rendered.

- 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 (e.g. 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.

- 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.

- Contractual income is treated as deferred income and released to the profit and loss account as earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exceptional items

Exceptional items are material items of income and 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 6.

(d) Tangible assets

(i) Operational assets
Terminal complexes, airfield assets, plant and equipment and Group occupied properties are stated at 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.

(ii) Investment properties
Investment property, which is property held to earn rentals and/or for capital appreciation, is valued at the balance sheet date at open market value. All investment properties are revalued annually by the Directors and at least once every five years by external valuers. Any surplus or deficit on revaluation is transferred to revaluation reserve with the exception of deficits below original cost which are expected to be permanent which are charged to the profit and loss account. The Company's car parking assets are held as investment properties.

Profits or losses arising from the sale of investment properties are calculated by reference to book value. Profits are recognised on completion of the sale transaction. Any past revaluation surpluses or deficits in the revaluation reserve relating to such assets are dealt with as a reserve transfer.

In accordance with Statement of Standard Accounting Practice ("SSAP") 19 '*Accounting for Investment Properties*', no depreciation is provided in respect of freehold or long leasehold investment properties. This is a departure from the Companies Act 2006 which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the Directors consider that to depreciate them would not give a true and fair view. Depreciation is only one amongst many factors reflected in the annual valuation of properties and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The Directors consider that this policy results in the financial statements giving a true and fair view.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Tangible assets (continued)

(iii) Depreciation

Depreciation is provided on operational assets, other than land, and assets in the course of construction, to write off the cost of the assets, less estimated residual value, 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
• Computer software	3 - 8 years
• Short leasehold properties	over period of lease

The Group assesses, at each balance sheet 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.

(e) Impairment of assets

The Group assesses, at each balance sheet 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 profit and loss account in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet 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 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Interest

Interest payable resulting from financing tangible fixed assets 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. Interest may be capitalised for projects in the early stages of planning where the Directors are satisfied that the necessary planning, building and resource consents will be received. Interest is charged to the profit and loss account as depreciation expense over the life of the relevant asset.

All other interest payable and fees payable for the non-utilisation of credit facilities are charged to the profit and loss account as incurred.

(g) Leases

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 profit and loss account 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 balance sheet 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 profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

(h) Stocks

Raw materials and consumables consist of engineering spares and other consumable stores and are valued at the lower of cost and net realisable value.

(i) Debtors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Pensions

The Group operates a self administered defined benefit plan. In accordance with FRS 17 '*Retirement benefits*', the current service cost, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the plan liabilities (because the benefits are closer to settlement) and a credit equivalent to the Group's long-term expected return on assets (based on the market value of the scheme assets at the start of the year) are included in the profit and loss account.

The cost of providing benefits under the defined benefit plan is determined using the 'projected unit method'. The difference between the market value of the assets of the plan and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax.

The statement of recognised gains and losses includes actuarial gains and losses in the year in which they occur and the difference between the expected return on assets and that actually achieved. Actuarial gains and losses arise from changes in actuarial assumptions and where experience is not in line with assumptions made at the beginning of the year.

The Group also operates a defined contribution scheme. The pension costs of this scheme are charged to the profit and loss account in the year in which they are incurred.

(k) Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, 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 balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

In accordance with FRS 19 '*Deferred Tax*', deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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

(l) Creditors

Creditors are non interest bearing and are stated at their 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 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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 balance sheet date and are discounted to present value where the effect is material.

(n) 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.

(o) Share-based payments

The Group operates a long term incentive plan ("LTIP"). Under this plan, the Group awards equity-settled share-based payments to certain employees, under which 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 to the Group from Ivy Bidco Limited, the entity ultimately issuing the equity instruments.

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 (for example, 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 balance sheet 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 profit and loss account, with a corresponding adjustment to equity.

(p) Dividend distribution

A dividend distribution to the Group's shareholders is recognised as a liability 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.

(q) Cash and liquid resources

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

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits less than one year (other than cash) and investments in money market managed funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Debt issue costs and arrangement fees

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at an effective interest rate on the carrying amount.

Issue costs are those that are incurred directly in connection with the issue of a capital 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.

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

(s) Derivative financial instruments

The derivative financial instruments utilised by the Group are interest rate and index-linked swaps, and foreign exchange spot and forward contracts.

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. The purpose of the foreign exchange contracts is to hedge foreign currency denominated payables.

Derivative financial instruments are accounted for in accordance with FRS 4 ‘Capital Instruments’. 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 profit and loss account; accrued interest payable and receivable is included in current creditors or debtors, and the inflation accretion accrual is included in non-current debt on the balance sheet. Any gain or loss arising on foreign exchange contracts undertaken to hedge commercial transactions is recorded in the profit and loss account in the same period as the settlement of the underlying commercial transaction.

(t) Debt and financial liabilities

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 profit and loss account over the period of the borrowings using the effective interest method.

(u) 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 2013. 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 2013 (the largest group to consolidate these financial statements for the year).

