GATWICK FUNDING LIMITED

Directors' Report and Financial Statements for the period ended 31 March 2012

Company Registration Number: 107376 (Jersey)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2012

CONTENTS **Page**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Andrew Gillespie-Smith	(appointed 10 February 2011)
Christopher Koski	(appointed 10 February 2011)
Michael McGhee	(appointed 10 February 2011)
William Woodburn	(appointed 10 February 2011)
Jonathan Keighley	(appointed 21 January 2011)
Robert Berry	(appointed 21 January 2011)

SECRETARY

Structured Finance Management Limited (Jersey)	(appointed 21 January 2011)

REGISTERED OFFICE

47 Esplanade
St Helier
Jersey JE1 0BD

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 financial statements for Gatwick Funding Limited ("the Company") for the period from incorporation on 21 January 2011 to 31 March 2012 ("the period").

PRINCIPAL ACTIVITIES

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

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

Gatwick Airport Limited's parent, Ivy Holdco Limited, Gatwick Airport Limited and the Company are referred to collectively in this Directors' Report, the business review and the financial statements as "the Ivy Holdco Group".

REVIEW FOR THE PERIOD

The period ended 31 March 2012 is the first reporting date since the Company was incorporated on 21 January 2011. The Company has a share capital of £2.00 comprising two ordinary shares at £1.00 per share.

Gatwick Airport Limited acquired the Company, for consideration of £250 on 10 February 2011 as part of the refinancing of the Ivy Holdco Group.

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

The Company completed two £300.0 million bonds on two occasions during the period since incorporation to 31 March 2012.

On 2 March 2011, the Company issued £600.0 million publicly listed fixed rate secured bonds comprising £300 million Class A 6.125 per cent. Bonds with scheduled and legal maturities of 2026 and 2028 respectively, and £300 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively.

On 20 January 2012, the Company issued a further £600.0 million of publicly listed fixed rate secured bonds comprising £300 million Class A 5.25 per cent. Bonds with scheduled and legal maturities of 2024 and 2026 respectively, and £300 million Class A 5.75 per cent. Bonds with scheduled and legal maturities of 2037 and 2039 respectively.

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

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

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

REVIEW OF THE BUSINESS

Results and dividends

For the period ended 31 March 2012 the Company made a profit after taxation of £3,247. No ordinary dividends were proposed or paid during the period. The results for the period are set out in the profit and loss account.

Going Concern

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

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

All the Ivy Holdco Group's financial covenants (refer to note 13 of the financial statements), which are defined in relation to the financial performance, position and cash flows of Gatwick Airport Limited, have been met and are forecast to be met for the years ending 31 March 2013, 2014 and 2015.

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

FUTURE DEVELOPMENTS

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

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.

DIRECTORS' REPORT (continued)

RISK MANAGEMENT

The Company actively manages all identified corporate risks. Details of the risk management policies of Gatwick Airport Limited, the Company's parent, are detailed in the financial statements of Gatwick Airport Limited for the year ended 31 March 2012.

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

Financial risk management

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

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

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

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

(a) Cash Flow Interest Rate Risk

The Ivy Holdco Group maintains a mix of fixed and floating rate debt. As at 31 March 2012, fixed-rate debt after hedging with derivatives represented 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 2012, the nominal amount of index-linked derivatives equated to 30.3% of the Ivy Holdco Group's external debt.

(b) Funding and Liquidity Risk

The Ivy Holdco Group has established a multicurrency programme for the issuance of bond debt in addition to bank 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 £199.3 million for the year ended 31 March 2012 (2011: £177.5 million). As at 31 March 2012, cash at bank was £12.2 million, undrawn headroom under bank capex and revolving facilities was £350.0 million and undrawn headroom under the liquidity facility was £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.

DIRECTORS' REPORT (continued)

Financial risk management (continued)

(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 Ivy Holdco Group are employed by Gatwick Airport Limited, the Company's parent. Details of the Gatwick Airport Limited employee policies are included in the Gatwick Airport Limited financial statements for the year ended 31 March 2012.

