GATWICK FUNDING LIMITED

Annual Report and Financial Statements
for the year ended 31 March 2019

Company Registration Number: 107376 (Jersey)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Andrew Gillespie-Smith
Michael McGhee
William Woodburn
John McCarthy
Helena Whitaker
Cliff Pearce

SECRETARY

Intertrust Offshore Limited

REGISTERED OFFICE

44 Esplanade
St Helier
Jersey
JE4 9WG

INDEPENDENT AUDITOR

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

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 year ended 31 March 2019.

As at 31 March 2019, the Company's indirect parent, Ivy Holdco Limited, 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".

PRINCIPAL ACTIVITIES

The Company is a wholly-owned subsidiary of Gatwick Airport Limited ("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 £2,500.0 million of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 March 2019 £m**	As at 31 March 2018 £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	Ivy Holdco Limited
				2,500.0	2,500.0	

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 YEAR

Results and Dividends

For the year ended 31 March 2019 the Company made a profit after taxation of £2,430 (2018: £2,430). The results for the year are set out in the Income Statement.

No new bond or swap transactions occurred during the year.

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 year ended 31 March 2019 and are forecast to be met for the years ending 31 March 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.

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 year ended 31 March 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)

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 March 2019, fixed rate debt after hedging with derivatives represented 96.9% (2018: 100.8%) 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 £409.0 million for the year ended 31 March 2019 (2018: £363.6 million). As at 31 March 2019, cash at bank was £2.6 million (2018: £9.8 million), undrawn headroom under bank revolving facilities was £180.0 million (2018: £280.0 million) and undrawn headroom under the liquidity facility was £150.0 million (2018: £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, 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.

(b) 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.

DIRECTORS' REPORT (continued)

Brexit

Gatwick continues to monitor the effects of Brexit on the UK economy and the knock-on impact on traffic levels. While UK GDP out turned only slightly under expectations for fiscal year ending March 2019, expectations for fiscal year ending March 2020 remain cautious. The uncertainty around Brexit, and the future terms of a Brexit, has resulted in lower consumer confidence and discretionary spend. In turn, this could impact traffic levels in the short term.

Nevertheless, Gatwick continues to experience a greater mix of inbound passengers, which offsets some of the impact. Sterling currency depreciation against the Euro means that London continues to attract more inbound European travel due to its relative affordability compared to almost 3 years ago. In the medium and long term, passenger demand in the London system remains strong. London is the biggest Origin and Destination aviation market in the world and Europe's most visited city. Gatwick's position in the South East in a densely populated catchment area with excellent surface access to London mean it continues to be well-insulated to longer term macro-economic impacts as a result of future Brexit terms.

The UK and EU recently agreed to extend Article 50 until 31st October 2019 (at the latest). If the UK and EU ratify the Withdrawal Agreement before 31st October, then the UK would leave the EU on the first day of the following month. From an aviation perspective, this Withdrawal Agreement provides for a stand-still transition period (also known as the implementation period) and provides for a mechanism to extend the transition period, if required. During this transition period practically nothing changes - the UK will continue to participate in EASA, remains a member of the Single Aviation Market, remains part of the EU's one-stop security arrangements and remains part of the EU's Air Service Agreements with third countries, such as the US and Canada. A comprehensive Air Transport Agreement will need to be negotiated post transition, along with agreements with these third countries. Most of these bilateral arrangements have already been agreed, and the DfT are confident the remaining agreements will be agreed in advance of the UK leaving the EU.

If a Parliamentary consensus cannot be reached for a Brexit deal, then the EU has formally enacted no-deal contingencies for air connectivity & safety. For a period of 12 months, this broadly ensures airlines will be allowed to keep flying between the UK and the EU without any restrictions on capacity and under the same security and safety protocols. The UK has reciprocated these arrangements. Some consumer confidence will have been restored as a result of these temporary arrangements, particularly for people intending to travel after 29th March 2019, although wider indicators show that forward sales have been impacted.

There also remains the possibility that the UK could revoke Article 50 itself, without having to ask the other 27 EU countries for permission. Under this scenario, the European Court of Justice have stated the UK would then remain a member of the EU on the same terms as it has now.

