GATWICK FUNDING LIMITED

Annual Report and Financial Statements
for the 9 month period ended 31 December 2019

Company Registration Number: 107376 (Jersey)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Michael McGhee
William Woodburn
Philip Iley
Helena Whitaker
Cliff Pearce

SECRETARY

Intertrust Offshore Limited

REGISTERED OFFICE

44 Esplanade
St Helier
Jersey
JE4 9WG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Portland Building
25 High Street
Crawley
West Sussex
RH10 1BG

BANKER

Santander UK plc
2 Triton Square
Regents Place
London NW1 3AN

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for Gatwick Funding Limited ("the Company" or "Issuer") for the period ended 31 December 2019.

As at 31 December 2019, the Company's indirect parent, Ivy Holdco Limited ("IHL"), has four wholly-owned subsidiaries: Gatwick Airport Limited ("Gatwick", "GAL", "the Airport"), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively "the Group" or "the Ivy Holdco Group".

The Group changed its year end from 31 March to 31 December. The current period covers the nine months for 1 April 2019 to 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is a wholly-owned subsidiary of Gatwick Airport Limited ("Gatwick", "the Airport", "GAL"). Gatwick Airport Limited is a wholly-owned subsidiary of Ivy Holdco Limited. The principal activity of Gatwick Funding Limited is to act as the bond issuer for the "Ivy Holdco Group" ("the Group"). 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 the Ivy Holdco Group. 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 both Gatwick Airport Limited and Ivy Holdco Limited.

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

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

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

BOND ISSUANCES

On 24 February 2011, Gatwick Funding Limited (as Issuer) entered into, *inter alia*, a Borrower Loan Agreement with both Gatwick Airport Limited (as Borrower and Issuer Cash Manager) and Deutsche Trustee Company Limited (as Borrower Security Trustee).

On 22 February 2018, Gatwick Funding Limited (as Issuer) entered into, *inter alia*, an additional Borrower Loan Agreement with Ivy Holdco Limited (as Borrower and Security Parent), Gatwick Airport Limited (as Issuer Cash Manager) and Deutsche Trustee Company Limited (as Borrower Security Trustee).

Under each Borrower Loan Agreement, the proceeds of bond issuances by the Company (together "the Bonds" or "the Class A Bonds") can be lent to Gatwick Airport Limited and Ivy Holdco Limited on terms that are "back-to-back" with those of the Bonds.

Further refinancing agreements, including a Common Terms Agreement ("CTA") and a Master Definitions Agreement, were also executed between 15 February 2011 and 2 March 2011 by the Ivy Holdco Group.

DIRECTORS' REPORT (continued)

BOND ISSUANCES (continued)

Gatwick Funding Limited has issued £2,800.0 million of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2019 £m**	As at 31 March 2019 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	**300.0**	300.0	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	**300.0**	300.0	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	**350.0**	350.0	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	**300.0**	300.0	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	**350.0**	350.0	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	**300.0**	300.0	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	**300.0**	300.0	IHL
Class A 2.875 per cent.	2049	2051	5 July 2019	**300.0**	-	GAL
				2,800.0	2,500.0	

The legal maturity date under the Bonds corresponding to the relevant advance will fall two years after the scheduled maturity date.

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

FINANCIAL INSTRUMENTS

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

On 27 March 2014, the Company restructured £97.0 million of variable rate to index-linked swaps converting them to fixed rate to index-linked swaps.

REVIEW FOR THE PERIOD

Results

For the period ended 31 December 2019 the Company made a profit after taxation of £1,823 (31 March 2019: £2,430). The results for the year are set out in the Income Statement.

During the period ended 31 December 2019, the Company issued £300.0 million of bonds. Further information on the bond issuances is included in note 13 of the financial statements.

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

DIRECTORS' REPORT (continued)

REVIEW FOR THE YEAR (continued)

Going Concern

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

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

All the Ivy Holdco Group's financial covenants (refer to note 13 of the financial statements), which are defined in relation to the financial performance, position and cash flows of the Borrower, have been met for the period ended 31 December 2019 and are forecast to be met for the years ending 31 December 2020, 2021 and 2022.

Based on the "back-to-back" nature of the Company's assets and liabilities under the terms of the Borrower Loan Agreements, the overall Ivy Holdco Group's liquidity position and financial covenants, and the scheduled debt maturities for the Class A bonds, the Directors have a reasonable expectation that the Company will have adequate resources to continue as a going concern and accordingly the financial statements have been prepared on that basis. See note 1 for further details.

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.

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 period ended 31 December 2019.

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 and Ivy Holdco Limited under terms and conditions which mirror those of the external instruments, leaving no net cash flow or market value exposure to the Company.

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

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

DIRECTORS' REPORT (continued)

RISK MANAGEMENT (continued)

Financial Risk Management (continued)

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 December 2019, fixed rate debt after hedging with derivatives represented 98.4% (31 March 2019: 96.9%) of the Ivy Holdco Group's total external nominal debt.

The Ivy Holdco Group mitigates the risk of mismatch between aeronautical income, which is directly linked to changes in the retail price index, and interest payments, by the use of inflation linked derivatives.

(b) Funding and Liquidity Risk

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

The Group has positive cash flows before capital expenditure. The Group had cash flows from operations of £373.1 million for the period ended 31 December 2019 (31 March 2019: £409.0 million). As at 31 December 2019, cash at bank was £10.0 million (31 March 2019: £2.6 million), undrawn headroom under bank revolving facilities was £215.0 million (31 March 2019: £180.0 million) and undrawn headroom under the liquidity facility was £150.0 million (2019: £150.0 million).