The Group is exempt under the terms of FRS 8 ‘Related Party Disclosures’ from disclosing related party transactions with entities that are wholly-owned subsidiaries of the Ivy Midco Limited group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

3. 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 2013 by Drivers Jonas Deloitte, Chartered Surveyors. The valuations were prepared in accordance with UK GAAP 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.

Pensions

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 profit and loss account. 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 assumption on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in note 25.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

4. SEGMENTAL ANALYSIS

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

Turnover	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Airport and other traffic charges	**285.8**	274.2
Retail	**123.2**	120.9
Car parking	**58.1**	54.3
Property income	**25.7**	25.8
Operational facilities and utilities income	**25.4**	24.0
Other	**20.7**	18.2
	538.9	517.4

5. OPERATING COSTS

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Wages and salaries	**115.8**	110.8
Social security costs	**9.1**	8.4
Pension costs	**16.5**	14.0
Share-based payments	**0.6**	0.3
Other staff related costs	**7.1**	7.0
Staff costs	**149.1**	140.5
Retail expenditure	**1.1**	1.2
Car parking expenditure	**16.5**	13.8
Depreciation	**110.7**	105.3
Maintenance expenditure	**37.1**	35.2
Rent and rates	**28.2**	26.8
Utility costs	**19.8**	22.8
Police costs	**12.2**	12.7
General expenses[1]	**20.4**	18.8
Aerodrome navigation service costs	**19.7**	16.7
Electricity distribution fee	**7.8**	7.4
	422.6	401.2

1 General expenses for the year ended 31 March 2013 include no charges for services previously provided by BAA post sale to the Group under a Transfer of Services Agreement ("TSA") as all services provided under the TSA had ceased in the prior year (2012: £2.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

5. OPERATING COSTS (continued)

Operating costs include:	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Training expenditure	**0.9**	1.1
Rentals under operating leases		
- Plant and machinery	**7.8**	7.5
- Other operating leases	**0.8**	0.7
Services provided by the Group's auditor		
- Audit fees	**0.2**	0.2
- Other non-audit services[1]	**0.1**	0.1

1 Other non-audit services relate to reviews of the Gatwick Airport Limited Regulatory Accounts, financial covenants, information systems and work in relation to the fixed rate bond issuances in March 2011 and January 2012 (see note 18).

Employee information

The average number of full time equivalent ("FTE") employees during the year to 31 March 2013 analysed by function was:

	Year ended 31 March 2013	Year ended 31 March 2012
Operational	**2,070**	2,046
Other	**301**	363
	2,371	2,409

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

The aggregate of Group contributions paid in respect of money purchase schemes during the year was nil (2012: nil).

No Directors are members of the Gatwick Airport Limited defined benefit pension scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

6. EXCEPTIONAL COSTS

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Provision recognised on financial derivatives	**49.1**	76.9
Net interest payable and similar charges – exceptional	**49.1**	76.9

The £49.1 million provision recognised on financial derivatives (2012: £76.9 million) represents the year-on-year increase in the present value of expected net cash outflows on interest rate and index-linked derivative contracts (refer to note 19). Although the contracts are economic hedges, they do not fully satisfy the requirements of UK GAAP in order for hedge accounting to be applied. Due to the size and nature of this balance it has been recognised as an exceptional item.

7. NON-OPERATING COSTS

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Non-operating item		
Loss on disposal of tangible fixed assets	**2.4**	1.2
	2.4	1.2

Losses on disposal of tangible fixed assets totalled £2.4 million during the year (2012: £1.2 million). These losses relate to assets no longer in use at the Airport.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

8. NET INTEREST PAYABLE AND SIMILAR CHARGES – ORDINARY

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Interest payable		
Interest on bank borrowings[1]	**4.2**	15.2
Interest on fixed rate bonds[2]	**70.5**	44.5
Interest on borrowings from other group undertakings[3]	**17.9**	21.4
Net interest payable on derivative financial instruments[4]	**5.1**	14.6
Amortisation of debt costs[5]	**3.3**	3.1
Non-utilisation fees on bank facilities	**3.7**	3.7
	104.7	102.5
Interest receivable		
Net return on pension scheme	**(2.5)**	(3.6)
Interest receivable on money markets and bank deposits	**(0.1)**	(0.2)
Finance lease income	**(0.4)**	(0.3)
	(3.0)	(4.1)
Less: capitalised borrowings costs[6]	**(8.6)**	(11.7)
Net interest payable	**93.1**	86.7

1 These amounts mainly relate to interest payable on loans drawn under the £970 million Initial Authorised Credit Facilities Agreement.

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

3 This amount relates to interest payable on a Loan Agreement with Ivy Bidco Limited entered into on 3 December 2009 that was amended and restated under a Deed dated 15 February 2011.

4 These amounts relate to interest rate derivatives of £32.3 million and £396 million index-linked derivatives. In January 2012, £154.3 million of floating to index-linked swaps were restructured as fixed to index-linked swaps coinciding with a further bond issue. In March 2012, an additional £75 million of fixed to floating rate swaps, expiring in September 2012 were undertaken by the company. Refer to note 19 for detail on the nominal value of the Groups's swaps. These amounts include inflation accretion on index-linked swaps.