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 (2018: nil). All employees of the Ivy Holdco Group are employed by Gatwick Airport Limited. Details of the employee policies of Gatwick Airport Limited are included in the financial statements of Gatwick Airport Limited for the year ended 31 March 2019.

DIVIDENDS

No dividends were declared or paid during the year (2018: nil).

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS

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

Andrew Gillespie-Smith	
Michael McGhee	
William Woodburn	
John McCarthy	
Helena Whitaker	
Cliff Pearce	(appointed 20 July 2018)
Claudia Wallace	(resigned 20 July 2018)

DIRECTORS' INDEMNITY

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

On behalf of the Board

William Woodburn
Director
17 June 2019

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

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the EU and applicable law.

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

1 Our opinion is unmodified

We have audited the financial statements of Gatwick Funding Limited ("the Company") for the year ended 31 March 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Cash Flow Statement, and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of Company's affairs as at 31 March 2019 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters. These matters 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.

The impact of uncertainties due to the UK exiting the European Union on our audit
Refer to Audit Committee Report, and page 6

The risk - Unprecedented levels of uncertainty

- All audits assess and challenge the reasonableness of estimates, in particular as described in recoverability of intercompany receivables below, and related disclosures. All of these depend on assessments of the future economic environment and the group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

Our response – We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

- Our Brexit knowledge – We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks;

- Sensitivity analysis – When addressing the recoverability of intercompany receivables and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; and

- Assessing transparency – As well as assessing individual disclosures as part of our procedures on recoverability of intercompany receivables we considered all of the Brexit related disclosures together, comparing the overall picture against our understanding of the risks.

2 Key audit matters: our assessment of risks of material misstatement (continued)

Valuation of Derivatives
(£228.6 million (2018: £208.1 million))
Refer to Audit Committee Report, pages 21-22 (accounting policy) and pages 28-29 (financial disclosures)

The risk – Subjective estimate

- The Company's derivative portfolio includes variable rate to index-linked and fixed rate to index-linked swaps. There is a significant risk of error due to complexity associated with the valuation of the swaps and the limited observable market data in relation to the calculation of the Company's own credit risk.

Our response - Our procedures included:

- Independent reperformance: We engaged our valuation specialists to recalculate 100% of the yearend derivative valuations and the credit risk adjustment using independent sourced market data; and

- Tests of details: For 100% of the derivative portfolio, we agreed the year end swap valuation to third-party mark to market confirmations.

Recoverability of Intercompany Receivables
(£2,691.1 million (2018: £2,668.6 million))
Refer to Audit Committee Report, pages 19, 20-21 (accounting policy) and pages 29-31 (financial disclosures)

The risk - Low Risk, High Value:

- The carrying amount of the intercompany receivables due from Gatwick Airport Limited ("GAL") and Ivy Holdco Limited ("Holdco") represent a significant proportion of Gatwick Funding Limited's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the company financial statements, this is considered to be one of the areas that has the greatest effect on our overall company audit.

Our response - Our procedures included:

- Tests of details: Assessing the GAL and Holdco debtor to identify, with reference to GAL and Holdco's draft balance sheet, whether GAL and Holdco have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether GAL and Holdco have historically been profit-making; and

- Assessing subsidiary audits: Considering the results of the work performed by the audit team on GAL and Holdco, on those net assets, including assessing the liquidity of the assets and therefore the ability of GAL and Holdco to fund the repayment of the receivables.

3 Our application of materiality and an overview of the scope of our audit

Gatwick Funding Limited is part of a group headed by Ivy Midco Limited ("the Group"). Materiality of £13m (2018: £13m), as communicated by the group audit team, has been applied to the audit of the Company. This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 0.48% of the Company's total assets (2018: 0.52%).
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.65m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was all performed at the company's head office in West Sussex.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Company's available financial resources over this period was the impact of Brexit.

