IVY HOLDCO LIMITED

Annual Report and the Consolidated and Parent Company Financial Statements for the year ended 31 December 2021

Company Registration Number 07497036

ANNUAL REPORT AND THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS **Page**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Michael McGhee
William Woodburn
Philip Iley
David McMillan
Nicolas Notebaert
Olivier Mathieu
Rémi Maumon De Longevialle
Pierre-Hugues Schmit
Eric Delobel
Marten Soderbom

SECRETARY

TMF Corporate Administration Services Limited

REGISTERED OFFICE

8th Floor
20 Farringdon Street
London
EC4A 4AB

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

BANKER

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

STRATEGIC REPORT

In accordance with sections 414A and 414C of the Companies Act 2006 (“the Act”), this strategic report informs the members as to how the Directors of the Group have performed their duty under section 172 (duty to promote the success of the Group).

In summary, it contains a fair review of the business of the Group, including a description of the principal risks and uncertainties facing the Group, an analysis of the development and performance of the business during the Year, and position at the Year end.

This Strategic report is presented in five sections:

1. Business Overview – an overview of the Group’s: Structure; Strategy; Regulatory Environment; Financing structure; and Ownership;
2. Management Review – overview of the year ended 31 December 2021;
3. Financial Review – presentation and explanation of the key drivers behind the financial performance reported for the year ended 31 December 2021 and analysis of the financial position of the Group as at that date;
4. Corporate Governance and Leadership – description of the Board of Directors (the ‘Board’) and Committees of the Board which provide overall leadership to the Group; and
5. Risk Management and Internal Control Environment – outline of the Group’s internal controls, approach to risk management, sources of assurance and highlights of the key business risks identified by the Group Executive Committee and Board.

STRATEGIC REPORT (CONTINUED)

1. Business Overview

COVID-19

During 2021, the Group continued to see the impact of the COVID-19 pandemic in a number of ways. The first half of the year was heavily impacted by the UK lockdown and travel restrictions before the start of the recovery in the second half of the year as restrictions eased. This was offset by a reduction in operating costs due to the actions taken by management since the beginning of the pandemic.

The financial impacts of the COVID-19 pandemic along with the actions taken by the Group to mitigate the impact and ensure the continued success of the Group are discussed throughout the Report and Financial Statements.

Gatwick's Corporate Structure

As at 31 December 2021, Ivy Holdco Limited ("the Company", "IHL", "Ivy Holdco") 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 Company's subsidiary, Gatwick Airport Limited, accounts for the significant majority of the Group's operations.

Strategy

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

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

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

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

STRATEGIC REPORT (CONTINUED)

Business Overview (continued)

Regulatory Environment

During the year Gatwick transitioned to a new set of Commitments on 1 April 2021.

Commitments until 31 March 2021

On 1 April 2014, a new regulatory framework, based on Commitments backed by a licence and supplemented by a monitoring regime, came into operation at Gatwick. The Commitments are a set of legally enforceable undertakings, made by Gatwick to airlines, covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The Commitments also enable Gatwick to enter into a series of bilateral contracts incorporating, for example, price, service and duration, agreed on a contractual basis between Gatwick and individual airlines.

The CAA published its Decision and Notice granting a licence to Gatwick in February 2014. The CAA's Decision incorporates the Commitments proposed by the Airport within a licence. It is therefore a requirement of the licence that Gatwick complies with its obligations in the Commitments. This includes that Gatwick complies with its commitment to incorporate a maximum average revenue yield over the next seven years, based on published prices at RPI+1.0% per year, and average prices (taking into account bilateral contracts) at RPI+0.0% per year (i.e. the "Blended Price"). It also includes that Gatwick complies with its Commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years of the Commitment Year. Obligations on third parties contained in the Commitments do not form part of the licence.

In the Decision, the CAA set out, amongst other things, its view of the "fair price" for the period from 1 April 2014 of RPI-1.6% per year. The CAA also considered that Gatwick should undertake capital investment expenditure of at least £160.0 million per annum on average (in 2011/12 price base). The CAA stated that it intends to monitor Gatwick's pricing and other behaviours (such as capital investment expenditure), on an annual basis to assess the extent to which the out-turn average prices (taking into account bilateral contracts) are consistent with its assessment of the "fair price" at RPI-1.6% and capital investment expenditure is at least £160.0 million per annum on average. If, as part of the CAA's monitoring of the Commitments, the CAA considers that the introduction of further licence conditions, or modifications to existing licence conditions, is in the passenger interest, then the CAA can propose such modifications at that time. This could be for example, to introduce a requirement for Gatwick to set its charges consistent with the CAA's view of its "fair price" or its view of minimum capital investment expenditure. Such licence modifications could be appealed by the Airport or airlines, to the Competition and Markets Authority.

The CAA undertook a "short and focused review" of the Commitments in the second half of 2016 to assess whether they are operating in the passenger interest. The review was concluded in December 2016. The review did not recommend any changes to the Commitments.

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

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

STRATEGIC REPORT (CONTINUED)

Business Overview (continued)

Regulatory Environment (continued)

Commitments until 31 March 2021 (continued)

Gatwick has complied with all conditions of the licence outlined above.

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

Commitments from 1 April 2021

The first generation of Commitments expired on 31 March 2021 and Gatwick remained subject to them until this date. Gatwick consulted on a set of extended Commitments in October 2019 and issued finalised extended Commitments to our airlines in January 2020, with a term from 1 April 2021 to 31 March 2025.

In February 2021, the economic regulator published its decision and statutory Licence consultation in relation to economic regulation of Gatwick from 1 April 2021 to 31 March 2025. The February 2021 decision outlined broad support for Gatwick's finalised extended commitments and introduced some changes to the ongoing annual monitoring provisions. The CAA confirmed the final licence conditions in a notice in May 2021 (CAP 2144).

The finalised extended Commitments include a number of enhancements and improvements to the existing commitments, including:

- **Service**: Gatwick commits to maintain excellent service delivery for its passenger and airlines and will remain financially incentivised to do so. Informed by the consultation and passenger research many of the existing service standards have been updated, and we have also added new standards for wifi connectivity, Special Assistance service and Flight Information Screen system availability.
- **Investment**: Gatwick will continue to consult annually on a 5 year Capital Investment Programme, and has amended the consultation process to provide earlier insight and greater clarity for airlines and passenger representatives on emerging projects. Gatwick have also increased the minimum capital investment commitment to £120m per annum on average (in 2018/19 price base).
- **Price**: Gatwick will limit the maximum annual rate of increase in its gross yield to RPI+0%, referencing the gross yield for the year ending 31 March 2019. In addition, the gross yield ceiling has been simplified to be a year-by-year limit rather than an average measured over the Commitments Term. The new, simplified gross yield ceiling will give greater certainty to passengers and airlines about the maximum level of future charges.
- **Operational initiatives**: To increase the focus of Gatwick, its airlines, ground handlers and air traffic control provider on delivering resilient and punctual services, Gatwick will set itself formal targets for average on time departure punctuality to be at least 70% in the summer season and 75% in the winter season. Gatwick will invest in a portfolio of operational initiatives and financial incentives for airlines and/or their ground handlers, with the aim of enabling airlines to achieve these punctuality targets. Gatwick will consult with airlines annually on the proposed on-time departure programme; and
- **Capacity Growth**: Gatwick commits to seek to increase the resilient capacity of its airfield infrastructure, and to continue for the present to bear the cost of developing these plans, securing necessary political and planning approvals, and implementing the project. This includes potential projects to maximise the use of the existing main runway and to bring into routine use the standby runway. Gatwick is not adjusting its price commitment in response to the additional capital expenditure which it incurred in this period in preparation for obtaining the Development Consent Order ("DCO") or in implementing the resulting infrastructure projects.

In addition to this it signalled that it would be undertaking "focused assessments" during the period on the average level of aeronautical discounts, the new security queue measurement system and the new capital investment consultation process and whether airfield investment is being re-reinstated sufficiently quickly.

STRATEGIC REPORT (CONTINUED)

Business Overview (continued)

Regulatory Environment (continued)

Commitments from 1 April 2021 (continued)

Some elements of the regulatory regime remain unchanged, including the CAA requirements in relation to operational and financial resilience. In addition to this all airport operators are also subject to aerodrome licensing under the Air Navigation Order 2009, which requires an airport operator to demonstrate that it is competent to conduct aerodrome operations safely. That licensing requirement is not affected by the Civil Aviation Act 2012.

Financing Structure

The Group is party to a Common Terms Agreement ("CTA") with, *inter alia*, the National Westminster Bank as Authorised Credit Facility ("ACF") agent and previously the Initial Authorised Credit Facility ("Initial ACF") agent. Gatwick Airport Limited and Ivy Holdco Limited have Borrower Loan Agreements with Gatwick Funding Limited (as Issuer), and Deutsche Trustee Company Limited (as Borrower Security Trustee). The CTA together with a Master Definitions Agreement covers, *inter alia*, the Initial ACF Agreement, the ACF Agreement and the Borrower Loan Agreements.

The ACF Agreement entered into on 21 June 2018 has a Revolving Credit Facility of £300.0 million and a tenor of five years (with two, one year extension options) giving a termination date of 21 June 2023 (and extension options to 21 June 2024 and 21 June 2025 respectively). During 2020 the Group exercised the second one year extension option, giving a revised termination date of 21 June 2025. The Group also has access to a committed £150.0 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months, providing additional assurance to bondholders and banks.

During the year ended 31 December 2021 the Group issued £300.0 million of new Class A bonds (scheduled maturity 2030). The proceeds of the new bonds were utilised to repay the £300.0 million Term Loan entered into during April 2020. The initial termination date of the Term Loan was 16 April 2021 and it was fully repaid and terminated on this date.

As at 31 December 2021, the Group had fully drawn the £300.0 million Revolving Credit Facility and held cash of £558.0 million.

Gatwick Funding Limited has issued £3,100.0 million of publicly listed fixed rate secured bonds with scheduled and legal maturities ranging from 2024 and 2026 to 2049 and 2051 respectively as detailed below.

As at 31 December 2021, total bond debt was £3,100.0 million (2020: £2,800.0 million) (refer to note 24).

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2021 £m**	As at 31 December 2020 £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 2.5 per cent.	2030	2032	15 Apr 2021	**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**	300.0	GAL
				3,100.0	2,800.0	

STRATEGIC REPORT (CONTINUED)

Business Overview (continued)

Financing Structure (continued)

The proceeds of bond issuances by Gatwick Funding Limited (together “the Bonds”) are lent to either Gatwick Airport Limited or Ivy Holdco Limited under the respective Borrower Loan Agreements, the terms of which are “back-to-back” with those of the Bonds.

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

In 2020 the Group was approved to draw up to £300.0 million under the Bank of England Covid Corporate Financing Facility (“CCFF”). £175.0 million was drawn on 10 November 2020. The loan was repaid in early 2021 and a further £275.0 million was drawn on 19 March 2021 which matures in March 2022.

The Group regularly prepares long-term cash flow forecasts to test the sufficiency of its financing facilities to meet its funding requirements. The Directors consider that the current level of available liquidity is sufficient to meet its present forecast funding requirements and provides the Group with appropriate headroom, as highlighted in the Response to COVID-19 section on page 26.

During 2020 and 2021 the Group was granted covenant waivers and an amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes: a) that any Default relating to Senior ICR and Senior RAR levels are waived in respect of the calculation dates falling on December 2020, June 2021, December 2021 and June 2022; and b) a temporary amendment (until June 2024) to the calculation of the Senior RAR to replace both the April 2020 to March 2021 EBITDA and the April 2021 to March 2022 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

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

Ownership

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 (a company incorporated in France) for a total equity consideration of approximately £3.0 billion.

The previous shareholders also disposed of the remaining 49.99% interest to a combination of separate accounts and limited partnerships, all of which are managed by Global Infrastructure Management, LLC (“GIM”), the manager of GIP 1.

As at 31 December 2021, Ivy Holdco Limited (“the Company”, “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”.

The Company’s subsidiary, Gatwick Airport Limited, provides the significant majority of the Group’s operations. Gatwick Airport Limited owns 100% of the share capital of Gatwick Funding Limited, a company incorporated in Jersey but resident in the UK for tax purposes. The primary purpose of Gatwick Funding Limited is to raise external funding and provide it to Gatwick Airport Limited and Ivy Holdco Limited. This is done through the issuance of external bonds and the use of external interest rate and index-linked derivatives, the terms of which are then replicated in a “back-to-back” agreement with Gatwick Airport Limited and Ivy Holdco Limited.

The Company is a wholly-owned subsidiary of Ivy Super Holdco Limited, a United Kingdom incorporated company. As at 31 December 2021 VINCI SA is the ultimate parent company and controlling party.

STRATEGIC REPORT (CONTINUED)

Business Overview (continued)

Ownership (continued)

VINCI Airports, as the leading private airport operator in the world, manages the development and operation of 53 airports located in Brazil, Cambodia, Chile, Costa Rica, Dominican Republic, France, Japan, Portugal, Serbia, Sweden, the United Kingdom and the United States. Served by more than 250 airlines, VINCI Airports' network handled 255 million passengers in 2019. Through its expertise as a comprehensive integrator, VINCI Airports develops, finances, builds and operates airports, leveraging its investment capability and know-how to optimise the management and performance of airports and carry out extensions and upgrades. In 2019, its annual revenue for managed activities amounted to €4.9 billion, for a consolidated revenue of €2.6 billion. For more information, visit www.vinci-airports.com.