5 These amounts relate to the debt costs incurred in relation to the issue of fixed rate bonds by the Group on 2 March 2011 and 20 January 2012 (refer to note 18).

6 Borrowing costs have been capitalised using a rate of 6.0% (2012: 6.1%), which is the weighted average of rates applicable to the Group's overall borrowings outstanding during the year. The capitalised interest amount is calculated by applying the capitalisation rate to the average monthly balance of assets in the course of construction, after deducting the value of construction work undertaken but not paid for, and included in the value of such assets (see note 12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	Note	**Year ended 31 March 2013 £m**	Year ended 31 March 2012 £m
Current tax			
Total current tax charge		**-**	-
Deferred tax			
Origination and reversal of timing differences		**0.3**	(4.6)
Adjustment in respect of prior years		**(0.7)**	(0.2)
Effect of change in tax rate		**1.2**	1.9
Total deferred tax charge/(credit)	14	**0.8**	(2.9)
Tax on loss on ordinary activities		**0.8**	(2.9)

Reconciliation of tax charge

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 24% (2012: 26%). 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 2013 £m	Year ended 31 March 2012 £m
Loss on ordinary activities before tax	**(28.3)**	(48.6)
Tax on loss on ordinary activities at 24% (2012: 26%)	**(6.8)**	(12.6)
Effect of:		
Pension commutation payment	**(6.5)**	(7.0)
Trading losses carried forward	**7.9**	19.4
Capital allowances for the year in excess of depreciation	**(1.5)**	(7.0)
Expenses not deductible for tax purposes	**7.3**	8.2
Other short-term timing differences	**(0.3)**	(0.8)
Non taxable income	**(0.1)**	(0.2)
Current tax for the year	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

9. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

During the year, as a result of the change in the UK corporation tax rate from 24% to 23% that was substantially enacted on 3 July 2012 and that will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured.

Further reductions to the UK tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate to 20% by 1 April 2015. The changes had not been substantially enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

Other than this change, and the unprovided deferred tax discussed in note 14, there are no items which would materially affect the future tax charge.

10. DIVIDENDS

No interim or final dividends were paid during the year ending 31 March 2013 (2012: nil).

11. SHARE-BASED PAYMENTS

The Group has an LTIP for certain members of the Gatwick Airport Limited Executive Management Board. The LTIP relates to equity instruments of Ivy Bidco Limited, the Company's parent.

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 Gatwick Airport Limited. 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 Gatwick Airport Limited, including dividend cash flows, and the timing and level of any future sale. The Group recognised total expenses of £0.6 million related to equity-settled share-based payment transactions in the year ended 31 March 2013 (2012: 0.3 million).

The participants in the scheme entered into a loan agreement with Gatwick Airport Limited, amounting to £2.8 million (2012: nil), the purpose of which is to enable the participants to fund the allotment of equity instruments of Ivy Bidco Limited under the LTIP agreement. The participants have 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 2013

12. TANGIBLE ASSETS

	Investment properties £m	Land held for development £m	Terminal complexes £m	Airfields £m	Group occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	Total £m
Cost or valuation								
1 April 2012	667.1	4.1	1,631.1	262.8	22.3	175.0	168.2	2,930.6
Additions at cost	-	-	-	-	-	-	226.7	226.7
Transfers to completed assets	0.7	-	97.5	60.7	11.3	47.6	(217.8)	-
Interest capitalised	-	-	-	-	-	-	8.6	8.6
Disposals	(7.3)	-	(20.0)	(30.5)	(1.0)	(0.6)	-	(59.4)
Revaluation	27.7	-	-	-	-	-	-	27.7
31 March 2013	**688.2**	**4.1**	**1,708.6**	**293.0**	**32.6**	**222.0**	**185.7**	**3,134.2**
Depreciation								
1 April 2012	-	-	710.8	105.2	6.9	90.7	-	913.6
Charge for the year	-	-	71.5	12.4	1.4	25.4	-	110.7
Disposals	-	-	(18.7)	(30.2)	(1.0)	(0.6)	-	(50.5)
31 March 2013	**-**	**-**	**763.6**	**87.4**	**7.3**	**115.5**	**-**	**973.8**
Net book value								
31 March 2013	**688.2**	**4.1**	**945.0**	**205.6**	**25.3**	**106.5**	**185.7**	**2,160.4**
31 March 2012	667.1	4.1	920.3	157.6	15.4	84.3	168.2	2,017.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

12. TANGIBLE ASSETS (continued)

Valuation

Investment properties and land held for development were valued at open market value at 31 March 2013 by Drivers Jonas Deloitte, Chartered Surveyors at £692.3 million (2012: £671.2 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 £27.7 million (2012: £5.6 million deficit) has been transferred to the revaluation reserve.

The Company's car parking assets are held as investment properties.

Remaining group occupied properties, terminal complexes, airfield infrastructure, plant and equipment, and other assets, have been shown at historical cost.

Capitalised interest

Included in the cost of assets are interest costs of £112.7 million (2012: £104.1 million). £8.6 million (2012: £11.7 million) has been capitalised in the year at a capitalisation rate of 6.0% (2012: 6.1%) based on a weighted average cost of borrowings.