As these were risks that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. 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 conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

6 We have nothing to report on the other matters on which we are required to report by exception

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

- 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 Company's accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

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

Ian Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants and Recognised Auditor
15 Canada Square
London
E14 5GL

17 June 2019

INCOME STATEMENT
For the year ended 31 March 2019

	Note	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Operating costs	5	**(0.2)**	(0.2)
Operating profit		**(0.2)**	(0.2)
Financing			
Interest receivable and similar income	6	**125.7**	111.5
Interest payable and similar charges	7	**(125.5)**	(111.3)
Fair value (loss)/gain on derivative financial instruments	8	**(20.5)**	4.3
Fair value gain/(loss) on derivative financial instruments with other group undertakings	9	**20.5**	(4.3)
Profit before tax		**-**	-
Income tax charge	10	**-**	-
Profit for the year		**-**	-

The notes on pages 17 to 34 form an integral part of these financial statements.

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

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Note	**Share Capital £m**	**Retained Earnings £m**	**Total £m**
Balance at 1 April 2017		-	-	-
Profit for the year	17	-	-	-
Balance at 31 March 2018		-	-	-
Profit for the year	17	-	-	-
Balance at 31 March 2019		-	-	-

The notes on pages 17 to 34 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	**31 March 2019 £m**	31 March 2018 £m
Assets			
Non-current assets			
Amounts owed by group undertakings - interest bearing	15	**2,462.5**	2,460.5
Derivative financial instruments with other group undertakings	14	**228.6**	208.1
		2,691.1	2,668.6
Current assets			
Trade and other receivables	11	**23.0**	22.0
Cash and cash equivalents		**-**	0.2
		23.0	22.2
Total assets		**2,714.1**	2,690.8
Liabilities			
Non-current liabilities			
Borrowings	13	**(2,462.5)**	(2,460.5)
Derivative financial instruments	14	**(228.6)**	(208.1)
		(2,691.1)	(2,668.6)
Current liabilities			
Trade and other payables	12	**(23.0)**	(22.2)
Total liabilities		**(2,714.1)**	(2,690.8)
Net assets		**-**	-
Equity			
Share capital	16	**-**	-
Retained earnings	17	**-**	-
Total equity		**-**	-

The notes on pages 17 to 34 form an integral part of these financial statements.

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

These financial statements of Gatwick Funding Limited (company registration number 107376) were approved by the Board of Directors and authorised for issue on 17 June 2019. They were signed on its behalf by:

William Woodburn
Director

Michael McGhee
Director

CASH FLOW STATEMENT
For the year ended 31 March 2019

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Cash flows from operating activities		
Profit before tax	**-**	-
Adjustments for:		
Finance income	**(125.7)**	(111.5)
Finance costs	**125.5**	111.3
(Increase) in trade and other receivables	**-**	(6.5)
(Decrease)/increase in trade and other payables	**(0.2)**	6.7
Net cash from operating activities	**(0.4)**	-
Cash flows from investing activities		
Interest received	**0.2**	0.2
Net cash from investing activities	**0.2**	0.2
Cash flows from financing activities		
Increase in external borrowings	**-**	637.2
Increase in related party receivable	**-**	(637.2)
Net cash from financing activities	**-**	-
Net (decrease)/increase in cash and cash equivalents	**(0.2)**	0.2
Cash and cash equivalents at the beginning of the year	**0.2**	-
Cash and cash equivalents at the end of the year	**-**	0.2

The notes on pages 17 to 34 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

1. BASIS OF PREPARATION

These are the financial statements of Gatwick Funding Limited ("the Company") for the year ended 31 March 2019. The comparative year is the year ended 31 March 2018. 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 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 revenue and operating cash flows from the underlying operations;
- the Ivy Holdco Group's funding structure and the facilities that are available to the Ivy Holdco Group (refer to note 13); and
- the overall Ivy Holdco Group's liquidity position, including the projected upstream of cash, remaining committed and uncommitted facilities available to it, its scheduled debt maturities, its forecast financial ratios and ability to access the debt markets.

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

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.

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

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

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

The financial statements were approved by the Directors on 17 June 2019.