Global Infrastructure Partners ("GIP") is an independent infrastructure fund manager that makes equity and debt investments in infrastructure assets and businesses. GIP targets investments in the energy, transport and water/waste sectors in both OECD and select emerging market countries. GIP's equity portfolio companies employ approximately 58,000 people in over 50 countries. GIP's teams are located in 10 offices: London, New York, Stamford (Connecticut), Sydney, Melbourne, Brisbane, Mumbai, Delhi, Singapore and Hong Kong. For more information, visit www.global-infra.com.

STRATEGIC REPORT (CONTINUED)

2. Management Review

Overview of the Year Ended 31 December 2021

The Group has reported a loss of £370.6 million for the year ended 31 December 2021 compared to a loss of £465.5 for the year ended 31 December 2020. At 31 December 2021, the group had net liabilities of £144.3 million (2020: £181.8 million net liabilities). These results are discussed in more detail in the financial review section of this report.

Overall Passenger Traffic Trends

In the 12 months ended 31 December 2021, passenger numbers reduced by 38.5% from 10.2 million in the prior year to 6.3 million as a result of the continuing impact of Government's restrictions due to COVID-19 and subsequent bearing on the Airport's operations.

Continually changing restrictions at short notice throughout the year have impacted passengers' confidence to book flights. A proportion of passengers however have continued to travel when possible, as demonstrated through increasing passenger numbers in the second half of the year which exceeded 1 million passengers in August, September and October as well as December, despite the emerging Omicron variant. Passengers in the second half of the year totalled 5.7 million, representing 90.9% of the traffic for the year.

The high level of vaccinations in the UK and our core markets; the availability of widespread testing and the acknowledgement from Government that economic impacts need to be considered when determining restrictions means that 2022 is likely to see less restrictions in place than in 2021, allowing the recovery of international travel.

	Year ended 31 December 2021	Year ended 31 December 2020
Passengers	**6,254,549**	10,164,896
Air transport movements ("ATM")	**51,976**	76,364
Passengers per ATM	**120.3**	133.1
Seats per ATM	**186.3**	192.4
Load factors (%)	**64.6%**	69.2%

Commercial flight types only

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Passenger Traffic by Region

The table below outlines passenger numbers by region:

	Year ended 31 December 2021 m	Year ended 31 December 2020 m
Short haul		
Europe (including UK and Channel Islands)	**5.6**	8.1
Northern Africa	**0.1**	0.2
Total short haul	**5.7**	8.3
Long haul		
North America	**0.1**	0.6
Caribbean and Central America	**0.4**	0.7
South America	**-**	0.1
Sub-Sahara Africa	**0.1**	0.1
Middle East and Central Asia	**-**	0.3
Far East and South Asia	**-**	0.1
Total long haul	**0.6**	1.9
Total passengers	**6.3**	10.2

Short Haul European Traffic

Gatwick has experienced another disrupted year for European traffic in 2021. The first half of the year was adversely impacted by the UK lockdown for much of Q1 and the continuation of severe route restrictions via the ‘traffic light’ methodology during Q2. However, positive trends have emerged in the second half of the year together with a number of airline announcements which point to a strong recovery in the summer.

easyJet have flown continuously throughout 2021, prioritising Gatwick when restrictions were at their most stringent in Q1. As conditions allowed they increased the number of flights, most significantly from August 2021, which has continued through to the end of the year in spite of the challenges and restrictions thrown up by the new Omicron variant. easyJet have reached an agreement with British Airways to lease slots during summer 2022. These, added to the substantial acquisition they made of Thomas Cook slots in late 2019 and a handful of Norwegian slots in December 2020, mean that easyJet will have the opportunity to operate the most capacity they have ever flown in Summer 2022, utilising 79 aircraft.

Other short haul has also seen an increase, firstly from May 2021, with TAP, Wizz, TUI and Aurigny restarting and then a more significant uplift in capacity from August 2021 as Vueling, Norwegian and Ryanair also significantly increased capacity. In August 2021 Gatwick saw the return of Aer Lingus who quickly increased frequencies. In January 2022, Vueling subsequently announced it is expanding its operations at Gatwick including the addition of five new routes.

British Airways short haul programme remained consolidated at Heathrow Airport in 2021, the lockdown during Q1 forced them to take this cautious approach to summer capacity. The improving market conditions, through widespread vaccinations and the contract terms they have agreed with their pilot and crews, enabled British Airways to announce a return to Gatwick with 18 aircraft and 35 short haul routes for summer 2022. This presence, together with their ongoing long haul programme, means that British Airways will remain the 2nd largest carrier operating at Gatwick.

Wizz have been unable to optimise their based aircraft at Gatwick during 2021. But the recent announcement of their acquisition of 15 pairs of slots from Norwegian means that they will be adding a further 4 A321 neo aircraft to their Gatwick fleet from the start of the summer season (27 March). This is more than a 1000% increase on their capacity compared to summer 2019 and are forecast to become the third largest carrier at Gatwick by the end of 2022.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Long Haul Traffic

Long haul traffic saw strong demand for leisure markets when restrictions allowed. The Caribbean, operated by British Airways and TUI Airways remained strong all year, in spite of the ongoing and frequently changing complexity of testing and quarantine arrangements.

Gatwick saw a return to capacity for Canada with first Westjet launching services to Toronto in May 2021 and then adding Calgary in July. Air Transat also restarted services in September, with frequencies to Toronto.

September 2021 saw the launch of a new long haul carrier, JetBlue operating to New York. Demand on the route took off in November as the US lifted their ban on UK/EU citizens entering the country for anything other than essential purposes. November also saw British Airways relaunch their Florida services to Tampa, in addition they and TUI restarted Orlando services.

Other long haul markets re-established during 2021 include Mexico, Mauritius, Costa Rica, Aruba and Qatar.

The Chinese carriers remained heavily restricted by the Chinese Authorities with the frequency and destination of the international routes they can fly.

Emirates made a welcome return to Gatwick with their A380 aircraft operating a daily service to Dubai with ongoing connections to Asia and Australasia from early December 2021.

Gatwick also welcomed a new airline, Scoot (part of the Singapore Airlines group), to the Airport during December 2021 with a number of services to Bangkok and onward to Singapore over the Christmas period. Scoot plan to return with a regular schedule in summer 2022.

Route Impacts

The first quarter of 2021 was heavily impacted by the UK lockdown with around 30 routes operating regularly. The top 10 routes in this period included Antigua, Cancun, Kiev, Geneva and Dublin with Belfast, closely followed by Madrid, being the most popular.

The second quarter of 2021 was a confusion of rule changes which dampened original hopes of a strong start to summer. Belfast remained the most popular route and Madrid remained in the top 10, this time joined by a mix of domestic and short haul European routes, such as Faro, Glasgow, Edinburgh, Inverness, Jersey and Oporto. There was improvement as in excess of 50 routes were operated regularly by more than 20 airlines with overall higher passenger loads.

In July the recovery continued and gathered momentum for the remainder of summer. For August, September, and October each successive month saw increased passenger volumes. For this period Gatwick had more than 86 routes operated by around 30 airlines and passenger loads per flight had reached an average of 74%. In September Gatwick saw the launch of a new airline and route with JetBlue to New York.

The last quarter of 2021 started positively with the relaxation of restrictions from the USA, and a winter programme being planned at an average 50% of 2019 levels and in some markets 100% or higher (e.g. St Lucia). This positivity continued with the launch of a new route to Doha from British Airways, seasonal Christmas services to Bangkok/Singapore from new airline Scoot, and the return of a daily A380 flight from Emirates to Dubai. In addition the short haul programme remained strong with good passenger loads. The advent of the Omicron variant of COVID impacted the busy Christmas period with a number of cancellations and no-shows from passengers. However, this did not impact the number of routes flown in this period, which were in excess of 103 operated by more than 25 airlines; but average loads did reduce to around 65%.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Capital Investment Programme

Since the impact of COVID-19 on the business in 2020, the Group has significantly reduced its capital expenditure in order to protect cash and liquidity in the short term, although its long term ambitions remain the same; to grow and become London's airport of choice. A key enabler in delivering this objective is continued focus on transforming the passenger and airline experience of using the Airport through both investment in modern infrastructure and improving service standards. The key investment drivers for the Airport are as follows:

- Capacity
- Cost Efficiencies
- EH&S, Security and Compliance
- Service Quality
- Commercial Revenue
- Asset Stewardship and Resilience

	Year ended 31 December 2021	Year ended 31 December 2020
	£m	£m
Capital expenditure	**51.1**	86.0

Gatwick will continue to consult annually on a 5 year Capital Investment Programme, and has amended the consultation process to provide earlier insight and greater clarity for airlines and passenger representatives on emerging projects. Gatwick have also increased the minimum capital investment commitment to £120m per annum on average (in 2018/19 price base).

Capital expenditure at Gatwick has decreased £34.9 million in the year, from £86.0 million in the year ended 31 December 2020. Key projects and programmes completed or in construction during the year ended 31 December 2021 can be summarised as follows:

- **Buildings and Structures:** Investment continued during the year on the Airport's terminals and surface access routes with a view to improving resilience, efficiency and passenger service. Construction of the rail station expansion continued throughout the year and Gatwick have worked successfully with Network Rail and the other funding bodies to re-phase the Airport's financial contribution into future years. Work completed on a forecourt charging project which now enables the Airport to charge vehicles for using its forecourts directly outside the terminals to drop off passengers.

- **IT and ATC resilience:** A programme of works to maintain Gatwick's existing IT asset base and improve the equipment, systems and processes in Air Traffic Control has been ongoing. This programme which aims to ensure operational resilience remains a key component of our capital investment plans going forward.

- **Airfield Programme:** There continues to be investment in airfield asset stewardship and resilience in terms of taxiway and runway rehabilitation and construction on an ambitious project to replace the entire airfield data network with new resilient fibre-optic cabling continued during the year. Design work also began on a significant project to resurface the centre of the main runway in 2022.

- **Northern Runway:** During the year, the business entered into a 12 week public consultation on its proposal to bring the existing Northern Runway into routine use alongside the Main Runway. Work to review and consider this feedback continues, as does investment into related environmental and modelling assessments. The business continues to engage with statutory authorities and others in finalising proposals, ahead of plans to submit a planning application.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Our Commitment to Sustainability

Gatwick's commitment to sustainability, reducing our environmental impact and doing the right thing has remained undiminished despite the continued disruption of COVID-19 to our business.

In June 2021, Gatwick published its second Decade of Change sustainability policy, which looks ahead to 2030 and sets out the airport's goals on supporting the local economy, people, and communities, the transition to net zero carbon and contributing to local environmental stewardship. The policy focuses on a renewed set of 10 goals, including:

- People and communities:
  - Continue to be a partner and advocate by investing resources in partnerships and projects which benefit the local economy and local people
  - Continue to contribute to local and regional workforce skills partnerships and initiatives
  - Increase workforce diversity and ensure accessibility and opportunity for colleagues and passengers with disabilities
  - Limit and where possible reduce the airport's impact on local communities by working with partners and stakeholders to create the most noise efficient operation possible.

- Transition to net zero and further improve local air quality:
  - Reduce the airport's own direct emissions (Scope 1 and 2) by a further 25% by 2030 – so that emissions have reduced by 80% against a 1990 baseline - as part of a science-based goal of reaching net zero before 2040
  - Work with airlines and fuel providers to implement the Sustainable Aviation decarbonisation roadmap and interim goals; and set a science-based target for Gatwick
  - Work with transport partners to increase public transport and zero and ultra-low emission journeys to 60% by 2030.

- Local environment stewardship:
  - Ensure that by 2030 all materials used at Gatwick in operations, commercial activity and construction, are repurposed for beneficial use i.e. repaired, reused, donated recycled, composted or converted to fuel for heating and transport
  - Reduce the airport's potable water consumption by 50% per passenger by 2030, compared to 2019 levels
  - Continue a sector leading net gain approach to protecting and enhancing biodiversity and habitats on the airport, including zero use of pesticides by 2030 and supporting biodiversity partnerships in our region.

The 2030 goals take account of local and national sustainability priorities and will enable Gatwick to play its part in national and international action to deliver on the Paris Agreement to limit climate change and the UN Sustainable Development Goals. Further information on our new Decade of Change sustainability policy is available at: https://www.gatwickairport.com/business-community/sustainability/.

The second Decade of Change sustainability policy builds on Gatwick's first Decade of Change, which set out the airport's goals between 2010 and 2020. In 2021, we published a summary report of performance against our 2010-2020 goals, available on our website at: https://www.gatwickairport.com/business-community/sustainability/our-progress/.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Our Commitment to Sustainability (continued)

Throughout 2021, despite the impact of COVID-19, Gatwick maintained its noise, air quality, water quality and biodiversity monitoring programmes, comprehensive stakeholder engagement and core elements of the sustainability action plan. This included the following:

- Participating in the Government's Jet Zero Council delivery group on sustainable aviation fuels;
- Maintaining Airport Carbon Accreditation at 'carbon neutral' level;
- Continuing to reuse and recycle airport waste, with 53% of Airport operational waste reused or recycled, and the remainder sent offsite for energy recovery.
- Continuing to expand our wildflower road verge initiative, which has noted improvements in species diversity
- Supporting our charity partners Gatwick Travelcare, SASH (Surrey and Sussex Healthcare NHS Trust) and the Kent, Surrey and Sussex Air Ambulance.