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

Following the impact of Covid-19, in March 2020 Gatwick drew down in full on its £300 million Revolving Credit Facility. In addition, on 3 April, the Group entered into a new £300 million Term Loan.

(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.

Response to Covid-19

The Covid-19 pandemic has had an unprecedented adverse impact on the global aviation industry, with significantly reduced levels of traffic and passengers and substantial cuts in capacity by airlines over the coming months.

Until the end of February, the impact at Gatwick has been restricted to a limited number of services to and from the Far East. The response of the Italian government resulted in a notable shift in traffic away from Italy during the last week of February. As other European Governments imposed travel restrictions, daily passenger numbers declined throughout March. Major carriers such as easyJet, BA, TUI and Norwegian have now grounded fleets serving Gatwick.

DIRECTORS' REPORT (continued)

Response to Covid-19 (continued)

There is a high level of uncertainty as to the timeline for lifting travel restrictions within and between European countries, which are the principal markets served by airlines at Gatwick. The Group has considered a range of scenarios to guide its forward planning in the current and subsequent years. Its expectation is that the current low level of traffic will persist through April and into May, with a ramp-up during June and into July. Passenger traffic is projected to be c. 28.9m in calendar year 2020, as compared to 46.1m in 2018 and 46.6m in 2019. The mid-term economic impact is another source of uncertainty; for business planning purposes Gatwick is projecting passenger numbers of 40.2m in 2021 and 43.0m in 2022.

Steps taken to reduce immediate cash outgoings and to re-position the business for the mid-term include:

- Discretionary expenditure has been halted.
- The operational footprint of the airport has been reduced on a staged basis through March. Starting with night closure and the shutdown of 2 out of 6 piers, operations are now limited to a single pier in South Terminal within an 8-hour window (2pm to 10pm).
- The Group has completed a consultation with its Unions and employees and reduced staff costs temporarily by 20%. This agreement has now been complemented by the announcement of the Government's "furlough" scheme, which provides additional assurance to the company and employees, particularly if travel restrictions are extended for longer than currently expected. Approximately 2,025 employees have been furloughed. Over 200 employees left the business in mid-March upon termination of fixed term contracts. A further 330 employees left the business in early April following the completion of a severance programme.
- We have worked with third party contractors and other service providers to reduce their costs to reflect lower passenger volumes and the reduced operational footprint.
- A review of the Group's Capital Investment Programme in March has resulted in the removal of over £136 million of the £250 million investment originally planned in 2020. Over half of the projects already in delivery have been stopped, with only operationally critical projects continuing or those that are near to completion. 47 of the 49 projects in the design phase have been suspended. Further opportunities have been identified to reduce capital investment and associated cash outflow, if required.

In addition to the actions to reduce cash outgoings, the Group has taken steps to increase the availability of cash and committed funding available to it. In March, Gatwick drew down in full on its £300 million Revolving Credit Facility, such that as at 31 March 2020, the Group held cash of £92 million. On 3 April 2020, the Group entered into a new £300 million term loan (duration of 12 months, extendable to 18 then 24 months at the Group's option), to replenish in full the £300 million Revolving Credit Facility (maturity June 2024). The Group also has access to a committed £150 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months, providing additional assurance to bondholders and banks.

Alongside these Report & Accounts, the Company has also issued its Compliance Certificate and Investor Report in respect of the 9-month period to 31 December 2019, and its forecast for each of the 12-month periods ending 31 December 2020, 2021, & 2022. These forecasts incorporate the traffic planning assumptions set out above, combined with the mitigating actions already identified.

The Compliance Certificate projects a reduction in the overall level of headroom for the Group's financial covenants, largely reflecting the expected material reduction in revenue and therefore operating cash flow within calendar year 2020. The Senior Interest Cover Ratio ("Senior ICR"), which refers to operating cash flow within a 12-month period, is particularly sensitive to the concentrated loss of revenues (and therefore operating cash flows) within the year. The Senior ICR is projected to reduce from an estimated 3.15x (management calculation of the ratio for the 12 months to 31 December 2019) to 1.29x as at 31 December 2020, but to improve subsequently to 2.08x by 31 December 2021. If the impact of Covid-19 is more protracted than currently expected, with revenues lower for longer, the Senior ICR at 31 December 2020 will continue to deteriorate and could, ultimately, breach the Group's financial covenants (i.e. Senior ICR <1.10x). The actual position at 31 December 2020 will be confirmed in the Compliance Certificate to be published in the early months of 2021 following completion of the 2020 audit, together with a then current assessment of the outlook for the following year.

DIRECTORS' REPORT (continued)

Response to Covid-19 (continued)

The impact of Covid-19 on the Group is expected to become clearer over the course of the year and an updated Compliance Certificate (including updated forecasts out to December 2020, 2021 & 2022) will be published alongside the Group's Interim Financial Statements by the end of August 2020. This provides a significant window for the Group to address any emerging risks in relation to future financial covenant testing dates, e.g. through additional action to align investment and operating costs with a lower traffic environment; sourcing additional financial support to remedy any short-term shortfall; or negotiating a waiver with debt-holders for any prospective breach of financial covenants.