A tax deduction of £8.6 million for capitalised interest was taken in the year (2012: £11.7 million). Subsequent depreciation of the capitalised interest is disallowed for tax purposes. Consequently, the capitalised interest gives rise to a deferred tax liability, which is released each year in line with the depreciation charged on the relevant assets.

Historical cost

The historical cost of investment properties and land held for development at 31 March 2013 was £186.1 million (2012: £188.8 million).

Leased assets

The Group had assets rented to third parties under operating leases as follows:

	31 March 2013 £m	31 March 2012 £m
Cost or valuation	**497.6**	458.9
Accumulated depreciation	**(106.8)**	(94.3)
Net book value	**390.8**	364.6

A proportion of Terminal complexes are occupied by third parties under concession and management agreements.

Security

As part of the refinancing agreements outlined in note 18, the Group have granted security over their assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

13. STOCKS

	31 March 2013 £m	31 March 2012 £m
Raw materials and consumables	**3.3**	3.9

The replacement cost of raw materials and consumables at 31 March 2013 and 31 March 2012 was not materially different than the amount at which they are included in the financial statements.

14. DEBTORS

	31 March 2013 £m	31 March 2012 £m
Due within one year:		
Trade debtors	**25.9**	31.8
Accrued interest receivable	**1.4**	1.4
Amounts owed by group undertakings – interest free	**0.2**	0.2
Other debtors	**8.3**	7.8
Prepayments and accrued income	**13.9**	17.8
	49.7	59.0
Due after more than one year:		
Deferred tax **(a)**	**29.0**	29.9
Finance lease asset	**16.8**	7.9
Amounts owed by group undertakings – interest bearing	**0.1**	0.1
Total debtors	**95.6**	96.9

During the current year, an asset previously recognised as an investment property was transferred to finance lease receivables on signing of a long term lease agreement for the property. A similar transaction occurred in the prior year.

(a) Deferred tax

Analysis of the deferred tax balances are as follows:

	31 March 2013 £m	31 March 2012 £m
Capital allowances in excess of depreciation	**(38.9)**	(39.3)
Trading losses carried forward	**61.8**	56.0
Pension commutation payment	**6.2**	13.0
Other timing differences	**(0.1)**	0.2
	29.0	29.9

No provision has been made for deferred tax on gains recognised on revaluing investment properties to their market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Taxable gains will crystallise only if the property were sold without it being possible to claim rollover relief. The total amount of tax unprovided is £103.0 million (2012: £102.0 million). At present, it is not envisaged that this tax will become payable in the foreseeable future.

Movements in deferred tax balances (excluding deferred tax liability relating to pension surplus) are charged to the profit and loss account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

14. DEBTORS (continued)

Deferred tax asset/(liability) relating to pension (deficit)/surplus:

	31 March 2013 £m	31 March 2012 £m
1 April	**(2.0)**	(6.7)
Deferred tax credit/(charge) in profit and loss account	**0.1**	(0.4)
Deferred tax charged to the statement of total recognised gains and losses on actuarial gains	**3.9**	5.1
31 March	**2.0**	(2.0)

Provisions for deferred taxation have been made in accordance with FRS 19.

15. CASH AND CASH EQUIVALENTS

	31 March 2013 £m	31 March 2012 £m
Cash at bank and in hand	**0.5**	12.2

Cash at bank and in hand represents amounts held on operating bank accounts which generally earn interest at floating rates based on the prevailing bank base rate and are subject to interest rate risk.

The fair value of cash and cash equivalents approximate their book value.

Board approved investment policies and relevant debt facility agreements provide counterparty investment limits based on short and long-term credit ratings.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2013 £m	31 March 2012 £m
Trade creditors	**15.2**	11.9
Accruals	**21.0**	21.2
Capital creditors	**51.6**	59.2
Amounts owed to group undertakings – interest free	**2.8**	-
Other tax and social security	**2.7**	2.4
Accrued financing charges	**0.3**	0.3
Accrued interest payable	**10.1**	10.4
Finance lease liabilities	**0.2**	0.2
Other creditors	**2.1**	1.8
Deferred income	**11.1**	8.5
	117.1	115.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

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

	31 March 2013 £m	31 March 2012 £m
Borrowings (refer to note 18)	**1,404.0**	1,278.7
Amounts owed to group undertakings – interest bearing[1]	**133.1**	190.1
Accrued financing charges payable[2]	**44.2**	31.7
	1,581.3	1,500.5

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

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

18. BORROWINGS

	31 March 2013 £m	31 March 2012 £m
Non-current borrowings		
Fixed rate bonds	**1,179.8**	1,179.0
Initial Authorised Credit Facility Agreement		
Term Facility	**102.2**	99.7
Capex Facility	**92.0**	-
Revolving Credit Facility	**30.0**	-
Total non-current borrowings	**1,404.0**	1,278.7
Maturity Profile:		
Repayable between 1 and 2 Years	**224.2**	**-**
Repayable between 2 and 5 Years	**-**	99.7
Repayable in more than 5 Years	**1,179.8**	1,179.0
	1,404.0	1,278.7

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

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

The Initial ACF Agreement has total facilities of £970.0 million, comprising a Term Facility of £620.0 million, a non-revolving Capex Facility of £300.0 million and a Revolving Credit Facility of £50.0 million. The Initial ACF Agreement terminates on 3 December 2014. The outstanding balance on the Term Facility at 31 March 2013 after mandatory deductions and prepayments was £106.4 million (2012: £106.4 million).