PAYMENT PRACTICE

The Ivy Holdco 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.

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations during the period.

DIVIDENDS

No dividends were declared or paid in the period ended 31 March 2012.

BOARD OF DIRECTORS

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

Andrew Gillespie-Smith	(appointed 10 February 2011)
Christopher Koski	(appointed 10 February 2011)
Michael McGhee	(appointed 10 February 2011)
William Woodburn	(appointed 10 February 2011)
Jonathan Keighley	(appointed 21 January 2011)
Robert Berry	(appointed 21 January 2011)

DIRECTORS' REPORT (continued)

DIRECTORS' INDEMNITY

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

INDEPENDENT AUDITORS

Pursuant to the provisions of section 109(4) of the Companies (Jersey) Law 1991, PricewaterhouseCoopers LLP will automatically be re-appointed as Auditors of the Company.

By order of the Board

Andrew Gillespie-Smith
Director
22 June 2012

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 period. Under that law the Directors have prepared the 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 Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' Report is approved, the following applies:

(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
22 June 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GATWICK FUNDING LIMITED

We have audited the financial statements of Gatwick Funding Limited for the period ended 31 March 2012 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the 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 financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors Report 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 financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its result for the period then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Opinion on other matter

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

Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Graham Lambert

Graham Lambert (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
Gatwick
22 June 2012

PROFIT AND LOSS ACCOUNT
For the period ended 31 March 2012

	Note	Period ended 31 March 2012 £m
Interest receivable and similar income	5	**54.7**
Interest payable and similar charges	6	**(54.7)**
Fair value loss on derivative financial instruments	7	**(180.2)**
Fair value gain on derivative financial instruments with other group undertakings	8	**180.2**
Operating profit and profit on ordinary activities before taxation	4	**-**
Tax on profit on ordinary activities	9	**-**
Profit for the financial period	17	**-**

The notes on pages 12 to 24 form an integral part of these financial statements.

All profits recognised during the current period are from continuing operations.

There are no recognised gains or losses for the current period other than stated in the profit and loss account and accordingly no statement of total recognised gains and losses is presented.

The Company has not presented a note of historical cost profits and losses because the effects of fair value accounting for derivative financial instruments are not required to be included in the reconciliation of the reported profit on ordinary activities before taxation and the historical cost equivalents.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the period ended 31 March 2012

	Note	Period ended 31 March 2012 £m
Profit for the financial period	17	-
Net addition to shareholders' funds		-
Opening shareholders' funds		-
Closing shareholders' funds		-

The notes on pages 12 to 24 form an integral part of these financial statements.

BALANCE SHEET
As at 31 March 2012

	Note	31 March 2012 £m
CURRENT ASSETS		
Debtors: due within one year	10	**11.8**
: due after more than one year	10	**1,400.7**
TOTAL CURRENT ASSETS		**1,412.5**
CREDITORS: amounts falling due within one year	11	**(11.8)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,400.7**
CREDITORS: amounts falling due after more than one year	12	**(1,400.7)**
NET ASSETS		**-**
CAPITAL AND RESERVES		
Called up share capital	16	**-**
Profit and loss reserve	17	**-**
TOTAL SHAREHOLDERS' FUNDS		**-**

The notes on pages 12 to 24 form an integral part of these financial statements.

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

These financial statements of Gatwick Funding Limited (Company registration number: 107376 (Jersey)) were approved by the Board of Directors and authorised for issue on 22 June 2012. They were signed on its behalf by:

Michael McGhee

Michael McGhee
Director

Andrew Gillespie-Smith
Director

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 March 2012

1. BASIS OF PREPARATION

These financial statements are the financial statements of Gatwick Funding Limited ("the Company") for the period from incorporation on 21 January 2011 to 31 March 2012. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments in accordance with the Companies (Jersey) Law 1991 and United Kingdom Accounting Standards (UK GAAP).

The Company is a wholly-owned subsidiary of Gatwick Airport Limited. Gatwick Airport Limited's parent, Ivy Holdco Limited, Gatwick Airport Limited and the Company are referred to collectively in the Directors' Report, the business review and these financial statements as "the Ivy Holdco Group".