Brexit

Following the UK General Election, the withdrawal agreement was approved by the UK Parliament, which triggered the formal exit of the UK from the EU on 31 January and the beginning of the transition period to 31 December 2020. During this period, the UK will see no change in aviation regulations or market arrangements. Focus has instead turned to the negotiation of the long-term strategic relationship between the UK and the EU27. The Political Declaration on the Future Relationship between the EU and the UK, which is annexed to the Withdrawal Agreement, provides high level shared objectives and common understanding of what will be the starting point for the negotiation of this new relationship. When it comes to aviation, the Political Declaration states that the objective shall be "to ensure passenger and cargo air connectivity through a Comprehensive Air Transport Agreement" (CATA) covering "market access and investment, security and safety, ATM and provisions to ensure open and fair competition".

The UK has indicated that it would like to keep the current fully open aviation regime but is unlikely to accept regulatory alignment with EU rules. For the EU27, the absence of regulatory alignment may not allow it to offer UK airlines the right to operate intra-EU27 routes. It is likely however that 3rd & 4th freedom rights (to and from EU) would be unrestricted, and some 5th freedom rights could also be considered. Gatwick's traffic is predominantly of this type. Throughout negotiations so far, both sides have shown a pragmatic commitment to maintaining the rights of airlines to fly between the UK and Europe and an understanding of the importance of certainty to the aviation industry (and passengers). Gatwick is confident the same level of commitment will prevail should the main trade deal negotiations falter. Gatwick will however continue to monitor discussions on both aviation and trade developments post transition period and adapt its preparation plans appropriately.

DIRECTORS' REPORT (continued)

CORPORATE GOVERNANCE

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

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

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

EMPLOYEES

The Company has no employees (31 March 2019: nil). All employees of the Ivy Holdco Group are employed by Gatwick Airport Limited. Details of the employee policies of Gatwick Airport Limited are included in the financial statements of Gatwick Airport Limited for the period ended 31 December 2019.

DIVIDENDS

No dividends were declared or paid during the period (31 March 2019: nil).

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS

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

Michael McGhee	
William Woodburn	
Helena Whitaker	
Cliff Pearce	
Philip Iley	(appointed 20 November 2019)
Andrew Gillespie-Smith	(resigned 20 November 2019)
John McCarthy	(resigned 30 April 2019)
Karim Mourad	(appointed 30 April 2019 and resigned 20 November 2019)

DIRECTORS' INDEMNITY

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

INDEPENDENT AUDITORS

During the period ended 31 December 2019 KPMG LLP resigned as Auditors and PricewaterhouseCoopers LLP was appointed.

On behalf of the Board

Michael McGhee
Director
23 April 2020

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

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

The Directors are 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.

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.

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

Report on the audit of the financial statements

Opinion

In our opinion, Gatwick Funding Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result and cash flows for the 9 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Income Statement, the Cash Flow Statement and the Statement of Changes in Equity for the 9 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the preparation of the financial statements on a going concern basis. Due to the nature of the Company's operations, its evaluation of going-concern is dependent on the evaluation of the Ivy Midco Limited consolidated group consisting of Gatwick Airport Limited, Ivy Midco Limited, Ivy Super Holdco Limited, Ivy Holdco Limited, Ivy Bidco Limited and the Company (collectively the "Group"). Covid-19 has had a significant impact on the trading performance of the Group and as a consequence the Group may breach its senior interest cover ratio covenant for one measurement date in the next 12 months (that being, 31 December 2020) in a period of prolonged closure or slower than expected recovery from the impact of Covid-19.

These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Material uncertainty related to going concern (continued)

Audit procedures performed

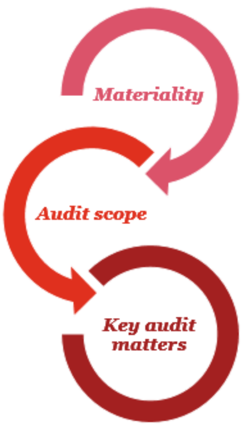
In concluding there is a material uncertainty, our audit procedures evaluated the Directors' assessment of the impact of lower levels of traffic through April and May, and over a potentially longer period, and the impact this would have on revenue and the ability of the Group to manage costs and cashflows. We also considered the covenant calculations and the adjustments that are permitted under financing agreements.

In assessing the impact of the above scenarios, which are referred to in note 1 of the financial statements, we performed the following procedures on the Directors' assessment that the Company will continue as a going concern:

- agreed the underlying cash flow projections to management approved forecasts;
- tested the mathematical accuracy for the forecast models;
- considered the basis for the forecasts by reference to historical performance of the group and different potential scenarios of how Covid-19 may impact the business;
- evaluated key assumptions regarding the lost revenue, associated EBITDA and cash impact that would result from the current low level of traffic continuing through April and May 2020, with a phased recovery in services starting in June 2020;
- evaluated the assumptions in respect of the costs that could be avoided in a period of reduced activity and traffic;
- assessed the impact of the mitigating factors available to management in respect of the ability to restrict capital expenditure and other cash expense items;
- reviewed the terms of the financing agreements, including the new term loan, and the associated covenants, and tested the calculation of the covenant ratios based on the forecast results and cashflows; and
- reviewed and evaluated the appropriateness of the going concern basis and the related disclosures made in the financial statements in light of the findings of our work.

Our audit approach

Overview



- Overall materiality: £30.98 million, based on 1% of total assets.

- The company exists to issue debt on behalf of Gatwick Airport Limited.