The Group has issued £1,200 million of publicly listed fixed rate secured bonds comprising £300 million Class A 6.125 per cent. Bonds with scheduled and legal maturities of 2026 and 2028 respectively, £300 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively, £300 million Class A 5.25 per cent. Bonds with scheduled and legal maturities of 2024 and 2026 respectively and £300 million Class A 5.75 per cent. Bonds with scheduled and legal maturities of 2037 and 2039 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

18. BORROWINGS (continued)

At 31 March 2013, the average interest rate payable on borrowings was 5.78% p.a. (2012: 6.6% p.a.).

At 31 March 2013, the Group had £228.0 million (2012: £350.0 million) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

Financial covenants
Under the CTA, the Group is required to comply with certain financial and information covenants, which are defined in relation to the financial performance, position and cash flows of Gatwick Airport Limited (a subsidiary undertaking of the Company). All financial covenants have been tested and complied with as at 31 March 2013 (2012: all covenants tested and complied with).

The following table summarises Gatwick Airport Limited's financial covenants compliance as at 31 March 2013 under the CTA, and lists the trigger and default levels:

Covenant	**Unaudited 31 March 2013**	Unaudited 31 March 2012	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**2.88**	3.28	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.62**	0.60	> 0.70	> 0.85

19. PROVISIONS FOR LIABILITIES

	Note	**Reorganisation costs (a) £m**	**Financial derivatives (b) £m**	**Total £m**
1 April 2012		0.4	190.7	191.1
Charged to profit and loss account	6	-	49.1	49.1
Utilised in the year		(0.4)	-	(0.4)
31 March 2013		**-**	**239.8**	**239.8**

(a) Reorganisation costs
No costs were charged to the profit and loss account during the year in association with restructuring programmes (2012: £0.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

19. PROVISIONS FOR LIABILITIES (continued)

(b) Financial derivatives

The Group has entered into financial derivative contracts to hedge its exposure to cash flow interest rate risk on variable rate borrowings and inflation risk arising on inflation related income. Although the contracts are commercial hedges, they do not fully satisfy the requirements of UK GAAP hedge accounting. A provision of £239.8 million, equal to the present value of expected net cash outflows on these contracts at 31 March 2013 (as shown below), has been recognised:

	Nominal Amount £m	Average Term (Yrs)	Average Rate Payable %	Average Rate Receivable %	Provision £m
Interest rate swaps	32.3	1.68	1.66	0.51	0.7
Variable to index-linked swaps	137.0	20.2	0.66	0.60	75.2
Fixed rate to index-linked swaps	259.0	19.8	3.47	6.31	163.9
Totals	428.3	18.6	2.43	4.05	239.8

20. CALLED UP SHARE CAPITAL

	31 March 2013 £m	31 March 2012 £m
Called up, allotted and fully paid		
246,617,901 (2012: 246,617,901) ordinary shares of £1.00 each	**246.6**	246.6

21. RESERVES

	Note	Profit and loss reserve £m	Revaluation reserve £m	Merger reserve £m	Total £m
1 April 2012		350.5	(7.6)	(260.8)	82.1
Loss for the year		(29.1)	-	-	(29.1)
Actuarial loss on pension scheme	26	(16.8)	-	-	(16.8)
UK deferred tax attributable to actuarial loss	26	3.9	-	-	3.9
Capital contribution		0.6	-	-	0.6
Revaluation surplus	13	-	27.7	-	27.7
Transfer between reserves		(1.8)	1.8	-	-
31 March 2013		**307.3**	**21.9**	**(260.8)**	**68.4**

The profit and loss reserve increased by £0.6 million following a capital contribution from Ivy Bidco Limited as a result of the accounting for the Group's LTIP (refer note 11).

The transfer between reserves of £1.8m relates to amounts previously recognised in the revaluation reserve which were transferred to the profit and loss reserve. This arose due to the transfer of certain assets during the year from investment properties to finance lease assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

22. ANALYSIS OF CASH FLOWS

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Returns on investments and servicing of finance		
Interest received	**2.6**	3.8
Interest paid	**(71.3)**	(51.9)
Net cash outflow	**(68.7)**	(48.1)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(234.7)**	(230.7)
Net cash outflow	**(234.7)**	(230.7)
Financing		
Debt drawn/(repaid) under the Initial ACF Agreement	**122.0**	(498.0)
Issue of Class A Bonds	**-**	587.2
Decrease in related party borrowings	**(75.0)**	(0.1)
Net cash inflow	**47.0**	89.1

23. ANALYSIS AND RECONCILIATION OF NET DEBT

	1 April 2012 £m	**Cash flow £m**	**Non-cash £m**	**31 March 2013 £m**
Cash in hand, at bank	**12.2**	**(11.7)**	**-**	**0.5**
Debt due after 1 year	**(1,278.7)**	**(122.0)**	**(3.3)**	**(1,404.0)**
Net debt	**(1,266.5)**	**(133.7)**	**(3.3)**	**(1,403.5)**