Progress against our new goals to 2030 will be reported annually in the Decade of Change report, available on our website. The section below highlights some of our work in the areas of employees, community, noise, airspace change and energy and carbon.

Employees

Gatwick's People Strategy is to deploy a range of policies and resources to engage, motivate and reward its employees appropriately as well as retaining the critical talent required for the future succession plans for the business.

In 2021 the Gatwick People Committee was introduced into the governance structure of the company to provide the executive team forum to enhance the accountability for the employee experience.

Throughout the pandemic the company has continued to work with employee and union representatives on mitigation measures to manage the operating costs of the business. The company utilised the Coronavirus Job Retention Scheme (Furlough Scheme) for the full duration and consulted with employee and union representatives on a Post Furlough Mitigation Plan which implemented a range of cost and productivity measures from October onwards.

The year-end 2021 headcount ended on 1,752, which was 115 less than year-end 2020. Due to the continuing impact of the pandemic all recruitment was limited to hiring or replacing critical skills. Towards the end of the year the company commenced preparations for a hiring programme for 2022 to reflect an increase in traffic numbers and the return to operation of the South Terminal.

Due to the continuing impact of the pandemic, there were no annual pay increases or annual bonuses paid to Gatwick employees in 2021. The company implemented the CASTOR INTERNATIONAL share scheme plan which provides Gatwick employees with the opportunity to become a VINCI GROUP shareholder on preferential terms.

Companies with over 250 employees are required to report their Gender Pay Gap information. In 2021 Gatwick reported a Median Gender Pay Gap of 9.9%. On the snapshot date for the data for the report (5th April 2020) over half the Gatwick workforce were furloughed due to the COVID-19 pandemic. In our report we outlined our ambition for our leadership team to be 33% female by end 2023, increasing to 40% by end 2026. Currently 29% of our leadership team are female. Gatwick has established a "Equal Plane" initiative where we believe a diverse and inclusive environment is essential to unlock the potential of women at Gatwick. We will achieve this by removing barriers, providing support, and recognising the talents of women at all levels in our organisation. This will create the culture to develop, retain and attract female talent to become the leading Airport to work at and fly from. The company also established a Diversity, Equality and Inclusion Council under the auspices of the Gatwick People Committee to drive a sustained focus on the culture of the organisation.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Our Commitment to Sustainability (continued)

Employees (continued)

Gatwick has a zero-tolerance policy towards modern slavery and human trafficking, and is committed to ensuring that there is no modern slavery or human trafficking in the supply chains or in any part of the business, and to doing what can be done to prevent the Airport from being used by human traffickers. Gatwick's full modern slavery and human trafficking statement is published on our website.

Community

Our community investment programmes are designed to share the benefits that the Airport generates among local people, focusing on key themes identified as priorities locally, including Economy; Education, Employment & Skills; and Community Investment. We do this by working with partners and stakeholders on airport (our "Gatwick Family") and across the wider region.

Local Engagement

The sustained impact of the pandemic on local communities surrounding Gatwick has continued to illustrate the significant value the Airport brings to the region. We have continued to actively engage with regional economic partnerships, local authorities and business organisations, working collaboratively to drive economic recovery. Focus has been on understanding economic challenges and sharing insight with local and regional partners through engagement and discussion, and further supporting action wherever possible.

In May Gatwick published a new report – Gatwick's Economic Value – which highlighted that Gatwick's strong revival will create the dynamic, connected and innovative business environment necessary to diversify the region's economy. The report included commitments from the Airport to continue to work with local partners and help the region attract new economic clusters, and to develop a range of employment, skills, sustainable growth and supply chain initiatives.

Gatwick has maintained all the important fora where the Airport engages and listens to the community, including local residents, businesses and other stakeholders, particularly through the Gatwick Airport Consultative Committee (GATCOM). In addition, local residents have been kept updated with latest news and announcements from the airport through a newly launched newsletter "Gatwick in Touch".

In November Gatwick introduced a new supplier registration form on the Airport's website to support local business revival. Small and medium-sized businesses based within the RH, BN, CR, KT, TN or GU postcodes can now register their interest in working with Gatwick as a supplier and sign up to future newsletters.

Community Investment

The sustained impact of the pandemic on local communities surrounding Gatwick has continued to illustrate the significant value the Airport brings to the region. We have continued to actively engage with regional economic partnerships, local authorities and business organisations, working collaboratively to drive economic recovery. Focus has been on understanding economic challenges and sharing insight with local and regional partners through engagement and discussion, and further supporting action wherever possible. With the pandemic interfering with in-person fundraising events and donations, we have committed to supporting our charity partners beyond the usual two-year term.

Gatwick was delighted to support Surrey and Sussex Healthcare NHS Trust charity (SASH) with the NHS Big Tea event to thank them for the work they have done and particularly during the pandemic. In addition, we partnered on a raffle to raise funds with all prizes being Gatwick related. Prizes included taking a walk on top of the pier 6 bridge, a tour of the airfield and a tour of the fire station (including lunch).

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Our Commitment to Sustainability (continued)

Community (continued)

Community Investment (continued)

Local residents have been kept updated with latest news and announcements from the airport through a newly launched 2021 newsletter “Gatwick in Touch”. The newsletter is shared with nearly 250 neighbourhood groups, parish and town councils across East Surrey, West Sussex and West Kent. In addition, we continued our programme of online engagement for local community representatives, to ensure the Airport has continued to hear their views and answer questions on airport operations, future plans (particularly Northern Runway Project) and community matters.

Gatwick pledged support in July for the proposed creation of an Innovation Centre in Manor Royal Business District. As a major employer with a contributory role to the region’s innovation ecosystem, the Airport welcomed the centre’s potential to drive growth and transformation in crucial sectors for the future, including in the sustainability sector. The Innovation Centre would be an opportunity through collaboration with key stakeholders to deliver a step-change to the innovative capability of the local area, and the region as a whole.

In the latter part of 2021 Gatwick donated nearly 200 laptops to 19 local community groups, projects and charities. Colleagues from IT donated around 100 hours of their time on furlough to clear Gatwick data, install clean operating systems and sanitised the cases and keyboards ready for use.

This year marked the 20th anniversary of the Gatwick Airport Community Trust (GACT), the independent charitable Trust that is fully funded by Gatwick Airport. The charity awards grants annually to local projects that benefit local people; GACT funded 97 projects in 2021.

Education

We resumed our focus on inspiring secondary school students from the local area to consider a job at Gatwick in one of the hundreds of interesting jobs around the airport, through our Learn Live programme which resumed in February. Each broadcast centres on a different airport job and introduces students to the wide variety of careers on offer at Gatwick and is streamed to classrooms across the country.

During 2021, Gatwick also embarked on a mentoring programme called “Dare to Dream”, an inspirational programme created by the LoveLocalJobs Foundation, which aims to support the self-awareness, resilience, employability skills and wellbeing of young people.

Gatwick welcomed four new engineering apprentices as the new 2021 cohort. With an equal split of males and females this highlights our ongoing commitment to providing opportunities for women into STEM roles. The new apprentices all come from local schools and colleges and join the current 16 apprentices across the business. Five apprentices also 'graduated' from the programme this year and have all gone on to accept permanent roles at the Airport.

Noise

Through the Decade of Change, we set out our goal to limit and where possible reduce the airport’s impact on local communities by working with partners and stakeholders to create the most noise efficient operation possible.

The Civil Aviation Authority is commissioned annually to undertake an independent retrospective noise contour analysis for Gatwick Airport. The analysis published during 2021 showed that the airport’s 2020 noise footprint (54dBA Leq) reduced for the fourth successive year, this time by 82% due to the pandemic. A positive impact is the phasing out of noisier aircraft, such as the Boeing 747-400 series aircraft and the introduction of new, quieter aircraft, particularly the Airbus A320 / A321 neo and the Boeing 737 Max.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Our Commitment to Sustainability (continued)

Noise (continued)

Environnemental Noise Directive (END) Noise Action Plan

The current END Noise Action Plan 2019-2024 was formally adopted by the Parliamentary under Secretary of State for the Environment in February 2019. Gatwick's Noise Action Plan has 57 specific actions addressing night noise, aircraft arrivals, aircraft departures, as well as a wide range of other initiatives to secure quieter fleets and improved operational performance.

A significant amount of activity to deliver Noise Action Plan actions has been undertaken since it was adopted. One key component has been the Airspace Office improvement programme that culminated in the introduction of an improved Noise and Track Keeping system, upgraded fleet of aircraft noise monitoring terminals, increased public data and public information provision and enhanced back-office processes. Additionally, during 2021, we completed the upgrade to the Gatwick Airport noise and airspace public information portal 'InsightFull' that now provides overflight information for a given locality in both a pre and post 'COVID-19 Pandemic' timeframe so that comparisons may be made.

Noise Management Board

The second term of the Noise Management Board (NMB), which seeks to implement initiatives to reduce noise, commenced in 2020 under a new structure comprising three groups: the NMB Executive Board (NEX); the NMB Community Forum (NCF); and the NMB Delivery Group (NDG). Independent chairs govern each of the groups. This structure aims to provide an effective means of drawing together all the appropriate stakeholders, both local and industry, to collaborate on practical measures to reduce the noise impacts of the Airport operation for local communities.

Stakeholder meetings commenced at the beginning of the year and the first Community Forum was held in February. There were three Community Forum meetings, three Executive Board meetings, and three Delivery Group meetings in 2021, with the annual Airspace and NMB public meeting being held as a virtual webinar in December.

Key initiatives within the NMB's workplan have been progressed this year, including development of a new departure noise limit regime; examination of departure continuous climb profiles and subsequent noise impacts; review of the noise abatement procedure for the Instrument Landing System (ILS) minimum joining point during the night; and assessment of Fair & Equitable Distribution (FED) of air traffic. Independent delivery partners were appointed to lead both the ILS minimum joining point and FED studies, with supporting NMB workshops taking place as part of the engagement process.

Airspace Change

Airspace Modernisation Programme

Gatwick successfully restarted its Future Airspace Strategy South airspace change. This project is driven by the UK Airspace Modernisation Strategy and supporting Airspace Change Masterplan. The programme aims to deliver a fundamental redesign and modernisation of UK airspace and includes 21 UK airport sponsors and the national air traffic services provider NATS.

Airspace modernisation will create opportunities to reduce or limit environmental impacts including carbon and noise. For example, new, more precise flight paths have the potential to avoid populated areas and provide multiple routes to distribute noise and offer 'planned breaks', or respite from noise. Today's modern aircraft will also be more able to fly to their full capability with quicker climbs and later descents to help reduce the noise footprint on the ground. There will also be less need for stacking (where aircraft join a circular queue to land at busy airports), helping to reduce carbon emissions and noise impact.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Our Commitment to Sustainability (continued)

Carbon and Energy

The Second Decade of Change sustainability strategy sets out Gatwick's commitment to continuing the net zero transition and to further improving local air quality.

Gatwick has achieved and maintains the Airport Council International's Airport Carbon Accreditation at Level 3+ ("Neutral"), with our most recent accreditation completed in May 2020. ACA "Neutral" accreditation requires ongoing reduction in and offsetting of residual Scope 1 and 2 emissions, and active stakeholder engagement to manage and where feasible reduce Scope 3 emissions, including aircraft and surface access emissions. At Gatwick this programme includes incentivising newer aircraft, providing Fixed Electric Ground Power on aircraft stands and restricting use of aircraft Auxiliary Power Units, and promoting public and low emission transport to the Airport. To support the reduction in emissions Gatwick will be introducing a new Carbon charge to incentivise airlines and airport operators to use more sustainable and cleaner fleets in their operations.

Gatwick continues to play an active role in the UK Sustainable Aviation coalition's work on decarbonisation, including helping to steer Sustainable Aviation's strengthened commitment to achieving net zero through interim decarbonisation targets published in June 2021 (Sustainable Aviation's Press Release is available online). We also participate in the Government's Jet Zero Council Delivery Group on sustainable aviation fuels.

In October 2021, Gatwick in partnership with easyJet, Q8 Aviation and Neste completed a proof-of-concept demonstration that the existing aviation fuel infrastructure at the airport is ready to utilise certified A1 jet fuel that contains sustainable aviation fuel (SAF). Since the proof-of-concept flight, flights from Gatwick to Glasgow during the UN Climate Change Conference (COP26) utilised a fuel blend containing SAF. In addition, in December 2021 an Eastern Airways flight from Gatwick to Newquay utilised SAF supplied by Air bp.