- Valuation of derivatives
- Going concern (see material uncertainty related to going concern paragraph above)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
The Company's derivative portfolio includes variable rate to index-linked and fixed rate to index-linked swaps, valued at £228.9 million at 31 December 2019. The nature of the valuation is subjective and sensitive to small changes in inputs, particularly as it relates to RPI, Libor and the Company's estimate of its own credit risk.	We have challenged and assessed management's valuation methodology, engaging specialists to independently revalue a sample of swaps based on the original swap agreements. We have confirmed the existence of the derivative transactions with the counterparties. We have assessed whether the Company's disclosures around the key inputs and assumptions properly reflect the risks inherent in the valuation. No material exceptions were identified in our testing.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, materiality of the Group, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£30.98 million
How we determined it	1% of total assets.
Rationale for benchmark applied	Due to the breakeven nature of operations, and the fact that the operations are fully supported by the parent's, Gatwick Airport Limited, operations, total assets was deemed to be the most appropriate measure of materiality.

Materiality (continued)

We agreed with the Audit Committee of Ivy Midco Limited that we would report to them misstatements identified during our audit above £0.46 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the The Directors' Report and the Financial Statements set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

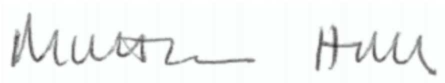
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting
Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Matthew Hall
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
Gatwick
23 April 2020

INCOME STATEMENT
For the 9 month period ended 31 December 2019

	Note	**Period ended 31 December 2019 £m**	Year ended 31 March 2019 £m
Operating costs	4	**-**	(0.2)
Operating profit/(loss)		**-**	(0.2)
Financing			
Interest receivable and similar income	5	**98.5**	125.7
Interest payable and similar charges	6	**(98.5)**	(125.5)
Fair value loss on derivative financial instruments	7	**(0.3)**	(20.5)
Fair value gain on derivative financial instruments with other group undertakings	8	**0.3**	20.5
Profit before tax		**-**	-
Income tax charge	9	**-**	-
Profit for the period		**-**	-

The notes on pages 19 to 35 form an integral part of these financial statements.

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

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

STATEMENT OF CHANGES IN EQUITY
For the 9 month period ended 31 December 2019

	Note	**Share Capital £m**	**Retained Earnings £m**	**Total £m**
Balance at 1 April 2018		-	-	-
Profit for the year	17	-	-	-
Balance at 31 March 2019		-	-	-
Profit for the period	17	-	-	-
Balance at 31 December 2019		-	-	-

The notes on pages 19 to 35 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	**31 December 2019 £m**	31 March 2019 £m
Assets			
Non-current assets			
Amounts owed by group undertakings - interest bearing	10	**2,756.3**	2,462.5
Derivative financial instruments	14	**228.9**	228.6
		2,985.2	2,691.1
Current assets			
Trade and other receivables	11	**112.3**	23.0
Cash and cash equivalents		**-**	-
		112.3	23.0
Total assets		**3,097.5**	2,714.1
Liabilities			
Non-current liabilities			
Borrowings	13	**(2,756.3)**	(2,462.5)
Derivative financial instruments	14	**(228.9)**	(228.6)
		(2,985.2)	(2,691.1)
Current liabilities			
Trade and other payables	12	**(112.3)**	(23.0)
Total liabilities		**(3,097.5)**	(2,714.1)
Net assets		**-**	-
Equity			
Share capital	16	**-**	-
Retained earnings	17	**-**	-
Total equity		**-**	-

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

The financial statements on pages 16 to 35 were approved by the Board of Directors on 23 April 2020 and signed on its behalf by:

William Woodburn   Michael McGhee

William Woodburn
Director

Michael McGhee
Director

CASH FLOW STATEMENT
For the 9 month period ended 31 December 2019

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Cash flows from operating activities		
Profit before tax	**-**	-
Adjustments for:		
Finance income	**(98.5)**	(125.7)
Finance costs	**98.5**	125.5
Increase in trade and other receivables	**(72.4)**	-
Increase/(decrease) in trade and other payables	**72.4**	(0.2)
Net cash from operating activities	**-**	(0.4)
Cash flows from investing activities		
Interest received	**-**	0.2
Net cash from investing activities	**-**	0.2
Cash flows from financing activities		
Increase in external borrowings	**292.3**	-
Increase in related party receivable	**(292.3)**	-
Net cash from financing activities	**-**	-
Net decrease in cash and cash equivalents	**-**	(0.2)
Cash and cash equivalents at the beginning of the period	**-**	0.2
Cash and cash equivalents at the end of the period	**-**	-

The notes on pages 19 to 35 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2019

1. BASIS OF PREPARATION

These are the financial statements of Gatwick Funding Limited ("the Company") for the period ended 31 December 2019. The comparative year is the year ended 31 March 2019. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments in accordance with the Companies (Jersey) Law 1991 and International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

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

The Directors have prepared the financial statements on a going concern basis. In assessing the going concern position of the Company, the Directors have considered the potential impact of Covid-19 on the cash flow and liquidity of the Group over the next 12 months, and the corresponding impact on the covenants associated with the Group's financing arrangements.

The Company's financing arrangements are cross-guaranteed by each company within the Ivy Holdco Group. This results in each company being interdependent on the overall results and cash flows of the Group as a whole. This arrangement is further disclosed within note 13.