The accounting policies set out in note 3 have been applied consistently by the Company to all years presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

During the year, the Company adopted a new IFRS standard, of which the impact of the new standard has been detailed below:

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* has replaced IAS 39 *Financial Instruments: Recognition and Measurement*, effective on or after 1 January 2018. This standard establishes a single comprehensive framework for classification and recognition of financial instruments. It also introduces a new impairment model for financial assets.

IFRS 9 largely carries forward the scope of IAS 39 for categories of financial assets, measuring at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through income statement (FVTPL). This classification is based on the business model in which a financial asset is managed and its cash flow characteristics. IFRS 9 eliminates the categories of held-to-maturity, loans and receivables, and available-for-sale.

The Company‘s financial assets consist of:
- Amounts owed by group undertakings
- Derivative financial instruments with group undertakings
- Trade receivables and other receivables
- Cash and cash equivalents

All financial assets with the exception of derivative financial instruments will continue to be measured at amortised cost as they meet the condition for classification at amortised cost under IFRS 9. Derivative financial instruments will continue to be measured at fair value through income statement as they meet the condition for classification at fair value through income statement under IFRS 9.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification and measurement of financial liabilities.

The Company‘s financial liabilities consist of:
- Borrowings
- Derivative financial liabilities
- Trade payables and other payables

All financial liabilities with the exception of derivative financial liabilities will continue to be measured at amortised cost as they meet the condition for classification at amortised cost under IFRS 9. Derivative financial liabilities will continue to be measured at fair value through income statement as they meet the condition for classification at fair value through income statement under IFRS 9. The derecognition rules have been carried forward from IAS 39 and have not changed under IFRS 9.

IFRS 9 introduces a new impairment model that replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 9 Financial Instruments (continued)

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.

The application of IFRS 9 has not had a significant impact on the Company's financial position or financial performance for the year ended 31 March 2019 or for the year ended 31 March 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(b) Trade and Other Receivables

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

(c) Current and Deferred Taxation

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Trade and Other Payables

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

(e) Provisions

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

(f) Share Capital

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

(g) Dividend Distribution

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

(h) Cash

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

(i) Financial Instruments

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

Financial Assets

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

The Company's financial assets are 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 new 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

Financial Assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

Financial Liabilities (continued)

3. Derivative financial instruments (continued)

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

5. OPERATING COSTS

Operating costs

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

Operating costs include audit fees of £5,000 (2018: £5,000). No other fees are payable to KPMG LLP.

Employee information

The Company has no employees (2018: 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 £19,485 (2018: £10,162) was paid to Intertrust Offshore Limited, a related party, for the provision of corporate administration services, including the provision of director services by Helena Whitaker, Cliff Pearce and Claudia Wallace.

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 (2018: nil).

No directors are members of the Gatwick Airport Limited defined benefit pension scheme (2018: nil).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Interest receivable from other group undertakings [(a)]	**117.7**	103.2
Net interest receivable on derivative financial instruments	**8.0**	8.3
	125.7	111.5

(a) "Interest receivable from other group undertakings" 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Interest payable on external borrowings – Class A Bonds	**117.5**	103.0
Net interest payable on derivative financial instruments with other group undertakings [(a)]	**8.0**	8.3
	125.5	111.3

(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.

8. FAIR VALUE MOVEMENT ON DERIVATIVE FINANCIAL INSTRUMENTS

The fair value (loss)/gain 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).

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Fair value (loss)/gain on variable rate to index-linked derivative financial instruments [(a)]	**(2.4)**	2.3
Fair value (loss)/gain on fixed rate to index-linked derivative financial instruments [(a)]	**(18.1)**	2.0
	(20.5)	4.3

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

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

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Fair value gain/(loss) on variable rate to index-linked derivative financial instruments with other group undertakings [(a)]	**2.4**	(2.3)
Fair value gain/(loss) on fixed rate to index-linked derivative financial instruments with other group undertakings [(a)]	**18.1**	(2.0)
	20.5	(4.3)

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

10. INCOME TAX

Recognised in the income statement

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Current tax charge	**-**	-
Total current tax charge	**-**	-

Reconciliation of total tax

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Profit for the year	**-**	-
Total tax charge	**-**	-
Profit excluding taxation	**-**	-
Tax using the UK corporation tax rate of 19% (2018: 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 year ended 31 March 2019, the profit subject to corporation tax was £3,000 (2018: £3,000) with an associated tax liability of £570 (2018: £570). No deferred tax arose during the year to 31 March 2019 or the year ended 31 March 2018.