	31 March 2013 £m	31 March 2012 £m
(Decrease)/increase in cash in year	**(11.7)**	10.0
Increase in borrowings	**(125.3)**	(92.2)
Movement in net debt in year	**(137.0)**	(82.2)
Net debt at 1 April	**(1,266.5)**	(1,184.3)
Net debt at 31 March	**(1,403.5)**	(1,266.5)

Net debt is represented by cash in hand, at bank and external third party bank borrowings and bond debt (note 18). It does not include amounts owed to other group undertakings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

24. COMMITMENTS

Capital

Contracted commitments for capital expenditure amount to £139.8 million (2012: £157.2 million).

Commitments under operating leases

At 31 March 2013, the Group was committed to making the following payments during the next year in respect of operating leases:

	Land & Buildings 31 March 2013 £m	**Other Leases 31 March 2013 £m**	Land & Buildings 31 March 2012 £m	Other Leases 31 March 2012 £m
Leases which expire:				
- within one year	**-**	**-**	0.2	-
- within two to five years	**0.3**	**0.2**	0.3	0.1
- after five years	**0.2**	**8.5**	-	8.3
	0.5	**8.7**	0.5	8.4

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.

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. The Directors believe this is unlikely in the foreseeable future.

25. PENSION COMMITMENTS

Defined Contribution Plan

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

The total cost charged to income of £2.4 million (2012: £1.6 million) represents contributions payable to this scheme by the Group at rates specified in the rules of the plans. As at 31 March 2013, no contributions (2012: nil) due in respect of the current reporting period remain unpaid to the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

25. PENSION COMMITMENTS (continued)

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 2010 were updated to 31 March 2013 by an independent qualified actuary in accordance with FRS 17.

The expected rate of return on assets for the financial year ended 31 March 2013 was 6.0% p.a. (2012: 6.7% p.a.). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at 31 March 2012, net of expenses:

	31 March 2013 % p.a.	31 March 2012 % p.a.
Equities	**6.8**	7.1
Index-linked gilts	**2.8**	3.1
Diversified growth funds	**6.1**	6.4
Cash	**0.4**	0.7

The estimated amount of total employer contributions expected to be paid to the plan during the year ending 31 March 2014 is £11.2 million (actual for year ended 31 March 2013: £11.6 million).

The following table sets out the key FRS 17 assumptions used for the plan:

	31 March 2013 %	31 March 2012 %
Rate of increase in salaries – to 31 March 2014	**4.0**	3.8
– thereafter	**4.0**	3.8
Rate of increase in pensions in payment (RPI)	**3.5**	3.3
Rate of increase in pensions in payment (5% LPI)	**3.4**	3.2
Discount rate	**4.6**	4.9
Retail Prices Index inflation	**3.5**	3.3
Consumer Prices Index inflation	**2.5**	2.3

The mortality assumptions used were as follows:

	31 March 2013 Years	31 March 2012 Years
Life expectancy of male aged 60 in 2013	**26.6**	26.4
Life expectancy of male aged 60 in 2033	**28.1**	28.0

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

Assumption	**Change in assumption**	**Impact on plan liabilities £m**
Rate of increase in salaries	+ 0.5% pa	+ 14.6
Discount rate	+/- 0.5% pa	+/- 31.2
Life expectancy	+ 1 year	+ 6.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

25. PENSION COMMITMENTS (continued)

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

	31 March 2013 £m	31 March 2012 £m
Present value of plan liabilities	**(290.0)**	(231.0)
Fair value of plan assets	**281.4**	239.2
(Deficit)/surplus	**(8.6)**	8.2
Related deferred tax asset/(liability)	**2.0**	(2.0)
Net pension (liability)/asset	**(6.6)**	6.2

Reconciliation of present value of plan liabilities

	31 March 2013 £m	31 March 2012 £m
Opening present value of plan liabilities	**(231.0)**	(185.5)
Current service cost	**(14.0)**	(12.2)
Past service cost	**(0.1)**	(0.2)
Interest cost	**(11.6)**	(10.8)
Contributions from plan members[1]	**(2.5)**	(2.7)
Benefits paid	**3.1**	2.2
Actuarial loss	**(33.9)**	(21.8)
Closing present value of plan liabilities	**(290.0)**	(231.0)

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

Reconciliation of fair value of plan assets

	31 March 2013 £m	31 March 2012 £m
Opening fair value of plan assets	**239.2**	211.1
Expected return on plan assets	**14.1**	14.4
Actuarial gain	**17.1**	0.7
Benefits paid	**(3.1)**	(2.2)
Contributions paid by employer	**11.6**	12.5
Contributions paid by members	**2.5**	2.7
Closing fair value of plan assets	**281.4**	239.2

The current allocation of the plan assets is as follows:

	31 March 2013	31 March 2012
Equity instruments	**40%**	41%
Debt instruments	**21%**	21%
Diversified growth funds	**39%**	38%
	100%	100%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

25. PENSION COMMITMENTS (continued)

The expected return on plan assets is 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 balance sheet date. Expected returns on equity investments and diversified growth funds reflect long-term real rates of return expected in the respective markets.