The Group's financial modelling assumes significantly reduced passenger numbers and revenue as a result of Covid-19 over the next 12 months, reflecting the current period of near closure of the airport and an assumed recovery starting in the early Summer. Its expectation is that the current low level of traffic will persist through April and May, with a ramp-up during June and into July. Passenger traffic is projected to be c. 28.9m in calendar year 2020, as compared to 46.1m in 2018 and 46.6m in 2019. Consequently, Group EBITDA and cash flow from operations in 2020 is expected to reduce significantly compared to prior expectations.

The Group has acted to reduce operating expenditure. Discretionary spending has been halted; the operational footprint of the airport has been shrunk to a single pier and the hours of operation limited; over 530 employees have permanently left the business through a combination of voluntary and compulsory severance; following consultation with Unions and employees, we have reduced staff costs temporarily by 20%, and approximately 2,025 employees have been furloughed; and we have worked with contractors and other service providers to reduce their costs.

In addition, the Group has reviewed and adjusted its Capital Investment Programme, removing £136 million of the £250 million investment planned in 2020. Specifically, over half of the projects already in delivery have stopped, with only operationally critical projects or those that are near to completion continuing; and 47 of the 49 projects in the design phase have been suspended.

Further details of these actions to reduce operating costs and defer capital expenditure are included in the "Response to Covid-19" section of the Directors' Report and in note 22 "Subsequent events".

The Group has taken steps to increase the availability of cash and committed funding available (refer to note 13). As at 31 March 2020, the Group held cash of £92 million and its £300 million Revolving Credit Facility was fully drawn. As of 3 April 2020, the Group had entered into a new £300 million term loan (duration of 12 months, extendable to 18 then 24 months at the Group's option), to replenish in full the availability of funds under the £300 million Revolving Credit Facility (maturity June 2024). The Group also has access to a committed £150 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months. The Group does not currently expect to utilise the Liquidity Facility. The Group's forecasts demonstrate that the Group continues to have liquidity headroom throughout the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

1. BASIS OF PREPARATION (continued)

The Group's financing arrangements are subject to compliance with financial covenants, including the Senior Interest Cover Ratio ("ICR") (which is calculated on the basis of operating cash flow within a 12-month period, adjusted downwards by a pre-defined notional (non-cash) amount, compared to net interest paid) and the Senior RAR ratio ("RAR") (which is calculated by reference to net debt compared with a defined multiple of average EBITDA from the last 3 years). Both covenants are subject to bi-annual tests at 30 June and 31 December. The Group's forecasts project a reduction in the overall level of headroom in covenant calculations reflecting the expected reduction in operating cash flows and EBITDA in calendar year 2020. The ICR is particularly sensitive to the concentrated loss of revenues and cash flows within one calendar year. However, in the base case the Group would continue to satisfy its financial and other covenants. If the impact of Covid-19 is more protracted than currently expected, whether through a longer period of near closure or a slower than expected recovery in traffic, this will result in further loss of revenues and reduced headroom in the ICR covenant and, ultimately, this could result in the Group breaching its ICR covenant at the December 2020 measurement date. Any such breach would be determined following preparation of the financial year results in the first quarter of 2021, followed by a period in which the Group can seek to remedy the breach. Thereafter, the granting of a waiver or a request for repayment would be subject, in both cases, to the approval of a requisite majority of the debtholders.

The actual impact of Covid-19 is expected to become clearer over the course of the year and an updated Compliance Certificate (including updated forecasts out to December 2020, 2021 & 2022) will be published alongside the Group's Interim Financial Statements by the end of August 2020. This provides a significant window for the Group to address any emerging risks in relation to future financial covenant testing dates e.g. through additional action to align investment and operating costs with a lower traffic environment; sourcing additional financial support to remedy any short-term shortfall; or negotiating a waiver with debt-holders for any prospective breach of financial covenants.

The impact of Covid-19 creates considerable uncertainty for the aviation industry. The Directors nevertheless consider that the Group can maintain sufficient liquidity over the next 12 months, and that it is accordingly appropriate to adopt a going concern basis for the preparation of these financial statements. Further stressed scenarios involving a prolonged period of near-closure or slower recovery of traffic could lead to the Group breaching its ICR covenant at 31 December 2020, potentially resulting in the requirement for Group to remedy any shortfall or to seek a waiver in relation to this specific covenant test. The need to seek such a waiver under certain of these stressed scenarios indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to adopt a going concern basis in the preparation of financial statements. These financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the financial statements had not been prepared on a going concern basis.

The financial statements were approved by the Directors on 23 April 2020.

The accounting policies set out in note 2 have been applied consistently by the Company to all years presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

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) Trade and Other Receivables

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

(c) Current and Deferred Taxation

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

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

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

(d) Trade and Other Payables

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

(e) Provisions

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

(f) Share Capital

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Dividend Distribution

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

(h) Cash

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

(i) Financial Instruments

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

Financial Assets

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

The Company's financial assets are measured at amortised cost and assets at fair value through profit and loss. Classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

1. Impairment of financial assets

IFRS 9 introduces a new impairment model that replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The impairment model applies to financial assets measured at amortised cost.

In accordance with IFRS 9 the Company has established a probability of default within the next 12 months ("12 month ECL") on such assets. This probability is calculated using the financial information of the counterparty, taking into account adjustments for current external conditions and reasonable forecasts.