As part of our commitment to reducing surface access emissions, we have commenced the transition to electric and ultra-low emission vehicles and equipment and expect that by 2030 all light and medium duty vehicles used on the airfield will be electric or ultra-low equivalent. To develop understanding on current and future demand of electric vehicles by airport staff and on cost-efficient electric vehicle charging options, we have installed an initial 12 electric vehicle charging bays for use by staff. This pilot project will be used to understand uptake, charging infrastructure utilisation, and user demand for additional charging facilities.

During 2021, fuel use reduced further due to the ongoing impact of COVID-19 on our operations. Where possible, we actively reduced energy consumption, to match the facilities we needed to operate. Infrastructure maintenance, essential asset replacement and forward planning continued; however major airport development projects, which normally include energy efficiency and reduction initiatives, were paused.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Our Commitment to Sustainability (continued)

Carbon and Energy (continued)

Gatwick energy usage and greenhouse gas emissions for the year ended 31 December 2021

	Year ended 31 December 2021	Year ended 31 December 2020
Energy and fuel consumption used to calculate emissions:		
• Natural gas (kWh)	44,781,697	35,792,425
• Electricity (kWh)*	61,339,692	66,026,890*
• Vehicle fuels (litres)	235,048	264,869
• Propane (tonnes)	12	5*
• Refrigerants (kg)	887	315
Emissions from combustion of natural gas tCO2e (Scope 1)	8,202	6,581
Emissions from combustion of vehicle fuels tCO2e (Scope 1)	619	700
Emissions from propane use in fire training and workshops tCO2e (Scope 1)	36	16*
Emissions from use of refrigerants tCO2e (Scope 1)	1,306	481
Total gross CO2e from owned or controlled sources (Scope 1, Total)	10,163	7,778*
Emissions from purchased electricity tCO2e (Scope 2, location-based)	13,024	15,394*
Emissions from purchased electricity tCO2e (Scope 2, market-based factor)	128**	0*
GAL business travel: employee road mileage and car hire (part of Scope 3 Emissions tCO_2e – see notes below)	3	11
Total gross CO2e based on above (location-based) Scope 1 and 2	23,187	23,172*
Total gross CO2e based on above (market-based) Scope 1 and 2	10,291	7,778*
Intensity ratio: kgCO2e/passenger	3.7	2.3
Intensity metric: passenger numbers	6,254,549	10,165,000

* 2020 data revised following external verification.
** Temporary electricity contract for the Copthorne development, to July 2021.

Our Greenhouse gas assessment was undertaken in line with the Greenhouse Gas Protocol, using BEIS emission factors for the assessment year, and quantifying all six GHGs measured in terms of carbon dioxide equivalence (CO2e).

The location-based method reflects the average emissions intensity of the grid on which energy consumption occurs. The market-based method reflects emissions from electricity that has been purposefully chosen, in Gatwick's case Renewable Electricity Guarantee of Origin certificates for the Airport's electricity supply (note a temporary contract was in place for the Copthorne development, a building offsite from the main airport campus, to July 2021 which was not supported by Renewable Electricity Guarantee of Origin certificates). Natural gas consumption in 2021 increased by 20% (compared to 2020); this is due to a combination of factors, including longer cold periods, increased facilities opening and the continued need to apply a Covid Ventilation Strategy throughout the year, which introduced increased levels of fresh air requiring heating.

Scope 3 emissions (Emissions as a direct consequence of the use of goods and services provided by the company) are reported in the annual Decade of Change report, along with performance against our wider Decade of Change indicators. These Decade of Change reports are available at www.gatwickairport.com/sustainabilityreport.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Taskforce for Climate-related Financial Disclosures

Gatwick supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is focused on developing its understanding of the physical and financial risks posed by climate change.

The TCFD recommendations were published in 2017 to establish a consistent global standard for climate-related financial risk disclosures, covering both the financial and non-financial sectors. It is now the most widely recognised international initiative for businesses to assess and report the impacts of climate change. The TCFD recommendations are structured around four thematic areas: governance, strategy, risk management, and metrics and targets. These are intended to connect and inform each other.

- **Governance** - Disclose the organisation's governance around climate-related risks and opportunities
- **Strategy** - Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material
- **Risk Management** - Disclose how the organisation identifies, assesses, and manages climate-related risks
- **Metrics and Targets** - Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Gatwick continues to evolve its business strategy, governance and risk management process to account for climate; our evolving approach under each of these thematic areas is discussed further below.

Governance

Gatwick's board oversees climate risk management and its potential to influence and inform corporate strategy and decision making. A board subcommittee, Capital Environment and Sustainability Committee was established in 2021 to support Gatwick in delivering the second Decade of Change sustainability policy set out above. The subcommittee meets bi-monthly and provides oversight and scrutiny of the Sustainability Strategy. Membership of the subcommittee includes four non-executive directors along with the CEO and CFO.

Further support is provided by the Audit & Risk Committee which maintains oversight of risk management and internal controls.

Further details of Gatwick's corporate governance framework, values and culture are included in our Corporate Governance and Leadership section on page 36 and the Statement of Corporate Governance Arrangements on page 55.

Strategy

Climate action is a priority for Gatwick and, as such, the Airport is committed to low-carbon growth. We are committed to reducing our emissions footprint in line with our Decade of Change commitments, improving our operational resilience and adapting to the predicted effects of a changing climate now and into the future.

Our second Decade of Change Sustainability Policy sets out how we remove or mitigate our direct environmental impacts and collaborate on industry-wide solutions to climate change. Climate-related goals include reducing Scope 1 and 2 emissions by 80% by 2030 (under 1990 baseline) and to being net zero before 2040, working with airlines and transport providers to play our part in UK aviation and ground transportation achieving net zero carbon, and reducing the airport's potable water consumption by 50% per passenger by 2030, compared to 2019 levels. Our goals align with several of the United Nations Sustainable Development Goals themes and targets, including Goal 13: Climate Action. They also adopt the UK Sustainable Aviation coalition's goals, published as the Sustainable Aviation Decarbonisation Roadmap in 2020 and updated in 2021.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Taskforce for Climate-related Financial Disclosures (continued)

Strategy (continued)

In formulating our Second Decade of Change goals to 2030 Gatwick aligned with local and national priorities and with our investors' Sustainability and Environment-Society-Governance requirements. Our renewed goals are adopted by the Gatwick Board, with strategic implementation and performance monitoring led by the Chief Executive Officer and the Chief Planning Officer. We report annually on our progress, through the Decade of Change reports available on our website.

The 'Our approach to sustainability' section provides more detail on our goals, and the progress we have made in 2021. To enable us to continue to reduce carbon emissions associated with the airport (including Scope 3 emissions, such as surface access and aircraft emissions) we will be developing a detailed Carbon and Climate Change Action Plan. This will set out how we intend to achieve reductions in the emissions over which we have direct control and how we intend to influence and guide reductions in emissions in the control of our partners.

Climate Related Risks

Climate change presents significant strategic risks to the aviation sector.

The short-term to medium-term risks relate predominantly to the transition to a low-carbon economy and the net-zero targets at both national and company level. The decarbonisation of the aviation industry is a significant challenge. Risks relate to:

- **Policy and regulatory changes** – to help in achieving the national net-zero targets, government policy could price carbon through taxation or carbon trading schemes. These policies could reduce the demand for air travel. GAL is focused on reducing emissions and has set a net-zero target of 2040 for our own emissions.

- **Financial and market changes** – investors and lenders are increasingly funding decarbonisation strategies. This could result in high-carbon sectors, such as aviation, incurring a higher cost of funding and/or more difficulties in securing funding. To support the reduction in emissions Gatwick will be introducing a new Carbon charge from 1 April 2022 to incentivise airlines and airport operators to use more sustainable and cleaner fleets in their operations, Gatwick will be profit neutral on this new charge.

- **Reputational** – as consumers increasingly aim to reduce their individual carbon footprint, there is a risk of decreased demand for air travel. GAL is mitigating this risk by reducing the airport's direct carbon emissions, maintaining the carbon neutral status of the airport and incentivising airlines to reduce the carbon emissions of their fleet.

- **Technology** – the highest proportion of emissions from the aviation industry is from the aircraft themselves. The transition of aircraft to low / zero carbon will take significant investment and technological developments. Some of these changes, e.g. any future variations in aircraft fuels, may require development and alterations to GAL's existing infrastructure. In 2021, Gatwick in partnership with easyJet, Q8 Aviation and Neste completed a proof-of-concept demonstration that the existing aviation fuel infrastructure at the airport is ready to utilise certified A1 jet fuel that contains sustainable aviation fuel (SAF).

Longer-term it is possible that climate change will lead to a greater frequency and intensity of physical risks to airport operations and infrastructure. Physical risks identified include: flooding of electrical equipment and mechanical operating mechanisms and increased water stress for new buildings.

In addition to reporting progress against our Decade of Change policy through annual reports, every five years Gatwick prepares a climate change adaptation report for the UK Government's Department for Food and Rural Affairs (Defra). This sets out our assessment of climate change risks to our facilities, operations and the people who use them, along with our climate change adaptation strategy and forward plans. Our most recent report, submitted to Defra in December 2021, is available on the Gatwick Airport website.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Taskforce for Climate-related Financial Disclosures (continued)

Climate Risk Management

In 2021, Gatwick undertook an exhaustive review of how we approach risk management at the airport. The Airport reviewed, updated and refreshed our risk policy and procedure, corporate governance structures, risk champion network and the risk tool used. These initiatives were reviewed by the Gatwick Executive team in May, September and November (at the Managing Corporate Risk & Responsibility board meetings). These executive reviews are presented to the board subgroups every two months and to our Audit committee twice per annum.

Our review of risks undertaken in 2021 validated the 13 core risks in our airport business – including extreme weather events - and a further 13 dynamic risks that are challenging the business currently – including heightened risk of a flooding event.

We hold regular (usually monthly) multi-agency table-top exercises for top tier risks to test our business continuity plans, run regular in-depth testing and practice for adverse conditions over the winter season, and are pursuing a strategy of Integrated Airport Control (IAC). IAC manifests in a weekly review by a cross-functional senior leadership team of each business unit operational plans, the inherent risks and mitigations and the forecast weather (up to 12 weeks in advance) to best manage any extreme weather patterns on the staff and passenger welfare as well as wider operational performance.

As a certified aerodrome Gatwick Airport is required, under UK CAA regulations, to have an Adverse Weather Plan. Our plan, published on our website, details how we will sustain stable operations, as far as reasonably practicable, in the event of an adverse weather event.

Metrics and Targets

We monitor a range of Environment-Social-Governance indicators across our business activities, and many are aligned to our second Decade of Change sustainability policy and goals.

We publish energy and carbon reporting in these financial statements, as required by the Streamlined Energy and Carbon Reporting (SECR) regime. Our Scope 1 and 2 energy use and greenhouse gas emissions, and part of our Scope 3 emissions (employee road mileage and car hire) for the year ended 31 December 2021 are reported in the ‘Carbon and Energy’ section above. Scope 3 emissions are reported in the annual Decade of Change report, along with performance against our wider Decade of Change indicators.

Next Steps

As a major UK infrastructure asset, Gatwick intends to fully comply with the requirement of the Financial Conduct Authority to include a statement consistent with the TCFD framework, on a comply or explain basis.

Our seven areas of focus to full compliance with TCFD recommendations between 2022 and 2024 includes:

- Further integrate climate considerations into strategic planning
- Conduct Board and leadership deep dives on climate change
- Develop climate scenario analysis and financial outputs
- Develop and refine medium and long-term risks and opportunities based on the evolving global climate change projections
- Continue to integrate climate change considerations into business strategy
- Develop signposts to monitor changes in scenarios
- Develop understanding of potential financial impacts

To support, a new Head of Sustainability joined Gatwick in February 2022. This role will be responsible for oversight of progress against the Sustainability Strategy and related KPIs as well as assisting the wider business with embedding sustainability in the wider airport operations.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Taskforce for Climate-related Financial Disclosures (continued)

Next Steps (continued)

Gatwick understands the importance of long-term scenario analysis in the area of climate change for a company that is in the supply chain of a resource-intensive industry. To date, Gatwick's scenario analysis has been both qualitative and quantitative. On the former, we have focused on a high-level assessment of the probability and severity of the physical and transition risks in our business providing a method in which to rank these risks. Our long-term quantitative analysis has focused primarily on the more observable elements of climate-related transition risks such as the impact of the price of carbon on long term traffic forecasts. Our financial impact assessments now need to broaden in scope and we see scenario modelling as a flexible and robust way to test a wide range of future plausible states. Over the next year, Gatwick will use this modelling to help inform its strategic planning processes, as well as aid our understanding of the resilience of Gatwick's strategies to a range of plausible climate-related scenarios. The results of the latter will form part of our disclosure going forward.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Operational Performance

Delivering the best passenger experience is a strategic priority for Gatwick. Service levels at the Airport are monitored in a number of ways; these include adhering to a set of stringent passenger satisfaction targets and listening and acting upon passenger feedback.

For a number of years Gatwick's operational performance has been measured by a set of Core Service Standards ("CSS"). These are challenging targets across a wide variety of measures which impact the passenger experience and include security queue times, baggage system performance, the availability of terminal facilities such as the inter-terminal shuttle, lifts and escalators and airfield assets such as jet bridges. Broader operational performance metrics address pier service levels and runway availability. The scheme also incorporates the results of a face-to-face passenger survey, the Quality of Service Monitor ("QSM"), which provides a direct measure of passenger satisfaction with critical airport services and facilities (such as cleanliness, wayfinding, flight information, and departure lounge seat availability). The CSS framework supports Gatwick's focus on performance across all those areas we know to be key to great passenger experience.