The actual return on plan assets over the year was £31.2 million (2012: £15.1 million).

The amounts recognised in operating profit are as follows:

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Past service cost	**(0.1)**	(0.2)
Employer's part of current service cost	**(14.0)**	(12.2)
Total operating charge	**(14.1)**	(12.4)

The following amounts are included in "net interest payable and similar charges – ordinary":

	Year ended 31 March 2013 £m	Year ended 31 March 2012 £m
Expected return on plan assets	**14.1**	14.4
Interest cost	**(11.6)**	(10.8)
Total credit to 'net interest payable and similar charges – ordinary'	**2.5**	3.6

Actuarial gains and losses

The amount recognised outside the profit and loss account in the statement of total recognised gains and losses for the year ended 31 March 2013 is a loss of £16.8 million (2012: £21.1 million loss). The cumulative amount recognised outside the profit and loss account to 31 March 2013 is a £15.1 million loss (to 31 March 2012: £1.7 million gain).

Amounts for current and prior year

	31 March 2013 £m	31 March 2012 £m
Present value of plan liabilities	**(290.0)**	(231.0)
Fair value of plan assets	**281.4**	239.2
(Deficit)/surplus	**(8.6)**	8.2

	Year ended 31 March 2013	Year ended 31 March 2012
Experience adjustments on plan liabilities		
Amount of gain (£m)	**-**	-
% of plan liabilities	**-**	-
Experience adjustments on plan assets		
Amount of gain/(loss) (£m)	**17.1**	0.7
% of plan assets	**6.1%**	0.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

26. CLAIMS AND CONTINGENT LIABILITIES

As part of the refinancing agreements outlined in note 18, 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 2013 (2012: nil).

The Company's subsidiary, Gatwick Airport Limited commenced proceedings on 6 February 2009 against Ryanair for recovery of check-in and baggage charges withheld since 2004, which as at 31 March 2013 totalled £3.7 million (2012: £3.2 million).

Ryanair has defended the claim on the basis that the charges are excessive and discriminatory and also in breach of competition laws and had also complained to the CAA that Gatwick was in breach of the Transparency Condition (imposed by the CAA in relation to specified activities) and also in breach of the Groundhandling Regulations. The CAA published its decision in relation to this complaint on 31 May 2011. While the decision does not find that the Airport's per passenger charge for check-in and baggage is discriminatory, it does find that the Airport did not use objective criteria in setting its internet check-in charge as Ryanair's percentage of passengers travelling without hold baggage increased. The CAA also found that the Airport was not sufficiently transparent in revealing how the charges were calculated.

Gatwick Airport Limited was directed by the CAA to carry out a consultation by April 2012 to revise its pricing structure for check-in and baggage and in doing so to ensure that a proper cost reflective charge is made for passengers checking-in online who do not use the baggage system. At the same time, Gatwick Airport Limited was also required to provide users with a precise and comprehensible description of the method of calculating the charge. Gatwick Airport Limited completed the consultation as required by the CAA direction and implemented a revised charging structure effective from April 2012.

Ryanair subsequently appealed to the CAA claiming that the charging structure effective from April 2012 was also in breach of the Groundhandling Regulations as it was not determined according to relevant objective transparent and non-discriminatory criteria. Following a hearing the CAA published its decisions and draft directions for consultation in May 2013. The CAA decided that the charging structure did breach the Regulations and in particular the allocation of planned maintenance costs and rates resulted in charges that had a discriminatory effect against Ryanair and other airlines who used some of the facilities less than others. The CAA is consulting on remedies and proposes that GAL re-consults on elements of the charging structure with a fall back position if agreement cannot be reached.

The litigation in relation to the check-in and baggage charges remains on hold. The CAA decisions do not mean that Ryanair is not liable for any of the check-in and baggage charges that have been withheld since 2004, and the Company will continue to seek resolution of that issue.

27. SUBSEQUENT EVENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

28. 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 smallest and largest parent undertaking in the UK to consolidate these financial statements. The consortium that ultimately own and control the Company and Ivy Midco Limited 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 Group's results are also included in the audited consolidated financial statements of Ivy Luxco I S.à.r.l. for the year ended 31 March 2013, the largest group to consolidate these financial statements.

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

INDEPENDENT AUDITORS' 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 2013 which comprise the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, set out on page 7, the directors are responsible for the preparation of the 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Opinion on financial statements
In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Directors' Report for the financial period for which the parent company 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.

Other matter
We have reported separately on the consolidated financial statements of Ivy Holdco Limited for the year ended 31 March 2013.