The Company's adjustment for current external conditions and reasonable forecasts extend to assessing individual financial assets for indicators of impairment, where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments

Financial Liabilities

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

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

1. Borrowings

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

2. Debt issue costs and arrangement fees

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

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

3. Derivative financial instruments

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

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

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

The Company’s current derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement, and incorporates a reduction to reflect the credit risk of the Company on its swap, in accordance with IFRS 9.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING 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.

(a) 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. 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 and Ivy Holdco Limited. As a result of the "back-to-back" agreements, the Company has no residual exposure to market risk.

4. OPERATING COSTS

Operating costs

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

Operating costs include audit fees of £5,000 (31 March 2019: £5,000). No other fees are payable to the Company's auditors.

Employee information

The Company has no employees (31 March 2019: nil). All employees of the Ivy Holdco Group are employed by Gatwick Airport Limited, the Company's parent. Gatwick Airport Limited incurs all staff costs for the Ivy Holdco Group.

Directors' remuneration

During the year a fee of £11,091 (31 March 2019: £19,485) was paid to Intertrust Management Limited, a related party, for the provision of corporate administration services, including the provision of director services by Helena Whitaker and Cliff Pearce.

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

The aggregate of Company contributions paid in respect of money purchase schemes during the year was nil (31 March 2019: nil).

No directors are members of the Gatwick Airport Limited defined benefit pension scheme (31 March 2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Interest receivable from other group undertakings (a)	**92.8**	117.7
Net interest receivable on derivative financial instruments	**5.7**	8.0
	98.5	125.7

(a) This amount relates to interest charged on the loan receivable from Gatwick Airport Limited under the Borrower Loan Agreement, and from Ivy Holdco Limited under the additional Borrower Loan Agreement, the terms of which are "back-to-back" with those of the Class A Bonds.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Interest payable on external borrowings – Class A Bonds	**92.8**	117.5
Net interest payable on derivative financial instruments with other group undertakings (a)	**5.7**	8.0
	98.5	125.5

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

7. FAIR VALUE MOVEMENT ON DERIVATIVE FINANCIAL INSTRUMENTS

The fair value loss on derivative financial instruments represents the year-on-year movement in the present value of expected net cash outflows in interest rate and index-linked derivative contracts (refer to note 14).

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Fair value gain/(loss) on variable rate to index-linked derivative financial instruments (a)	**0.9**	(2.4)
Fair value loss on fixed rate to index-linked derivative financial instruments (a)	**(1.2)**	(18.1)
	(0.3)	(20.5)

(a) These amounts relate to the £396.0 million of derivative financial instruments (together ("the Swaps") that the Company entered into on 2 March 2011 and 27 March 2014 to economically hedge debt instruments and inflation-linked revenue in the Ivy Holdco Group. The Company has entered into agreements with Gatwick Airport Limited, under the Borrower Loan Agreement, for swaps with terms that are "back-to-back" with those entered into by the Company (refer to note 8).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

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

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Fair value (loss)/gain on variable rate to index-linked derivative financial instruments with other group undertakings [(a)]	**(0.9)**	2.4
Fair value gain on fixed rate to index-linked derivative financial instruments with other group undertakings [(a)]	**1.2**	18.1
	0.3	20.5

(a) These amounts relate to the £396.0 million of derivative financial instruments that the Company entered into on 2 March 2011 and 27 March 2014 with Gatwick Airport Limited, under the Borrower Loan Agreement, with terms that are "back-to-back" with those entered into by the Company (refer to note 7).

9. INCOME TAX CHARGE

Recognised in the income statement

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Current tax charge	**-**	-
Total current tax charge	**-**	-

Reconciliation of total tax

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Profit before tax	**-**	-
Total tax charge	**-**	-
Profit excluding taxation	**-**	-
Tax using the UK corporation tax rate of 19% (31 March 2019: 19%)	**-**	-
Total current tax charge	**-**	-

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

For the period ended 31 December 2019, the profit subject to corporation tax was £2,250 (31 March 2019: £3,000) with an associated tax liability of £428 (31 March 2019: £570). No deferred tax arose during the period to 31 December 2019 or the year ended 31 March 2019.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. During the March 2020 Budget, the UK Government announced that the reduction in corporation tax rate to 17% would be cancelled and the 19% rate retained from 1 April 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

10. AMOUNTS OWED BY GROUP UNDERTAKINGS

	31 December 2019 £m	31 March 2019 £m
Amounts owed by group undertakings - interest bearing	**2,756.3**	2,462.5

Further detail provided on note 15.

11. TRADE AND OTHER RECEIVABLES

	31 December 2019 £m	31 March 2019 £m
Accrued interest receivable from other group undertakings [(a)]	**96.2**	20.7
Accrued interest receivable	**16.1**	2.3
	112.3	23.0

(a) These amounts relate 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, and the loan balance receivable from Ivy Holdco Limited under the additional Borrower Loan Agreement. The advances under the Borrower Loan Agreements are secured and issued on the same terms as the Class A Bonds issued by the Company.

12. TRADE AND OTHER PAYABLES

	31 December 2019 £m	31 March 2019 £m
Accrued interest payable	**96.2**	20.7
Accrued interest payable to other group undertakings [(a)]	**16.1**	2.3
	112.3	23.0

(a) These amounts relate to interest payable on the interest rate and index-linked derivative financial instruments with Gatwick Airport Limited.