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

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

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

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

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

All the Ivy Holdco Group's financial covenants (see note 13), which are defined in relation to the financial performance, position and cash flows of Gatwick Airport Limited, have been met and are forecast to be met for the years ending 31 March 2013, 2014 and 2015.

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

The financial statements were approved by the Directors on 22 June 2012.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Interest receivable, interest payable and similar income and charges

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

(b) 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 period 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 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.

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

(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) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Share capital

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

(g) Dividend distribution

A dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the shareholders' right to receive payment of the dividend is established by approval of the dividend at the Annual General Meeting. Interim dividends are recognised when paid.

(h) Cash

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

(i) 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.

(j) Debt issue costs and arrangement fees

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.

(k) Derivative financial instruments

The derivative financial instruments utilised by the Company are interest rate and index-linked swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives not in a hedge relationship are recorded in the profit and loss account. The derivatives held by the Company are not currently designated as being in a hedge relationship.

Derivatives are classified in the balance sheet based on their remaining maturity.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Classification of financial instruments issued by the Company

In accordance with Financial Reporting Standard ("FRS") 25 "Financial Instruments: Presentation", financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for stated capital and share premium reserve include amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds, are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

(m) Cash flow statement 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 results of the Company are included in the audited consolidated financial statements of Ivy Midco Limited for the year ended 31 March 2012. The results of the Company will be included in the audited consolidated financial statements of Ivy Luxco I S.à.r.l. for the year ended 31 March 2012 (the largest group to consolidate these financial statements for the year). 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 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.

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 is the more significant judgement impacting these financial statements.

Fair value of derivative financial instruments

The fair value of derivative financial instruments is determined by using valuation techniques. The Company uses judgement to select from a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The valuation technique used by the Company is a discounted cash flow methodology.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

4. OPERATING COSTS

Operating costs

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

Operating costs include audit fees of £5,230.

Employee information

The Company has no employees. All employees of the Ivy Holdco Group are employed by Gatwick Airport Limited, the Company's parent. Gatwick Airport Limited incurs all staff costs for the Ivy Holdco Group.
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Directors' remuneration

£4,500 was paid to a related party for Director's services for the period ended 31 March 2012. Payment is made annually to Structured Finance Management Limited for the services of Jonathan Keighley and Robert Berry.

No other directors of the Company were remunerated during the period. The emoluments of Directors who were also directors of Gatwick Airport Limited that were remunerated are disclosed in the financial statements of Gatwick Airport Limited.

The aggregate of Company contributions paid in respect of money purchase schemes during the period was nil.

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

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 31 March 2012 £m
Interest receivable from other group undertakings[1]	**48.0**
Net interest receivable on derivative financial instruments with other group undertakings[2]	**6.7**
	54.7

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

2 This amount relates to interest receivable on derivative financial instruments with Gatwick Airport Limited under the Borrower Loan Agreement, the terms of which are 'back-to-back' with those of the derivative financial instruments the Company has entered on 2 March 2011 to economically hedge debt instruments and inflation-linked revenue in the Ivy Holdco Group. It includes inflation accretion on index-linked swaps.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 March 2012 £m
Interest payable on external borrowings – Class A Bonds	48.0
Net interest payable on derivative financial instruments[1]	6.7
	54.7

1 This includes inflation accretion on index-linked derivative financial instruments.

7. FAIR VALUE LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

	Period ended 31 March 2012 £m
Fair value loss on variable rate to index-linked derivative financial instruments[1]	(51.0)
Fair value loss on fixed rate to index-linked derivative financial instruments[1]	(129.2)
	(180.2)

1 These amounts relate to the £396.0 million of derivative financial instruments (together ("the Swaps") that the Company entered into on 2 March 2011 to economically hedge debt instruments and inflation-linked revenue in the Ivy Holdco Group. The Company has entered into agreements with Gatwick Airport Limited, under the Borrower Loan Agreement, for swaps with terms that are 'back-to-back' with those entered into by the Company (refer to note 8).