Graham Lambert

Graham Lambert (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
24 June 2013

COMPANY BALANCE SHEET
As at 31 March 2013

	Note	**31 March 2013 £000**	31 March 2012 £000
FIXED ASSETS			
Investment in subsidiary undertaking	6	**597,118**	597,118
CURRENT ASSETS			
Debtors: due within one year	8	**1**	1
TOTAL CURRENT ASSETS		**1**	1
CREDITORS: amounts falling due within one year	9	**(20)**	(11)
NET ASSETS		597,099	597,108
CAPITAL AND RESERVES			
Called up share capital	10	**246,618**	246,618
Profit and loss reserve	11	**350,481**	350,490
TOTAL SHAREHOLDERS' FUNDS		**597,099**	597,108

The notes on pages 44 to 48 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 June 2013 and were signed on its behalf by:

Michael McGhee
Director

Andrew Gillespie-Smith
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

1. BASIS OF PREPARATION

These financial statements are the financial statements of Ivy Holdco Limited ("the Company") for the year ended 31 March 2013. The Company was incorporated on 18 January 2011, as such the comparative information presented in the financial statements covers the period from incorporation to 31 March 2012. These financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006 and United Kingdom Accounting Standards ("UK GAAP") except as set out within the accounting policies note.

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 £18,654 (2012: £11,000) and net assets of £597,099,147 (2012: £597,107,783) as at 31 March 2013. 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 24 June 2013.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investment 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 tax. Tax is recognised in the profit and loss account, 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 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 balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

In accordance with FRS 19, '*Deferred Tax*', deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

(d) Creditors

Creditors 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.

(g) Cash flow statements and related party disclosures

The Company's ultimate parent entity in the UK is Ivy Midco Limited, a company registered in England and Wales. The Company is a wholly-owned subsidiary of Ivy Bidco Limited, a company incorporated in England and Wales. The Company is ultimately owned by a consortium through a number of United Kingdom ("UK") and overseas holding companies and limited liability partnerships. 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 2013, the largest and smallest groups to consolidate these financial statements respectively. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 '*Cash flow statements (revised 1996)*'.

The Company is also exempt under the terms of FRS 8 '*Related Party Disclosures*' from disclosing related party transactions with entities that are wholly-owned subsidiaries of Ivy Midco Limited.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

4. COMPANY RESULT FOR THE YEAR

The loss for the year ended 31 March 2013 was £8,636 (2012: £350,489,882 profit for the period). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Company.

Operating costs

Operating costs include audit fees of £5,500.

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

No dividends were paid during the year (2012: nil).

6. INVESTMENT IN SUBSIDIARIES

	31 March 2013 £000	31 March 2012 £000
1 April	**597,118**	-
Additions in the period (note 7)	-	597,118
As at 31 March	**597,118**	597,118

Principal group Investments

The parent Company has investments in the following subsidiary undertakings which principally affected the profits or net assets of the Group.

Subsidiary Undertakings	**Principal activity**	**Holding**	**%**
Gatwick Airport Limited	Airport owner and operator	Ordinary Shares	100%
Gatwick Funding Limited†	Financing company	Ordinary Shares	100%

† Held by a subsidiary undertaking

Gatwick Airport Limited is incorporated and operates in the United Kingdom. Gatwick Funding Limited is incorporated in Jersey.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

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, Company indirectly acquired ownership of Gatwick Funding Limited, being a wholly-owned subsidiary of Gatwick Airport Limited. Gatwick Funding Limited is incorporated in Jersey and has a share capital of £2.00 comprising two ordinary shares at £1.00 per share.

8. DEBTORS

	31 March 2013 £'000	31 March 2012 £'000
Due within one year:		
Amounts owed by group undertakings – interest free	**1**	1
Total debtors due within one year	**1**	1

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2013 £000	31 March 2012 £000
Trade creditors	**9**	5
Amounts owed to group undertakings – interest free	**11**	6
Total creditors: amounts falling due within one year	**20**	11

10. CALLED UP SHARE CAPITAL

	31 March 2013 £000	31 March 2012 £000
Called up, allotted and fully paid		
246,617,901 ordinary shares of £1.00 each	**246,618**	246,618

The Company was incorporated on 18 January 2011 with share capital comprising 100 shares at £1.00 per share. On 2 March 2012, an additional 597,117,801 shares were issued in consideration for the transfer of ownership of Gatwick Airport Limited to the Company.

The Company undertook a capital reduction of £350,500,000 of share capital on 2 March 2011 by means of a special resolution supported by solvency statement, resulting in the creation of £350,500,000 of distributable reserves.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2013

11. PROFIT AND LOSS RESERVE

	Note	Profit and loss reserve £000
1 April 2012		**350,490**
Loss for the period	4	**(9)**
31 March 2013		**350,481**

12. 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 2013.

13. SUBSEQUENT EVENTS

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

14. 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 ultimate parent in the UK is Ivy Midco Limited, which is the largest parent undertaking in the UK to consolidate these financial statements. The Company's parent is Ivy Bidco Limited, a company incorporated in England and Wales. The consortium that ultimately own and control the Company are Global Infrastructure Partners (41.95%), the Abu Dhabi Investment Authority (15.90%), the California Public Employees' Retirement System (12.78%), National Pension Service of Korea (12.14%), and Future Fund Board of Guardians (17.23%). The results of the Company are included in the audited consolidated financial statements of Ivy Luxco I S.à.r.l. and Ivy Midco Limited for the year ended 31 March 2013, 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.