13. BORROWINGS

	31 December 2019 £m	31 March 2019 £m
Secured Non-Current borrowings		
Class A Bonds:		
5.250% £300 million due 2024/26	**298.5**	298.3
6.125% £300 million due 2026/28	**297.4**	297.1
4.625% £350 million due 2034/36	**344.4**	344.2
5.750% £300 million due 2037/39	**293.0**	292.8
3.125% £350 million due 2039/41	**344.8**	344.7
6.500% £300 million due 2041/43	**297.4**	297.3
2.625% £300 million due 2046/48	**295.2**	295.1
3.250% £300 million due 2048/50	**293.2**	293.0
2.875% £300 million due 2049/51	**292.4**	-
Total borrowings (excluding interest payable)	**2,756.3**	2,462.5

All the above borrowings are secured and carried at amortised cost based on their designation as “other financial liabilities at amortised cost”.At the balance sheet date, the Company recognised unamortised capitalised coupon discount and debt issuance costs of £45.4 million (31 March 2019: £39.6 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

13. BORROWINGS (continued)

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 and 22 February 2018.

Gatwick Funding Limited has issued £2,800.0 million of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2019 £m**	As at 31 March 2019 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	**300.0**	300.0	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	**300.0**	300.0	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	**350.0**	350.0	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	**300.0**	300.0	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	**350.0**	350.0	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	**300.0**	300.0	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	**300.0**	300.0	IHL
Class A 2.875 per cent.	2049	2051	5 July 2019	**300.0**	-	GAL
				2,800.0	2,500.0	

As at 31 December 2019, the £2,756.3 million (31 March 2019: £2,462.5 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 December 2019, the average interest rate payable on borrowings, including the impact of the swaps, was 4.45% p.a. (31 March 2019: 4.71% p.a.).

	31 December 2019 Book value £m	**31 December 2019 Fair value £m**
Fair value of borrowings		
Class A Bonds	**2,756.3**	**3,404.0**

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

Financial covenants

Under the CTA, the Ivy Holdco Group is required to comply with certain financial and information covenants, which are defined in relation to the financial performance, position and cash flows of the Ivy Holdco Group. All financial covenants have been tested and complied with as at 31 December 2019 (31 March 2019: all covenants tested and complied with).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

13. BORROWINGS (continued)

The following table summarises the Ivy Holdco's Group's financial covenants compliance as at 31 December 2019 under the CTA, and lists the trigger and default levels:

Covenant	**31 December 2019**	**Trigger**	**Default**
Minimum interest cover ratio ("Senior ICR")	**11.78**	< 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	**Fair value assets**	**Fair value liabilities**	**Total**
	£m	**£m**	**£m**	**£m**
31 December 2019				
Derivative financial assets				
Variable rate to index-linked swaps with other group undertakings	**40.0**	**32.4**	**-**	**32.4**
Fixed rate to index-linked swaps with other group undertakings	**356.0**	**196.5**	**-**	**196.5**
	396.0	**228.9**	**-**	**228.9**
Derivative financial liabilities				
Variable rate to index-linked swaps	**(40.0)**	**-**	**(32.4)**	**(32.4)**
Fixed rate to index-linked swaps	**(356.0)**	**-**	**(196.5)**	**(196.5)**
	(396.0)	**-**	**(228.9)**	**(228.9)**
31 March 2019				
Derivative financial assets				
Variable rate to index-linked swaps with other group undertakings	40.0	33.3	-	33.3
Fixed rate to index-linked swaps with other group undertakings	356.0	195.3	-	195.3
	396.0	228.6	-	228.6
Derivative financial liabilities				
Variable rate to index-linked swaps	(40.0)	-	(33.3)	(33.3)
Fixed rate to index-linked swaps	(356.0)	-	(195.3)	(195.3)
	(396.0)	-	(228.6)	(228.6)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

The above swaps are designated as financial instruments which are fair valued through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9.

The Company has recognised £0.3 million loss in financial derivatives through the income statement for the period ended 31 December 2019 (31 March 2019: £20.5 million loss).

The Company has recognised a total cumulative gain of £28.9 million at 31 December 2019 (31 March 2019: £32.4 million) to reflect the credit risk on the Company's external swap position.

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 and Ivy Holdco 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 from other group undertakings, derivative financial assets and amounts owed by other group undertakings – interest bearing.

In accordance with IFRS 9 the Company has established a probability of default within the next 12 months ("12 month ECL") on such assets. This probability is calculated using the financial information of the counterparty, taking into account adjustments for current external conditions and reasonable forecasts.

The Company's adjustment for current external conditions and reasonable forecasts extend to assessing individual financial assets for indicators of impairment, where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

15. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk (continued)

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

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 and Ivy Holdco 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 December 2019 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 December 2019				
Class A Bonds – Principal payments	**-**	**-**	**300.0**	**2,500.0**
Class A Bonds – Interest payments	**124.3**	**124.3**	**372.8**	**1,541.3**
Derivative financial instruments	**29.1**	**23.9**	**(18.9)**	**216.0**
	153.4	**148.2**	**653.9**	**4,257.3**
31 March 2019				
Class A Bonds – Principal payments	-	-	300.0	2,200.0
Class A Bonds – Interest payments	115.6	115.6	346.9	1,344.5
Derivative financial instruments	30.2	24.5	(19.0)	205.9
	145.8	140.1	627.9	3,750.4

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

15. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category

The Company's financial instruments as classified in the financial statements as at 31 December 2019 can be analysed under the following categories:

Assets	**Assets at amortised cost £m**	**Assets at fair value through profit and loss £m**	**Total £m**
31 December 2019			
Accrued interest receivable	**16.1**	**-**	**16.1**
Accrued interest receivable from other group undertakings	**96.2**	**-**	**96.2**
Amounts owed by other group undertakings – interest bearing	**2,756.3**	**-**	**2,756.3**
Derivative financial assets	**-**	**228.9**	**228.9**
Total financial assets	**2,868.6**	**228.9**	**3,097.5**
31 March 2019			
Accrued interest receivable	2.3	-	2.3
Accrued interest receivable from other group undertakings	20.7	-	20.7
Amounts owed by other group undertakings – interest bearing	2,462.5	-	2,462.5
Derivative financial assets	-	228.6	228.6
Total financial assets	2,485.5	228.6	2,714.1

Liabilities

	Liabilities at fair value through profit and loss £m	**Other financial liabilities at amortised cost £m**	**Total £m**
31 December 2019			
Borrowings	**-**	**(2,756.3)**	**(2,756.3)**
Accrued interest payable	**-**	**(96.2)**	**(96.2)**
Accrued interest payable to other group undertakings	**-**	**(16.1)**	**(16.1)**
Derivative financial liabilities	**(228.9)**	**-**	**(228.9)**
Total financial liabilities	**(228.9)**	**(2,868.6)**	**(3,097.5)**
31 March 2019			
Borrowings	-	(2,462.5)	(2,462.5)
Accrued interest payable	-	(20.7)	(20.7)
Accrued interest payable to other group undertakings	-	(2.3)	(2.3)
Derivative financial liabilities	(228.6)	-	(228.6)
Total financial liabilities	(228.6)	(2,485.5)	(2,714.1)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

15. FINANCIAL INSTRUMENTS (continued)

Fair value estimation

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

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

The fair value of the Company's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 31 December 2019, all of the resulting fair value estimates in the Company are included in Level 2 except for Bonds which are valued at Level 1, consistent with previous years (31 March 2019: Level 2 except for Bonds which are valued at Level 1).

16. SHARE CAPITAL

	31 December 2019 £	31 March 2019 £
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 (31 March 2019: 2 ordinary shares at £1.00 each)	**2**	2

17. RETAINED EARNINGS

	31 December 2019 £m	31 March 2019 £m
Opening	-	-
Profit for the year [(a)]	-	-
Closing	**-**	-

(a) The Company recorded a profit for the period ended 31 December 2019 of £1,823 (31 March 2019: £2,430).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

18. RECONCILIATION IN NET DEBT

Net debt comprised the Company's borrowings net of cash and cash equivalents and excluding interest accruals.

	As at 1 April 2019 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 December 2019 £m**
Borrowings	**(2,462.5)**	**(292.3)**	**(1.5)**	**(2,756.3)**
Derivative financial liabilities	**(228.6)**	**-**	**(0.3)**	**(228.9)**
Total financing liabilities	**(2,691.1)**	**(292.3)**	**(1.8)**	**(2,985.2)**
Cash and cash equivalents	**-**	**-**	**-**	**-**
	(2,691.1)	**(292.3)**	**(1.8)**	**(2,985.2)**

	As at 1 April 2018 £m	Cash flow £m	Other non-cash changes £m	As at 31 March 2019 £m
Borrowings	(2,460.5)	-	(2.0)	(2,462.5)
Derivative financial liabilities	(208.1)	-	(20.5)	(228.6)
Total financing liabilities	(2,668.6)	-	(22.5)	(2,691.1)
Cash and cash equivalents	0.2	(0.2)	-	-
	(2,668.4)	(0.2)	(22.5)	(2,691.1)

19. RELATED PARTY TRANSACTIONS

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

	Interest receivable with related party		Amounts owed from related party	
	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m	**As at 31 December 2019 £m**	As at 31 March 2019 £m
Gatwick Airport Limited	**79.8**	120.3	**2,763.9**	2,415.6
Ivy Holdco Limited	**7.5**	9.9	**301.4**	293.9
	87.3	130.2	**3,065.3**	2,709.5

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

20. CLAIMS AND CONTINGENT LIABILITIES

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

Other than the above, the Company has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 31 December 2019 (31 March 2019: nil).

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 December 2019 the Company's ultimate parent and ultimate controlling party is VINCI SA, a company incorporated in France and is a wholly owned subsidiary of Gatwick Airport Limited.

On 13 May 2019, Global Infrastructure Partners, LP ("GIP 1"), together with its four co-shareholders (Abu Dhabi Investment Authority, National Pension Service of the Republic of Korea, California Public Employees' Retirement System and the Future Fund) completed the sale of a 50.01% interest in the Group to CRUISER Bidco Limited, a wholly owned subsidiary of VINCI SA for a total equity consideration of approximately £3.0 billion.

The Company's results are included in the audited consolidated financial statements of VINCI SA and Ivy Holdco Limited for the period ended 31 December 2019, the largest and smallest groups to consolidate these financial statements. The consolidated financial statements of VINCI SA can be obtained from the Company Secretary, VINCI, 1 Cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison, Cedex, France.

22. SUBSEQUENT EVENTS

Gatwick is concerned about the global impact of the COVID-19 virus and are closely monitoring its impact on our business and stakeholders. The Group has run a number of scenarios to test both our financial and operational resilience, see pages 5 and 19 for further details.