8. FAIR VALUE GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS WITH OTHER GROUP UNDERTAKINGS

	Period ended 31 March 2012 £m
Fair value gain on variable rate to index-linked derivative financial instruments with other group undertakings[1]	51.0
Fair value gain on fixed rate to index-linked derivative financial instruments with other group undertakings[1]	129.2
	180.2

1 These amounts relate to the £396.0 million of derivative financial instruments that the Company entered into on 2 March 2011 with Gatwick Airport Limited, under the Borrower Loan Agreement, with terms that are 'back-to-back' with those entered into by the Company (refer to note 7).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Period ended 31 March 2012 £m
Current tax	
UK corporation tax on profit for the period	-
Tax on profit on ordinary activities	-

Reconciliation of tax charge

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 26%. The actual tax charge for the current period differs from the standard rate for the reasons set out in the following reconciliation:

	Period ended 31 March 2012 £m
Profit on ordinary activities before tax	-
Tax on loss on ordinary activities at 26%	-
Effect of:	
Permanent differences	-
Current tax for the period	-

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

For the period ended 31 March 2012, the profits subject to corporation tax were £3,247 with an associated tax liability of £844. The company has claimed group relief from Gatwick Airport Limited thus bringing the tax liability to nil.

No deferred tax arose during the period to 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

10. DEBTORS

	31 March 2012 £m
Due within one year:	
Accrued interest receivable from other group undertakings[1]	**10.4**
Accrued interest receivable	**1.4**
	11.8
Due after more than one year:	
Derivative financial assets (Note 14)	**221.8**
Amounts owed by group undertakings – interest bearing[2]	**1,178.9**
Total debtors	**1,400.7**

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

2 'Amounts owed by group undertakings – interest bearing' relates to the loan receivable from Gatwick Airport Limited under the Borrower Loan Agreement, the terms of which are 'back-to-back' with those of the Class A Bonds. The fair value of 'amounts owed by group undertakings – interest bearing' at 31 March 2012 is equal to the fair value of the Class A Bonds as disclosed in Note 13.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2012 £m
Accrued interest payable	**10.4**
Accrued interest payable to other group undertakings[1]	**1.4**
	11.8

1 'Accrued interest payable to other group undertakings' relates to interest payable on the interest rate and index-linked derivative financial instruments with Gatwick Airport Limited.

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

	31 March 2012 £m
Borrowings (Note 13)	**1,178.9**
Derivative financial liabilities (Note 14)	**221.8**
	1,400.7

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

13. BORROWINGS

	31 March 2012 £m
Non-Current borrowings	
Secured	
Class A Bonds:	
5.250% £300 million due 2024/26	**296.2**
6.125% £300 million due 2026/28	**294.8**
5.750% £300 million due 2037/39	**291.2**
6.500% £300 million due 2041/43	**296.7**
Total borrowings (excluding interest payable)	**1,178.9**

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

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

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

On 2 March 2011, the Company issued £600.0 million publicly listed fixed rate secured bonds comprising £300 million Class A 6.125 per cent. Bonds with scheduled and legal maturities of 2026 and 2028 respectively, and £300 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043 respectively.

On 20 January 2012, the Company issued a further £600.0 million of publicly listed fixed rate secured bonds comprising £300 million Class A 5.25 per cent. Bonds with scheduled and legal maturities of 2024 and 2026 respectively, and £300 million Class A 5.75 per cent. Bonds with scheduled and legal maturities of 2037 and 2039 respectively.

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

As at 31 March 2012, the £1,178.9 million comprises the net amount raised from the issue of Class A Bonds, and is stated less other directly attributable fees and accrued amortisation.

At 31 March 2012, the average interest rate payable on borrowings was 6.9% p.a.

	31 March 2012 Book value £m	31 March 2012 Fair value £m
Fair value of borrowings		
Class A Bonds	**1,178.9**	**1,249.2**
	1,178.9	**1,249.2**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

13. BORROWINGS (continued)

Financial covenants
Under the CTA, the Ivy Holdco Group is required to comply with certain financial and information covenants, which are defined in relation to the financial performance, position and cash flows of Gatwick Airport Limited. All financial covenants have been tested and complied with as at 31 March 2012.