The Finance Act 2016, which provides for a reduction in the main rate of corporation tax from 19% to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

11. TRADE AND OTHER RECEIVABLES

	31 March 2019 £m	31 March 2018 £m
Accrued interest receivable from other group undertakings [(a)]	**20.7**	20.6
Accrued interest receivable	**2.3**	1.4
	23.0	22.0

(a) "Accrued interest receivable from other group undertakings" relates to interest receivable on the interest rate and index-linked derivatives with Gatwick Airport Limited and interest accrued on the balance of the loan receivable from Gatwick Airport Limited under the Borrower Loan Agreement, 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 March 2019 £m	31 March 2018 £m
Accrued interest payable	**20.7**	20.8
Accrued interest payable to other group undertakings [(a)]	**2.3**	1.4
	23.0	22.2

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

13. BORROWINGS

	31 March 2019 £m	31 March 2018 £m
Non-Current borrowings		
Secured		
Class A Bonds:		
5.250% £300 million due 2024/26	**298.3**	298.0
6.125% £300 million due 2026/28	**297.1**	296.7
4.625% £350 million due 2034/36	**344.2**	343.9
5.750% £300 million due 2037/39	**292.8**	292.5
3.125% £350 million due 2039/41	**344.7**	344.5
6.500% £300 million due 2041/43	**297.3**	297.2
2.625% £300 million due 2046/48	**295.1**	295.0
3.250% £300 million due 2048/50	**293.0**	292.7
Total borrowings (excluding interest payable)	**2,462.5**	2,460.5

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 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 £2,500.0 million of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 March 2019 £m**	As at 31 March 2018 £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	Ivy Holdco Limited
				2,500.0	2,500.0	

As at 31 March 2019, the £2,462.5 million (2018: £2,460.5 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 March 2019, the average interest rate payable on borrowings, including the impact of the swaps, was 4.71% (2018: 4.89%) p.a.

	31 March 2019 Book value £m	**31 March 2019 Fair value £m**
Fair value of borrowings		
Class A Bonds	**2,462.5**	**2,964.9**

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 March 2019 (2018: all covenants tested and complied with).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

13. BORROWINGS (continued)

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

Covenant	31 March 2019	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**2.93**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.59**	> 0.70	> 0.85

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Notional £m	Fair value assets £m	Fair value liabilities £m	Total £m
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)**
31 March 2018				
Derivative financial assets				
Variable rate to index-linked swaps with other group undertakings	40.0	30.9	-	30.9
Fixed rate to index-linked swaps with other group undertakings	356.0	177.2	-	177.2
	396.0	208.1	-	208.1
Derivative financial liabilities				
Variable rate to index-linked swaps	(40.0)	-	(30.9)	(30.9)
Fixed rate to index-linked swaps	(356.0)	-	(177.2)	(177.2)
	(396.0)	-	(208.1)	(208.1)

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.

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 £20.5 million loss in financial derivatives through the income statement for the year ended 31 March 2019 (2018: £4.3 million gain), incorporating a £8.5 million gain for the year (2018: £6.2 million loss) to reflect the credit risk of the Company on its swap position.

The Company has recognised a total cumulative gain of £32.4 million at 31 March 2019 (2018: £23.9 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 year ended 31 March 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 March 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 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**
31 March 2018				
Class A Bonds – Principal payments	-	-	-	2,500.0
Class A Bonds – Interest payments	115.6	115.6	346.9	1,460.1
Derivative financial instruments	(7.8)	30.0	11.7	219.2
	107.8	145.6	358.6	4,179.3

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

15. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category

The Company's financial instruments as classified in the financial statements as at 31 March 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 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**
31 March 2018			
Accrued interest receivable	1.4	-	1.4
Accrued interest receivable from other group undertakings	20.6	-	20.6
Amounts owed by other group undertakings – interest bearing	2,460.5	-	2,460.5
Derivative financial assets	-	208.1	208.1
Total financial assets	2,482.5	208.1	2,690.6