Under Gatwick's extended commitments framework, a revised set of Core Service Standards were implemented with effect from April 2021, based on feedback received during the commitments consultation period regarding the ongoing suitability of the existing CSS metrics. This included the introduction of several new standards including two new QSM metrics (ease of using Gatwick's wifi and satisfaction with the special assistance service) and the availability of the flight information display system (FIDS), as well as minor adjustments to the target service levels and measurement basis for several of the existing metrics.

From the start of 2021 the impact of COVID-19 continued to restrict both passenger volumes and the airport's operational footprint with Gatwick continuing to operate low-volume operations in a single terminal. As a result, the CSS measures remained impractical and with the agreement of our airline customers Gatwick extended the suspension of the majority of CSS measures for the period January to September 2021. Runway availability (formerly airfield congestion) and pier service metrics remained in place and were passed throughout the year.

Between August and the October half term, as travel restrictions continued to ease, we saw a gradual increase in passenger numbers and corresponding expansion of the operational footprint of the Airport. Gatwick agreed with our airline customers to reinstate a number of the measures covering central security search, the inter-terminal shuttle, and a number of terminal and airfield facilities with effect from October. QSM interviews re-started in October although, as is it is a rolling quarterly measure, formal reporting will not commence until January 2022. All metrics in place since October were passed, with the exception of a single failure in December against the FIDS availability metric.

Gatwick remains committed to safeguarding a good level of service for those passengers who are permitted to fly and consults regularly with our airline customers on the status of each CSS metric. Our firm intention is to re-instate all the standards as soon as possible, with several of the QSM metrics formally reinstated in January 2022.

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 since the start of the pandemic.

Until the end of February 2020, the impact at Gatwick had 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 had imposed travel restrictions, daily passenger numbers declined throughout March 2020. Major carriers such as easyJet, BA, TUI and Norwegian started to ground fleets serving Gatwick. The Airport remained open throughout April, May and June, servicing repatriation, freight, positioning and maintenance flights alongside a small number of scheduled services.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Response to COVID-19 (continued)

During the summer of 2020, the easing of restrictions allowed for the return of flights, supported by strong passenger demand, but this was tempered slightly as a result of the uncertainty brought about by the changing of the travel corridors.

During the final quarter of 2020, the second and third national lockdowns, coupled with the border restrictions imposed on travellers from the UK, greatly reduced demand.

Non-essential travel was heavily restricted during the UK's lockdown from 4 January 2021 and was illegal from 29 March to 17 May. The lifting of the travel ban saw an increase in passenger volumes, particularly to Portugal while it was on the green list, but passenger confidence was affected by changes to the traffic light system with minimal notice. There was a small improvement in passenger volumes in June.

Passenger numbers in the second half of 2021 have improved and exceeded 1 million in August, September and October as well as December, despite the emerging Omicron variant. The high level of vaccinations in the UK and our core markets; the availability of widespread testing and the acknowledgement from Government that economic impacts need to be considered means that 2022 is likely to see less restrictions in place than in 2021, allowing the recovery of international travel.

From March 2020, steps have been taken to reduce immediate cash outgoings and to reposition the business for the mid-term:

- The Group has acted to reduce operating expenditure, saving over £140 million in 2020 and over £242 million in 2021:
  - Contractual and resourcing adjustments have been agreed with suppliers to decrease their costs;
  - Discretionary expenditure has been halted;
  - The operational footprint of the Airport was reduced on a staged basis through March 2020. Starting with night closure and the shutdown of 2 out of 6 piers, operations were then limited to a single pier in South Terminal within an 8-hour window (2pm to 10pm). Operations then switched to North Terminal only from 15 June 2020, as easyJet restarted their operations. The South Terminal remained closed throughout the year and the Airport continues to vary the operational footprint in the North Terminal to meet the changing demand;
  - Between March and November 2020 the overall headcount was reduced from 3,261 to 1,867, through the termination of fixed term contracts and redundancy programmes; and
  - The Group utilised the Government's furlough scheme and job retention scheme throughout the period to protect as many jobs as possible as passenger levels meant many of the retained employees had no work.
- A review of the Group's Capital Investment Programme has resulted in the deferral of over £380 million from the investment originally planned in 2020 and 2021. Over half of the projects already in delivery have been stopped, with only operationally critical projects continuing or those that are near to completion. 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. On 3 April 2020, the Group entered into a new £300.0 million Term Loan (initially due for repayment in April 2021, extendable for 6 to 12 months at the Group's option). During 2021 the Group issued £300.0 million of new Class A bonds and utilised the proceeds to repay the Term Loan. In addition during the year, the Group received a capital injection of £370.0 million.

The Group was approved to draw up to £300.0 million under the Bank of England Covid Corporate Financing Facility ("CCFF"). £175.0 million was drawn on 10 November 2020. The loan was repaid in January 2021 and a further £250.0 million was drawn on 14 January 2021. Prior to the closure of the CCFF scheme this loan was repaid in March 2021 with a further £275.0 million drawn on 19 March 2021 to both provide additional working capital to the Group and to extend the maturity of the facility.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Response to COVID-19 (continued)

As at 31 December 2021, the Group held cash of £558.0 million and its £300.0 million Revolving Credit Facility was fully drawn. 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 for at least the next 12 months.

Alongside these financial statements, the Group has also issued its Compliance Certificate and Investor Report in respect of the year to 31 December 2021, and its forecast for each of the 12 month periods ending 31 December 2022, 2023, and 2024. These forecasts incorporate the latest traffic planning assumptions combined with mitigating actions already identified.

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.

During 2020 and 2021 the Group was granted covenant waivers and an amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes: a) that any Default relating to Senior ICR and Senior RAR levels are waived in respect of the calculation dates falling on December 2020, June 2021, December 2021 and June 2022; and b) a temporary amendment (until June 2024) to the calculation of the Senior RAR to replace both the April 2020 to March 2021 EBITDA and the April 2021 to March 2022 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

The Group's most recent forecast anticipates a breach in the Senior ICR and in Senior RAR at calculation date 30 June 2022, which is covered by the covenant waiver. The calculation of Senior RAR is subject to an amended definition of Transfer RAB at each calculation date from (and excluding) 30 June 2022 to (and including) 30 June 2024, preventing any forecast default.

The Group's most recent forecast assumes a steady increase in passengers supported by the high level of vaccinations in the UK and in our core markets and fewer travel restrictions. Passenger numbers in 2022 are forecast to be circa 66% compared to 2019. Whilst the Group has obtained a covenant waiver for the June 2022 calculation date, it should be noted that the ICR is particularly sensitive to the concentrated loss of revenues and cash flows within a trailing 12 month period, while the Senior RAR is impacted for longer since it incorporates a 3 year trailing average EBITDA component.

Given the current level of COVID-19 cases and the possible emergence of new variants, there remains short term uncertainty in the passenger forecasts for 2022 which adds to the risk on the Group's financial covenants and highlights there is a material uncertainty which may cast significant doubt about the Group's ability to adopt a going concern basis of preparation for the financial statements. For further details, refer to note 1 of the financial statements.

STRATEGIC REPORT (CONTINUED)

Management Review (continued)

Financing activities

For the year ended 31 December 2021, the average interest rate payable on borrowings was 3.25% p.a. (2020: 3.45% p.a.).

The Group has a Revolving Credit Facility ("RCF") under an Authorised Credit Facility ("ACF") of £300.0 million with a termination date of 21 June 2025. Further information is included in note 24 of the financial statements. Following the impact of COVID-19, during 2020 the RCF of £300.0 million was fully drawn to ensure sufficient liquidity and has remained fully drawn to 31 December 2021.

During the year ended 31 December 2021 the Group issued £300.0 million of new Class A bonds. The proceeds of the new bonds were utilised to repay the £300.0 million Term Loan entered into during April 2020. The initial termination date of the Term Loan was 16 April 2021 and it was fully repaid and terminated on this date.

During 2020 the Group was approved to draw up to £300.0 million under the Bank of England Covid Corporate Financing Facility ("CCFF"). £175.0 million was drawn on 10 November 2020. The loan was repaid in January 2021, with a further £250.0 million drawn on 14 January 2021. Prior to the closure of the CCFF scheme this loan was repaid in March 2021 with a further £275.0 million drawn on 19 March 2021.

In addition, the Group received a £370.0 million capital injection funded by Gatwick Airport Finance plc (formerly Ivy Midco Limited), its intermediate parent company, issuing £450.0 million of Senior Secured Notes.

STRATEGIC REPORT (CONTINUED)

3. Financial Review

During the year ended 31 December 2021 the Group made a loss after tax of £370.6 million (2020: £465.5 million loss).

Revenue

In the year to 31 December 2021, the Group's revenue was impacted for the full year by the COVID-19 pandemic which caused a 38.5% decrease in passenger volume, impacting all revenue streams.

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Aeronautical income	**85.6**	89.7
Retail income	**38.6**	49.8
Car parking income	**18.0**	17.7
Property income	**25.9**	30.6
Operational facilities and utilities income	**10.5**	12.7
Other income	**14.1**	16.5
Total revenue	**192.7**	217.0

Aeronautical Income

Aeronautical income is driven by traffic volume, the level of airport charges and the terms of bilateral contracts with airlines. During the year ended 31 December 2021, aeronautical income decreased by 4.6% or £4.1 million to £85.6 million against the backdrop of a 38.5% decrease in passenger volume.

The CAA granted a licence under section 15(5) of the Civil Aviation Act 2012 which came into effect on 1 April 2014. The current regulatory approach for Gatwick is based on the Airport's Commitments to airlines (including bilateral contracts negotiated with individual airlines), underpinned by a licence issued by the CAA and supplemented by a monitoring regime. The initial commitments framework ended on 31 March 2021 and under Gatwick's finalised extended commitments for the period 1 April 2021 to 31 March 2025, the gross yield per passenger from airport charges, excluding permitted security cost adjustments, will be no higher than a price ceiling set at the level of the out-turn gross yield per passenger for the year ending 31 March 2019 and increased annually by RPI+0%. The pricing benefit inherent in the extended commitments was accelerated to apply retrospectively from 1 January 2020.

Following a period of consultation with the airline community, the planned gross yield for the year commencing 1 April 2021 (i.e. the planned aeronautical revenue per passenger excluding the terms of bilateral contracts) was held flat in nominal terms (equivalent to RPI-0.5%) which was below the price ceiling under the new Commitments. In addition, the permitted security cost adjustment associated with a hold baggage screening project increased from £0.49 per passenger to £0.60 per passenger.

Including the impact of bilateral pricing agreements, the aeronautical yield per passenger for the year ended 31 December 2021 was £13.67 (2020: £8.82) which is consistent with the Commitments framework as described in the Regulatory Environment section of the Business Review. This includes the income associated with non-passenger and general aviation flights, which do not contribute to the gross price ceiling under the commitments framework. Increased volumes of non-passenger flights and long-term parking of non-operational aircraft resulted in revenue from non-passenger activity accounting for 11% of aeronautical income, relative to 5% in the prior year, driving a higher yield on a per passenger basis.

STRATEGIC REPORT (CONTINUED)

Financial Review (continued)

Aeronautical Income (continued)

The year was also impacted by the year-on-year change in seasonality, with 65% of the passenger volume falling into the higher yielding summer season (i.e. April to October) relative to only 23% in the prior year. The yield for passenger flights is typically higher in the summer season as a result of the structure of charges and the terms of airline contracts; during the summer season (April – October) demand and noise charges apply to the majority of aircraft movements and aircraft parking charges are higher.

The increase in the yield per passenger was also driven by reduced average loads on passenger flights, with the majority of volume in 2020 carried in the first 3 months of the year before the pandemic and loads throughout 2021 continuing to be impacted by travel restrictions and the testing regime.

Retail Income

Net retail income per passenger is calculated as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Retail income		
Duty and tax-free	**12.7**	13.2
Specialist shops	**7.3**	11.6
Catering	**10.2**	12.2
Bureau de change	**3.9**	5.0
Other retail	**4.5**	7.8
	38.6	49.8
Less: retail expenditure	**(0.4)**	(2.3)
Net retail income	**38.2**	47.5
Passengers (m)	**6.3**	10.2
Net retail income per passenger	**£6.06**	£4.66

In the year ended 31 December 2021, net retail income decreased by 19.6% year-on-year to £38.2 million with an increase in income per passenger of 30.0% to £6.06. The extreme impact of COVID-19 has continued to affect the retail performance with a reduction in the numbers of passengers travelling in the year. At the beginning of the year, non-essential shops could not trade due to UK Government restrictions. The South Terminal operations have remained closed all year. Gatwick worked closely with retailers to re-open their North terminal units when Government restrictions ended and ensured the appropriate measures and processes are in place to protect passenger safety. Against a backdrop of unusual trading circumstances, spend per passenger has been encouraging for those who have travelled, although this has been affected by minimum guarantees.