The following table summarises Gatwick Airport Limited's financial covenants compliance as at 31 March 2012 under the CTA, and lists the trigger and default levels:

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

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Notional £m	Assets £m	Liabilities £m	Total £m
31 March 2012				
Derivative financial assets				
Variable rate to index-linked swaps with other group undertakings	137.0	62.5	-	62.5
Fixed rate to index-linked swaps with other group undertakings	259.0	159.3	-	159.3
	396.0	**221.8**	**-**	**221.8**
Derivative financial liabilities				
Variable rate to index-linked swaps	(137.0)	-	(62.5)	(62.5)
Fixed rate to index-linked swaps	(259.0)	-	(159.3)	(159.3)
	(396.0)	**-**	**(221.8)**	**(221.8)**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

15. FINANCIAL INSTRUMENTS

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

(a) Market risk

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

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

(b) Credit risk

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

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

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

(c) Liquidity risk

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

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Company's financial liabilities and net settled derivative financial instruments as at 31 March 2012 to the contract maturity date.

	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
31 March 2012				
Class A Bonds – Principal payments	-	-	-	1,200.0
Class A Bonds – Interest payments	70.9	70.9	212.6	1,230.4
Derivative financial instruments	(9.4)	(9.5)	63.6	383.4
	61.5	**61.4**	**276.2**	**2,813.8**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

15. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category
The Company's financial instruments as classified in the financial statements as at 31 March 2012 can be analysed under the following categories:

	Loans and receivables £m	Assets at fair value through profit and loss £m	Total £m
31 March 2012			
Accrued interest receivable	1.4	-	1.4
Accrued interest receivable from other group undertakings	10.4	-	10.4
Amounts owed by other group undertakings – interest bearing	1,178.9	-	1,178.9
Derivative financial assets	-	221.8	221.8
Total financial assets	**1,190.7**	**221.8**	**1,412.5**

31 March 2012	Liabilities at fair value through profit and loss £m	Other financial liabilities at amortised cost £m	Total £m
Borrowings	-	(1,178.9)	(1,178.9)
Accrued interest payable	-	(10.4)	(10.4)
Accrued interest payable to other group undertakings	-	(1.4)	(1.4)
Derivative financial liabilities	(221.8)	-	(221.8)
Total financial liabilities	**(221.8)**	**(1,190.7)**	**(1,412.5)**

Fair value hierarchy
Financial instruments that are measured in the balance sheet at fair value are classified by the following measurement hierarchy:

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

The fair value of the Company's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 31 March 2012, all of the resulting fair value estimates in the Company are included in level 2.

16. CALLED UP SHARE CAPITAL

	31 March 2012 £
Authorised	
Unlimited number of shares with no par value of one class, designated as ordinary shares	-
Called up, allotted and fully paid	
2 ordinary shares at £1.00 each	**2**

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2012

17. PROFIT AND LOSS RESERVE

	31 March 2012
	£m
21 January 2011	-
Profit for the period[1]	-
31 March 2012	**-**

1 'The Company recorded a 'profit for the period ended 31 March 2012' of £3,247.

18. CONTINGENT LIABILITIES

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

Other than the above, the Company has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 31 March 2012.

19. 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.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

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

The Company's parent is Gatwick Airport Limited, a company incorporated in England and Wales. The consortium that ultimately own and control the Company is Global Infrastructure Partners (41.95%), the Abu Dhabi Investment Authority (15.90%), the California Public Employees' Retirement System (12.78%), National Pension Service (12.14%), and Future Fund Board of Guardians (17.23%). The results of the Company are included in the audited consolidated financial statements of Ivy Luxco I S.à.r.l. for the year ended 31 March 2012 and of Ivy Holdco Limited for the year ended 31 March 2012 (the largest and smallest groups to consolidate these financial statements respectively).

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