Liabilities

	Liabilities at fair value through profit and loss £m	**Other financial liabilities at amortised cost £m**	**Total £m**
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)**
31 March 2018			
Borrowings	-	(2,460.5)	(2,460.5)
Accrued interest payable	-	(20.8)	(20.8)
Accrued interest payable to other group undertakings	-	(1.4)	(1.4)
Derivative financial liabilities	(208.1)	-	(208.1)
Total financial liabilities	(208.1)	(2,482.7)	(2,690.8)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 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 March 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 (2018: Level 2 except for Bonds which are valued at Level 1).

16. CALLED UP SHARE CAPITAL

	31 March 2019 £	31 March 2018 £
Authorised		
Unlimited number of shares with no par value of one class, designated as ordinary shares	**-**	-
Called up, allotted and fully paid		
2 ordinary shares at £1.00 each	**2**	2

17. RETAINED EARNINGS

	31 March 2019 £m	31 March 2018 £m
Opening	-	-
Profit for the year [(a)]	-	-
Closing	**-**	-

(a) The Company recorded a profit for the year ended 31 March 2019 of £2,430 (2018: £2,430).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 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 2018 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 March 2019 £m**
Cash and cash equivalents	**0.2**	**(0.2)**	**-**	**-**
Derivative financial liabilities	**(208.1)**	**-**	**(20.5)**	**(228.6)**
Borrowings	**(2,460.5)**	**-**	**(2.0)**	**(2,462.5)**
	(2,668.4)	**(0.2)**	**(22.5)**	**(2,691.1)**

	As at 1 April 2017 £m	Cash flow £m	Other non-cash changes £m	As at 31 March 2018 £m
Cash and cash equivalents	-	0.2	-	0.2
Derivative financial liabilities	(212.4)	-	4.3	(208.1)
Borrowings	(1,821.9)	(637.2)	(1.4)	(2,460.5)
	(2,034.3)	(637.0)	2.9	(2,668.4)

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	
	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m	**As at 31 March 2019 £m**	As at 31 March 2018 £m
Gatwick Airport Limited	**120.3**	89.7	**2,415.6**	2,394.2
Ivy Holdco Limited	**9.9**	0.9	**293.9**	293.7
	130.2	90.6	**2,709.5**	2,687.9

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 March 2019 (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2019

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

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

The Company's parent is Gatwick Airport Limited, a company incorporated in England and Wales. The consortium that ultimately own and control the Company are Global Infrastructure Partners, LP (41.95%), the Abu Dhabi Investment Authority (15.90%), the California Public Employees' Retirement System (12.78%), National Pension Service of Korea (12.14%), and Future Fund Board of Guardians (17.23%). The results of the Company are included in the audited consolidated financial statements of Ivy Midco Limited for the year ended 31 March 2019 and of Ivy Holdco Limited for the year ended 31 March 2019, the largest and smallest groups to consolidate these financial statements respectively.

Copies of the financial statements of Ivy Holdco Limited and Ivy Midco Limited 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.

22. SUBSEQUENT EVENTS

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) (collectively, the "Existing Gatwick Shareholders"), on 13 May 2019 completed the sale of a 50.01% interest in GAL to CRUISER Bidco Limited (a wholly owned subsidiary of VINCI SA) (a company incorporated in France) for a total equity consideration of approximately £2.9 billion (the "VINCI Transaction").

The remaining 49.99% interest in GAL will remain ultimately managed by GIP. As such, the Existing Gatwick Shareholders intend to sell their remaining 49.99% interest to a combination of separate accounts and limited partnerships, all of which will be managed by Global Infrastructure Management, LLC ("GIM"), the manager of GIP 1.

23. TRANSITION TO NEW ACCOUNTING STANDARDS

During the year the Company adopted a new accounting standard, IFRS 9 Financial Instruments.

The adoption of IFRS 9 has no impact to the equity and total comprehensive income previously reported at 31 March 2018.