STRATEGIC REPORT (CONTINUED)

Financial Review (continued)

Car Parking Income

Net car parking income increased by £0.5 million or 4.6% during the year ended 31 December 2021. Net car parking income per passenger is calculated as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Car parking income	**18.0**	17.7
Less: car parking expenditure	**(6.7)**	(6.9)
Net car parking income	**11.3**	10.8
Passengers (m)	**6.3**	10.2
Net car parking income per passenger	**£1.80**	£1.06

For the year ended 31 December 2021 net car parking income per passenger increased 69.8%. Parking income continued to be heavily impacted by COVID-19 and reduced passenger volumes. The product offering was flexed in line with passenger demand with most South terminal products remaining closed whilst flights were not operating from the terminal. A new product for charging for passenger drop-offs on the forecourt was introduced in March 21.

Other Income Categories

For the year ended 31 December 2021, income from property decreased £4.7 million to £25.9 million compared to £30.6 million for the year ended 31 December 2020, primarily as a result of terminal closures. For the year ended 31 December 2021, the decrease in operational facilities and utilities income of 17.3% and other income of 14.5%, to £10.5 million and £14.1 million respectively, was driven by the decrease in passenger numbers.

Income per Passenger

Income per passenger for the year ended 31 December 2021 increased by £9.27 (43.6%) to £30.54 compared to £21.27 for the year ended 31 December 2020. This was primarily driven by an increase in aeronautical income per passenger due to a high proportion of passengers flying in the higher yielding summer season and reduced average loads on passenger flights. The significant variation in traffic volumes and seasonality and a larger proportion of revenue being from fixed revenue streams distorts the comparison between the two periods.

STRATEGIC REPORT (CONTINUED)

Financial Review (continued)

Operating Costs

In the year ended 31 December 2021 operating costs pre-exceptional items decreased by 6.8% year-on-year compared to a decrease in passenger numbers of 38.5%.

	Year ended 31 December 2021	Year ended 31 December 2020
	£m	£m
Staff costs	**84.8**	97.1
Retail expenditure	**0.4**	2.3
Car parking expenditure	**6.7**	6.9
Maintenance and IT expenditure	**30.4**	30.2
Utility costs	**17.7**	16.7
Rent and rates	**32.1**	30.7
Other operating expenses	**47.1**	58.2
Depreciation and amortisation	**174.7**	180.4
Total operating costs (pre-exceptional items)	**393.9**	422.5

For the year ended 31 December 2021, staff costs, the largest operating cost, decreased by £12.3 million or 12.7%. The average number of full time equivalent ("FTE") employees reduced from 2,515 for the 12 months to December 2020 to 1,718 for the same period in 2021, a 31.7% reduction. This reflects the outcome of a significant restructuring programme driven by the COVID-19 situation. In March 2020 Gatwick took a number of steps to respond to the emerging pandemic including launching a COVID-19 special severance programme, alongside terminating the majority of fixed term contracts and reducing hours and pay by 20% for remaining staff. Aside from this volume impact on cost, a number of measures remain in place and furlough monies received in the period are included within staff costs.

Retail expenditure decreased by £1.9 million as a result of a decline in e-commerce and advertising revenue reducing the corresponding costs reflecting the general downturn in passengers and trading, as well as specific areas of infrastructure being closed.

Car park expenditure decreased by £0.2 million or 2.9%; this was achieved through a combination of lower variable costs (a direct result of lower demand due to passenger volumes) and management taking action to manage the fixed cost elements in a timely manner including closing some areas and focusing the product offering to match passenger needs.

Rent and rates increased by £1.4 million or 4.6% due to an inflationary increase in the rates multiplier applied to all valuations and liability assessments of vacated properties resulting in a new baseline cost for the period.

Utility costs increased by £1.0 million due to significantly higher wholesale prices partly offset by reduced consumption due to infrastructure closures and lower occupancy of rental and office space as a result of COVID-19.

STRATEGIC REPORT (CONTINUED)

Financial Review (continued)

EBITDA

Reconciliation of earnings before interest, tax, depreciation and amortisation ("EBITDA") to operating profit:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Operating loss	**(201.1)**	(248.1)
Add back: depreciation and amortisation	**174.7**	180.4
Add back: Exceptional costs	**0.1**	42.6
EBITDA (pre-exceptional items)	**(26.3)**	(25.1)

The Group define EBITDA as profit for the period before depreciation, amortisation, profit/(loss) on disposal of fixed assets, investment property revaluations, exceptional items, net finance costs, and tax. EBITDA is a non-IFRS measure and not a uniformly or legally defined financial measure. EBITDA is not a substitute for IFRS measures in assessing the Group's overall financial performance.

EBITDA is included in this Annual Report because it is a measure of the Group's operating performance and the Group believes that EBITDA is useful to investors as it is frequently used by securities analysts, investors and other interested parties. EBITDA is useful to management and investors as a measure of comparative operating performance from year to year as it is reflective of changes in pricing decisions, cost controls and other factors that affect operating performance, and it removes the effect of the Group's asset base (primarily depreciation and amortisation), capital structure (primarily finance costs), and items outside the control of management (primarily taxes).

EBITDA is used as a financial metric when assessing the credit worthiness of the Group by credit rating analysts and utilised to calculate the Group's debt leverage position and interest coverage under the financial covenants as defined within the Common Terms Agreement.

Exceptional costs have been disclosed separately above due to the one off nature of the costs which relate to COVID-19 special severance and compulsory redundancy programmes, an incentive scheme following the change of ownership in 2019 and reorganisation costs for a scheme commenced prior to the COVID-19 pandemic. See note 7 for further details.

EBITDA decreased by £1.2 million compared to the prior year. The actions taken by management since the start of the pandemic to reduce operating costs mitigated the impact COVID-19 had on the business and the Group generated EBITDA in the second half of the year of £23.9 million compared to a loss of £28.3 million in the same period in 2020.

Going Concern

As further detailed in note 1 of the financial statements, the Directors have a reasonable expectation that the Company will continue as a going concern and accordingly the financial statements have been prepared on that basis.

Dividends

The directors have not declared a dividend during the year ended 31 December 2021 (2020: £nil). The Directors did not recommend the payment of a final dividend (2020: £nil).

STRATEGIC REPORT (CONTINUED)

Financial Review (continued)

Senior RAR and Senior ICR

The maximum net indebtedness to the total Regulatory Asset Base[1] ("Senior RAR") and minimum interest cover ratio ("Senior ICR") are the Group's financial covenants that govern inter alia the Group's ability to raise incremental debt under the ACF Agreement. As at 31 December 2021, the Group's Senior RAR ratio was 0.81 (2020: 0.94). The Senior ICR for the period ended 31 December 2021 was -1.49 (2020: -1.29).

During 2020 and 2021 the Group was granted covenant waivers and an amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes: a) that any Default relating to Senior ICR and Senior RAR levels are waived in respect of the calculation dates falling on December 2020, June 2021, December 2021 and June 2022; and b) a temporary amendment (until June 2024) to the calculation of the Senior RAR to replace both the April 2020 to March 2021 EBITDA and the April 2021 to March 2022 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

Key Performance Indicators

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

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

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

STRATEGIC REPORT (CONTINUED)

4. Corporate Governance & Leadership

Board of Directors

The Board consists of the Chief Executive Officer, the Chief Financial Officer and Non-Executive Directors. Board Meetings are attended also by the Company Secretary. The Board has assessed its composition and consider that it has an appropriate balance of skills, backgrounds, experience and knowledge. In line with good corporate governance, an effectiveness review was carried out during 2021. The Chairman of the Board is an independent non-voting Director appointed by a resolution of the Board. The other Non-Executive Directors are voting and are shareholder representatives.

The Board defines the Group's overall long-term strategy and support the Executive management team by ensuring they have the necessary resources to meet the Groups objectives. The Board participate in the recruitment of key management team members and to decide on material investment and financing issues. The Board also conducts general supervision by monitoring performance and ensure that the Group acts ethically and meets its responsibilities as a leading airport company by having effective Corporate Governance.

Board Committees

Audit, Risk and Finance Committee

The Audit, Risk and Finance Committee members include a chairman appointed by the Board of Directors and two shareholder Non-Executive Directors, who also attend the Board. Together they have appropriate competence in accounting and auditing.

Olivier Mathieu (Chair) Non-Executive Director (representing VINCI)
Rémi Maumon de Longevialle Non-Executive Director (representing VINCI)
Marten Soderbom Non-Executive Director (representing GIM)
Philip Iley Non-Executive Director (representing GIM)

The Audit, Risk and Finance Committee is a sub-committee of the Board and its responsibilities include:

- considering the appointment of the external auditors, taking into account relevant ethical guidance and assessing the independence of the external auditors ensuring that key audit personnel are rotated at appropriate intervals (including overseeing the process for selecting the external auditors and making recommendations to the Board);
- recommending the audit fee to the Board for approval and pre-approving any fees in respect of non-audit services provided by the external auditors and ensuring that the provision of non-audit services does not impair the external auditors' independence or objectivity;
- discussing with the external auditors the nature and the scope of the audit and reviewing the auditors' quality control procedures and steps taken by the auditors to respond to changes;
- reviewing the effectiveness of systems for financial control, financial reporting and risk management;
- monitoring the integrity of the financial statements of the Group and reviewing, and challenging where necessary, the actions and judgements of management, in relation to the interim and annual financial statements and any press release related to those statements;
- reviewing Internal Audit reports to the Audit, Risk and Finance Committee on the effectiveness of the Group's systems for internal control, financial reporting and risk management;
- reviewing the external auditors' management letter and management's responses;
- considering management's response to any major external or internal audit recommendations;
- approving the appointment and dismissal of the Head of Business Assurance;
- reviewing Gatwick's procedures for handling allegations from whistle-blowers;
- reviewing the ethics policy and monitoring its application throughout the business, considering any ethical issues which arise as a result of audit findings;
- overseeing all press releases relating to external financial results;
- reviewing Gatwick's tax policy and insurance strategy and arrangements;
- reviewing the results of the Data Protection Officer's data privacy compliance monitoring programme and ensuring that the Data Protection Office is adequately resourced to carry out its tasks;

STRATEGIC REPORT (CONTINUED)

Corporate Governance & Leadership (continued)

Board Committees (continued)

Audit, Risk and Finance Committee (continued)

- considering the adequacy of management's response to any major data privacy non-compliance findings as a result of monitoring activities; and
- ensuring that the financial statements are fair, balanced and understandable.

The committee meets at least three times per annum.

Remuneration and People Committee

The Remuneration Committee members include a chairman appointed by the Board and three shareholder Non-Executive Directors who also attend the Board. The currents members are:

Nicolas Notebaert (Chair) Non-Executive Director (representing VINCI)
Olivier Mathieu Non-Executive Director (representing VINCI)
Michael McGhee Non-Executive Director (representing GIM)
Marten Soderbom Non-Executive Director (representing GIM)
Rémi Maumon de Longevialle Non-Executive Director (representing VINCI)

The Remuneration Committee is a sub-committee of the Board and is responsible for overseeing Board and Senior Management appointments, remuneration and succession planning, including;

- the compensation packages of the members of the EMB (including salary, bonus, pensions and other incentive compensation);
- the contractual terms for the members of the EMB and independent Non-Executive Directors;
- the design and terms of bonus plans including approval of off-cycle bonus payments including sign on, retention and guaranteed bonuses;
- the design and terms of long term incentive plans;
- succession planning for the members of the EMB; and
- to approve the operating framework for remuneration delegated to the Chief Executive Officer.

The committee meet at least twice per annum.

Operations and Health & Safety Committee

The Operations and Health & Safety Committee members include a chairman appointed by the Board of Directors and one shareholder Non-Executive Directors, who also attend the Board.

Pierre-Hughes Schmit (Chair) Non-Executive Director (representing VINCI)
Marten Soderbom (representing GIM)

The Operations and Health & Safety Committee is responsible for reviewing the Group's strategy and exposure to risk with respect to environmental, health and safety (EHS) matters, operational organisation and operational resilience and business continuity. The Committee monitors the Group's performance against targets and drives management commitment and accountability with respect to managing risks.

The committee meets at least 6 times a year.

STRATEGIC REPORT (CONTINUED)

Corporate Governance & Leadership (continued)

Board Committees (continued)

Capital, Environment and Sustainability Committee

The Capital Environment and Sustainability Committee members include a chair, who is not a Non-Executive Director, appointed by the Board of Directors and four shareholder Non-Executive Directors, who also attend the Board.

Lucy Chadwick (Chair) (representing GIM)
Philip Iley Non-Executive Director (representing GIM)
Marten Soderbom Non-Executive Director (representing GIM)
Eric Delobel Non-Executive Director (representing VINCI)
Rémi Maumon de Longevialle Non-Executive Director (representing VINCI)

The Capital, Environment and Sustainability Committee is primarily responsible for discharging the Board's duties by providing financial governance and performance oversight in relation to the capital investment programme, including reviewing all major capital investment proposals and providing a recommendation to the Board. It also oversees the Company's policies on all environment and sustainability matters and compliance therewith.

The committee meets at least 6 times a year.

Commercial Committee

The Commercial Committee members include a chairman appointed by the Board of Directors and one shareholder Non-Executive Directors, who also attend the board.

Marten Soderbom (Chair) Non-Executive Director (representing GIM)
Pierre-Hughes Schmit Non-Executive Director (representing VINCI)

The Commercial Committee is primarily responsible for agreeing Gatwick's commercial and contracting strategy with airlines and the non aeronautical commercial roadmap.

The Committee meets at least 6 times a year.

Executive Management Board

Gatwick has an Executive Management Board (EMB) which consists of the Chief Executive Officer, the Chief Financial Officer, the Deputy Chief Financial Officer, the Chief Technical Officer, the Chief Operating Officer, the Chief Commercial Officer, the Business Improvement Director, the IT Director, the General Counsel, the Capital Programmes Director, the Development Director, the Director of Retail, the Chief Planning Officer, the HR Director.

The EMB meets monthly and is responsible for the day-to-day management of the Group. In particular, the EMB has collective responsibility for assisting the Board of Directors in the performance of their duties for the Group including:

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

STRATEGIC REPORT (CONTINUED)

5. Risk Management and Internal Control Environment

Risk Management Framework

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

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

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

Internal Control Environment

The Board of Directors are responsible for reviewing annually the effectiveness of the internal control environment designed to mitigate the risks faced by the Group. The risk management process is also aimed at defining and implementing clear accountabilities, processes and reporting formats that deliver efficient and effective management assurance to the Board of Directors to ensure statutory compliance and protect and enhance our reputation, while supporting business units to successfully manage their operations and properly embed risk management.

These internal controls and processes are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatements or loss.

The operation of the process and the individual registers are subject to review by the Group's Business Assurance function, to provide independent assurance to the Audit, Risk and Finance Committee and Board of Directors that the controls put in place to mitigate risks are working effectively.

The Audit, Risk and Finance Committee was established to provide, amongst other things, independent oversight of the risk management of the Group. The key features of the Group's internal control and risk management systems in relation to the financial reporting process include:

- a group-wide comprehensive system of financial reporting and financial planning and analysis;
- documented procedures and policies;
- defined and documented levels of delegated financial authority;
- an organisational structure with clearly defined and delegated authority thresholds and segregation of duties;
- a formal risk management process that includes the identification of safety and security, environmental, commercial, financial, reputational and legal risks;
- detailed reviews by the EMB and the Board of management accounts measuring actual performance against both budgets and forecasts on key metrics;
- Audit, Risk and Finance Committee review of press releases and key interim and annual financial statements, before submission to the Board, scrutinising amongst other items:
  - compliance with accounting, legal, regulatory and lending requirements
  - critical accounting policies and the going concern assumption
  - significant areas of judgement and estimates
  - key financial statement risk areas as reported further below in the report
- independent review of controls by the Internal Audit function, reporting to the Audit, Risk and Finance Committee; and a confidential whistleblowing process.

STRATEGIC REPORT (CONTINUED)

Risk Management and Internal Control Environment (continued)

Key Corporate Risks

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

Environment, Health and Safety

Continuing to build on a strong Environment, Health and Safety (EHS) culture, Gatwick Airport Limited remains committed to prioritising the environment, health, safety and wellbeing of our people and our customers, that strives to learn and continually improve. As a responsible business reducing and managing risks to our people, the environment and risks associated with our assets, Gatwick's EHS Vision is to deliver a customer focussed operation in the healthiest and safest way, while ensuring minimal adverse environmental impact.

During 2021 the effects of the COVID-19 pandemic continued to alter the health and safety focus of the EHS Vision with the emphasis on enhanced health protection of staff and passengers. We continued to follow Government guidance, implement a range of control measures and undertake thorough risk assessments. A series of training, briefings and guidance were issued followed by airport wide Directives and Notices to ensure the operation, staff and passengers were safe. Gatwick continued to implement COVID-19 measures to assure both staff and passengers while remaining open as a critical part of the UK infrastructure. Gatwick's COVID-19 control measures were independently verified by the CAA and Public Health England as part of the implementation of the ICAO Council Aviation Recovery Team (CART) 'Take-Off' Guidance for Air Travel.

Ensuring the safety and health for both passengers and staff during the pandemic remained a priority through inspections, audits and risk assessments. We continued identifying virus transmission risks and suitable controls in line with the latest government and industry guidance. This provided all departments across the Airport with the information required for local risk assessments to be managed. Risk assessments were prepared with HR and Trade Unions to ensure effective consultation and collaboration. Following further understanding about the virus transmission and controls required, a governance structure remained in place to continue to prioritise the investment and installation of measures such as hand sanitiser stations, Perspex screens, UVC security tray tunnels, latest signage, enhanced cleaning regimes and the cleaning of high touch points in both staff and passenger facing areas.

For a proportion of the workforce that could work from home, who were not performing a frontline passenger facing role, government advice and subsequent guidance was followed. Reasonable adjustments, advice and guidance were provided to the workforce who were working from home including occupational health support for mental health and those who needed advice for anyone shielding. In August 2021 we launched Gatwick Calling, an internal campaign to support staff returning to the workplace and a hybrid working initiative.

At year end we experienced a reduction in the number of passenger accidents; with 530 in 2018, 407 in 2019, 83 in 2020 and 82 in 2021. Whilst passenger numbers began to pick up in May 2021 once the travel restrictions were eased, the health and safety measures implemented remained a priority. Our public accident frequency rate per 1 million passengers travelling through the airport, increased from 8.57 in 2020 to 13.11 in 2021.

Our staff accident injury rate per 100,000 hours worked reduced from 2.39 in 2020 to 2.01 in 2021. Throughout 2021 our Occupational Health and Wellbeing team continued to proactively monitor staff health and the impacts of COVID-19 to ensure risks have been adequately identified and suitable control measures implemented for safe working.

Maintaining Gatwick's high standards of health and safety remains a priority, in 2021 Gatwick received its 9th consecutive award (gold medal) by The Royal Society for the Prevention of Accidents (RoSPA). This award recognises a very high level of performance, demonstrating well developed occupational health and safety management systems and culture, outstanding control of risk and very low levels of error, harm and loss.

Gatwick has continued to develop robust systems and controls for managing environmental, health and safety risks, compliance obligations and driving continual improvement. Gatwick continued to maintain its international standards for environmental and occupational safety and health by recertifying to ISO14001 Environmental Management System and OHSAS18001 Occupational Health and Safety Management System. Looking to continually improve, Gatwick then successfully transitioned its Occupational Health and Safety Management System in 2021 from OHSAS18001 to ISO45001.

STRATEGIC REPORT (CONTINUED)

Risk Management and Internal Control Environment (continued)

Key Corporate Risks (continued)

Environment, Health and Safety (continued)

During 2021, our EHS governance structure remained in place with Board level scrutiny and oversight maintained through quarterly Environment, Health, Safety and Operational Resilience (EHSOR) forums. Our EHSOR objectives for the year focussed on keeping passengers and staff healthy and safe during fluctuating demand for services, government guidance and advice.

In 2021 we successfully retained the Biodiversity Benchmark Award for the 7th consecutive year, supporting and upholding our leading approach to biodiversity. Despite the disruptions caused by the pandemic we also continued our volunteering programme and educational events in Gatwick's biodiversity areas working with our charity partner Gatwick Greenspace Partnership. Further, we were awarded a Vinci Environment Award for the establishment of wildflower road verges at Gatwick. We maintained compliance with our permits and consents and experienced no significant environmental pollution incidents.

The Occupational Health team continued to provide a combination of face-to-face and remote health assessments during the phases of the COVID-pandemic, using risk assessment, plus guidance from the HSE and the Society of Occupational Medicine. As such, assessment for fitness for key roles could continue to be scheduled to avoid operational gaps, and the continuation of health surveillance programmes to assess the effects of workplace health hazard exposure, ensuring risk control measures remain effective. Gatwick has continued to maintain accreditation with SEQOHS.

Climate change risk

Please see Climate Risk Management on page 24.

Regulatory Environment, Legal and Reputational Risks

Business resilience

Gatwick continually monitors and manages a number of business resilience risks, covering our assets, infrastructure, human or electronic processes or systems, the failure of which, by accident or deliberate act, could result in periods of interruption to critical services/operations and passenger experience.

Gatwick is not immune to shocks from the macroeconomic environment and whilst we may be unable to fully insulate ourselves from these external threats (for example: terrorism; wars; airline bankruptcies; pandemics; weather conditions; and natural disasters), where possible the Group seeks to anticipate the effects of these events on its operations and also maintains detailed contingency plans to minimise disruption and passenger inconvenience. These plans are continually updated via routine testing and from lessons learned from unplanned incidents.

CAA Regulation

The Group's operations, and in particular Gatwick's operations, are subject to regulatory review by the CAA, with the most recent review completed in May 2021. The current regulatory period runs from 1 April 2021 to 31 March 2025. The risk of adverse regulatory outcomes is mitigated as far as possible by a team which ensures full compliance with formal regulatory requirements, has established a sound relationship with the CAA and advises Gatwick's management and Board of Directors on regulatory matters. Regulation is represented on Gatwick's Executive Management Board by the Chief Financial Officer.

An important part of the regulatory framework is Gatwick's continuous dialogue with the airlines that operate at the Airport. In order to mitigate the risk of adverse airline relationships, in addition to regular operational meetings with airline representative bodies on a range of operational and strategic issues, there are regular bilateral meetings between senior management at Gatwick and the major airlines operating at Gatwick. Furthermore, airlines have been invited to participate at all stages of the Capital Investment Plan including steering and working groups, with Gatwick pro-actively disclosing information to these groups.

STRATEGIC REPORT (CONTINUED)

Risk Management and Internal Control Environment (continued)

Key Corporate Risks (continued)

Competition Rules

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

UK Aviation Strategy and Government Engagement

Aviation is a key part of our economy, facilitating the UK brand as a global and connected nation and supporting thousands of jobs and businesses up and down the country. Whilst the COVID-19 pandemic has had a dramatic impact on the transport sector, with aviation being severely affected and international travel falling dramatically with travel restrictions affecting many passengers and airlines, the Government continues to recognise that aviation is essential to our economic recovery as well as wider agendas such as Global Britain, levelling-up and inclusive, sustainable growth.

Throughout 2021 Gatwick has played an active part in working with Government on supporting the aviation industry's recovery as well as future policy development. This has included working through our trade body the Airport Operators Association (AOA) and other industry bodies (such as the CBI and London First), being an active member of the Department for Transport's (DFT) Expert Steering Groups, working with Ministers and officials on establishing the safe return of international travel, giving evidence to the Transport Select Committee and responding to Government policy and other consultations.

Gatwick's response to Government Travel Restrictions

In October 2020, a Global Travel Taskforce (GTTF) was set up by the Prime Minister to consider how the Government could support the UK's international travel sector to meet the challenges brought about by the pandemic. A report was published in November 2020 and in April 2021, the GTTF produced a further report, developing a framework for the safe and sustainable return to international travel with a series of recommendations based around:

- Progressing a risk-based reopening of international travel
- Ensuring readiness for international travel restart
- Building consumer clarity and confidence
- Supporting a transition to future travel.

Following April, the GTTF recommendations were progressed in line with the easing of existing national restrictions. Effective from May 2021, the UK government removed the ban on international travel, and launched a traffic light system (red, amber, green - "RAG") outlining the quarantine requirements for travellers returning to the UK and with different restrictions being applied to different countries depending on risk. Whilst government decisions continued to be driven by the evidence at the time, the successful roll out of the vaccine programme across the UK and more widely was an important factor in allowing more countries to be 'green' – enabling the opening up of travel for different routes and destinations. Countries on the traffic light were generally reviewed every 3 weeks over the summer months and by early October the traffic light RAG list was removed and replaced with a single red list of countries and reduced travel measures from the rest of the world. Changes to policy and travel measures throughout October and November generally simplified travel arrangements meaning that fully vaccinated travellers (including those vaccinated in foreign countries) no longer had to take a pre-departure test to return to the UK or quarantine on return. Day 2 PCR testing remained in place but by the end of October was replaced by a Lateral Flow test for vaccinated travellers. Finally, with the emergence of the Omicron variant at the end of November / early December, a number of restrictions were reimposed including managed quarantine, pre-departure tests and PCR Day 2 tests. The Government committed to reviewing these restrictions at the beginning of January 2022, in light of emerging data on the severity of the virus.

STRATEGIC REPORT (CONTINUED)

Risk Management and Internal Control Environment (continued)

Key Corporate Risks (continued)

Gatwick's response to Government Travel Restrictions (continued)

In response to the pandemic and during 2021 the Airport has continued to:

- Implement the necessary health and safety measures required by Government to protect both passengers and staff, including offering facilities to the NHS for the roll out of the vaccine,
- participate and put forward views at various Government and Industry meetings,
- demonstrate to Government the impact of restrictions on our business and the operational challenges faced,
- press the Government to provide the data and evidence for its decisions on the imposition of travel measures and to ensure restrictions are proportionate to the level of risk and removed as soon as possible, and
- seek to simplify travel arrangements for passengers to remove complexity and confusion and to help restore consumer confidence.

Government National Aviation Policy

There is long standing Government policy support for aviation contained in various documents such as the Aviation Policy Framework 2013, Beyond the horizon - Making best use of existing runways June 2018, and Aviation 2050 – the future of aviation December 2018. Gatwick plays an active role in responding to policy consultations. Policy has developed over a number of years and recognises the tangible benefits aviation growth brings in terms of employment, economic confidence, growing tourism, increased trade and business investment. However, it also recognises the need for sustainable growth taking steps to mitigate environmental impacts such as noise, carbon emissions and air quality.

One element of Gatwick's input into policy making is through the preparation of a master plan.

The Gatwick Airport Master Plan

It is best practice to review the long-term development and planning strategy of the Airport every five years and therefore, following a public consultation, the Airport published its master plan in July 2019. The master plan sets out how Gatwick could develop to meet demand in the most sustainable way over the next 15 years. Taking into account the consultation feedback, Gatwick set out it will:

- continue to make best use of its main runway through the use of technology;
- prepare a planning application to bring the standby runway into routine use; and
- continue to seek that national and local planning policy safeguards land for an additional runway in the future.

In terms of bringing the standby runway into routine use, detailed design work as well as environmental, highways and other studies were undertaken during the first half of 2021. The project (known as the Northern Runway project) will initially follow the process required under the Planning Act 2008 for nationally significant infrastructure projects involving the preparation and submission of a Development Consent Order (DCO).

The first step in this process is to undertake pre-application consultation which commenced in September and ran for 12 weeks until 1st December 2021. During this stage all stakeholders including local authorities, communities, businesses and partners had the opportunity to provide more feedback on the scheme and the associated environmental, economic and transport information. The next step will be to carefully consider the feedback received before finalising the application for examination by the Planning Inspectorate. Following examination, the Secretary of State for Transport will then make the ultimate decision based on the Inspectorates recommendation. The standby runway could be brought into routine use by the late 2020s.

STRATEGIC REPORT (CONTINUED)

Risk Management and Internal Control Environment (continued)

Key Corporate Risks (continued)

Policy Engagement

Gatwick continues to respond to Government policy consultations and play its part in securing the right framework to support recovery as well as the sustainable growth of the airport. During 2021 this has included responding to various DFT and Government consultations including consultations in relation to slot usage alleviation rules for summer 2021, winter 2021/ 2022 and summer 2022; the Jet Zero Consultation on the strategy for net zero aviation and Night Flight Restrictions Consultation (2 parts).

At a local level, Gatwick continues to make representations to local authorities in and around the Gatwick Area in relation to draft local plans to ensure the right land use planning framework is in place to achieve the company's aims. Gatwick's active participation in both Government and local policy consultations and extensive engagement with local authorities, Members of Parliament, business groups, the Gatwick Airport Consultative Committee (GATCOM) and community groups is a key enabler to ensure Gatwick receives the feedback it requires to continue to meet its ambition for long term sustainable growth.

Capital Projects

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

Changes in Demand

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

Like most airports, Gatwick is exposed to the financial risk associated with a reduction in passenger volumes but certain mechanisms are available to Gatwick to mitigate and manage this risk. See the Response to COVID-19 section for further commentary.

As part of the new Commitments framework and with effect from 1 April 2021, Gatwick may set its tariff to recover a maximum average revenue yield which is no higher than a price ceiling defined by an annual increase of RPI+0% from a reference yield of £10.29 for the year ended 31 March 2019. Gatwick set its tariff to recover a yield lower than this price ceiling during the current charging year (which ends on 31 March 2022) and has consulted with airlines on its tariff proposals for the charging year commencing 1 April 2022. Protections are also offered by the structure of airline discounts under bilateral contracts which are defined, in part, by committed passenger volumes.

Gatwick continues to actively manage its cost base and there remains flexibility in the capital programme and operating costs to reduce expenditure commensurate with a reduction in demand.

Loss of Personal Data

The penalties for the Group failing to comply with the Data Protection Act 2018 (DPA18) are recognised as on-going risks to be managed. Failure to comply with the DPA18 could result in reputational risks (impacting on Gatwick's relationship with its stakeholders including its regulators) litigation against Gatwick or a fine (maximum fine applicable is the greater of £17.5 million or 4% of annual turnover).

The Group has implemented a number of controls and mitigating actions, including: a GDPR Compliance Programme; appointment of a Data Protection Officer (DPO) to advise on compliance requirements, and mandatory data protection e-learning.

STRATEGIC REPORT (CONTINUED)

Risk Management and Internal Control Environment (continued)

Key Corporate Risks (continued)

Loss of Personal Data (continued)

A programme is continuing to identify comprehensive GDPR compliance requirements and implement required controls as business as usual. Data protection by design is a work in progress to ensure that data processing risks are identified, that the Company has a central record of all of its processing activities and that the Group is able to adequately respond to data subject requests (all critical UK GDPR requirements).

Anti-corruption and anti-bribery matters

Any breach of anti-bribery provisions by Gatwick employees, paid or voluntary agents, consultants or suppliers could result in Gatwick breaching the Bribery Act by failing to prevent an act of bribery being committed. If Gatwick is found guilty of such an offence, it could face an unlimited fine, as well as significant reputational damage.

As such, Gatwick takes a zero-tolerance approach to bribery and corruption and is committed to conducting its business in an honest and ethical manner, in compliance with the Bribery Act 2010 (the "Bribery Act") and applicable anti-bribery and anti-corruption laws. Gatwick has embedded and maintains a robust code of ethics policy which contains guidance for all employees and third parties associated with Gatwick on how they are required to conduct themselves. Gatwick also has mandatory e-learning on anti-bribery and anticorruption.

Any breach of the anti-bribery policy will result in disciplinary action, and, if appropriate, in instant dismissal and referral to the relevant law enforcement authorities. In addition, our whistleblowing policy encourages individuals to report any wrong doing which extends to bribery and corruption matters. All whistleblowing reports are treated in the strictest confidence and are investigated fully with appropriate actions taken.

People (including Industrial Relations)

Gatwick is a complex business, employing over 1,700 individuals directly and as such there are risks associated with all aspects of the employee experience including hiring, career development, training and reward & recognition. Gatwick's HR approach is to deploy a range of policies and resources to engage, motivate and reward its employees appropriately as well as retaining the critical talent required for the future succession plans for the business. In 2021 the Gatwick People Committee was introduced into the governance structure of the company to provide the executive team forum to enhance the accountability for the employee experience.

Gatwick has a recruitment process for internal/external opportunities that is committed to recruiting diverse talented individuals from all sectors of the community. All stages of the recruitment and selection process are carried out without regard to gender, sexual orientation, disability, marital status, colour, race, ethnic origins, religion or religious belief or age. Any candidate with a disability will not be excluded unless it is clear the candidate is unable to perform a duty which is intrinsic to the role, having considered any reasonable adjustments. Reasonable adjustments to the recruitment process will be made to ensure an applicant is not disadvantaged due to his/her disability. All successful external candidates are subject to a criminal record check and the appropriate security clearance as required by the role. It should be noted that in 2021 recruitment was limited to critical roles and covering skills shortages due to the continuing impact of the COVID-19 pandemic.

Gatwick has a large population of employees whose working arrangements are covered by collective bargaining agreements. To mitigate the risk of industrial action by employees Gatwick has an architecture of formal consultative bodies to discuss pay, conditions of employment, and business issues with three recognised trade unions (Unite, Prospect, and PCS). The intention of the approach is to resolve issues at a department level thereby avoiding escalation. The Gatwick Joint Committee, the senior consultative forum in the Airport, puts more focus on business strategy and performance. In addition, there are formal agreements designed to resolve disputes.

STRATEGIC REPORT (CONTINUED)

Risk Management and Internal Control Environment (continued)

Key Corporate Risks (continued)

People (including Industrial Relations) (continued)

During 2021 Gatwick had to consult with employees on a range of measures to mitigate costs in response to the continuing impact of the COVID-19 pandemic. This continuing effort to manage the operating costs of the organisation followed on from the 2020 workforce reductions and the use of the Coronavirus Job Retention Scheme (Furlough Scheme) which impacted employees working time and pay. With the end of the Furlough Scheme in September, the consultation with the Unions and employees implemented the Post-Furlough Mitigation Plan which includes cost and productivity measures to assist the company manage through this challenging period.

This has been a further difficult year for employees, representatives and managers in the company. The continuing impact of the pandemic created a cloud of uncertainty for employees which was alleviated by the continuing cooperation between the company, employee representatives, union representatives and full-time union officials. The commitment and resilience of all involved should be commended.

Financial Risk Management

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

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

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

(a) Cash Flow Interest Rate Risk

The Group maintains a mix of fixed and floating rate debt. As at 31 December 2021, fixed rate debt after hedging with derivatives represented 83.9% (2020: 83.5%) of the Group's total external nominal debt.

The 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.

Following the continued impact of COVID-19 on operating cash flows the Group entered into an additional £289.0 million of fixed-floating rate swaps to reduce the fixed interest rate burden on the Group for the next 2 years. The fixed rate interest income will offset some of the fixed rate expense on Class A bonds until 2028 and replaced it with SONIA linked debt.

(b) Funding and Liquidity Risk

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

The Group had net cash outflows from operations of £34.0 million for the year ended 31 December 2021 (2020: £122.6 million outflow). As at 31 December 2021, cash at bank was £558.0 million (2020: £293.1 million), undrawn headroom under bank revolving facilities was £nil (2020: £nil million) and undrawn headroom under the liquidity facility was £150.0 million (2020: £150 million).

STRATEGIC REPORT (CONTINUED)

Risk Management and Internal Control Environment (continued)

Key Corporate Risks (continued)

Financial Risk Management (continued)

Funding and Liquidity Risk (continued)

Covenants under the financing arrangements are monitored and forecast on an ongoing basis with formal testing reported to the Board of Directors, Audit, Risk and Finance Committee and Executive Management Board, along with all investors. Following the granting of the covenant waivers in both 2020 and 2021, the Group continues to comply with all borrowing obligations and financial covenants and forecasts to do so for at least the next three years from the Statement of Financial Position date.

Following the impact of COVID-19, in 2020 Gatwick drew down in full on its £300.0 million Revolving Credit Facility. In addition, on 15 April 2021 the Group issued a further £300.0 million of Class A bonds with scheduled maturity of 2030. The proceeds of the bonds were used to fully repay a £300.0 million Term Loan entered into in April 2020. In 2020 Gatwick Airport Limited was approved to issue up to £300.0 million of commercial paper under the Bank of England's COVID-19 Corporate Financing Facility (CCFF), to ensure sufficient liquidity through 2021. £275.0 million was issued on 19 March 2021 and remains outstanding at 31 December 2021 (2020: £175.0 million). The drawings continue to provide additional working capital to the Group. See pages 15 and 73 for further details.

(c) Credit Risk

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

STRATEGIC REPORT (CONTINUED)

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires the directors of the Group to act in the way they consider, in good faith, would most likely promote the success of the Group for the benefit of its members.

In doing so section 172 requires a director to have regard (amongst other matters) to:

a. The likely consequences of any decisions in the long term.
b. The interests of the company's employees.
c. The need to foster the company's business relationships with suppliers, customers and others.
d. The impact of the company's operations on the community and environment.
e. The desirability of the company maintaining a reputation for high standards of business conduct.
f. The need to act fairly as between members of the company.

The directors discharge their section 172 duty by having regard to the factors set out above along with other relevant factors. The directors will ensure key decisions are in line with the Group's vision, purpose and values.

As any large organisation, the directors delegate authority for the day-to-day management of the Group to the EMB and then engage management in setting, approving and overseeing execution of the business strategy and related policies.

The Group's key stakeholders are its passengers, local communities and environment, colleagues, airlines, shareholders and investors, commercial partners and supplier and regulators. The views of and the impact of the Group's activities on these stakeholders are important when making relevant decisions.

The directors have set out below some examples of how we have had regard to the matters set out in section 172(1)(a) - (f) when discharging our section 172 duty.

Key Decisions

Capital Allocation

There were no distributions (as defined under the CTA) for the period ended 31 December 2021 to any shareholder affiliate companies outside of the Ivy Holdco Group.

In setting this level, the directors considered the following factors:

- the overall performance of the business and near-term market conditions;
- the financial outlook for key airlines;
- the likely views of rating agencies regarding these factors;
- the forward view of the Ivy Holdco Group's debt and interest-cover credit ratios;
- the extent of the pension fund deficit reduction;
- the ability to maintain adequate liquidity;
- the ability to allocate sufficient capital to re-invest into asset maintenance, airport resilience, capacity and service improvements; and
- the ability to allocate sufficient resources and capital to achieving stretching environmental goals, which ensure the long-term sustainability of the Group

The level of distribution reflected a balanced approach that considered all the factors above but gave significant weight to the factors that safeguarded the long-term best interests of the Group.

Response to COVID-19

A number of fundamental decisions were made by the directors of the Group in response to COVID-19 following collaboration with the airlines, Union representatives, employee representatives, suppliers and other stakeholders of the Airport where necessary. These are covered in detail in other areas of this Annual Report.

STRATEGIC REPORT (CONTINUED)

Section 172(1) Statement

Key Decisions (continued)

Carbon Strategy

Gatwick is committed to low-carbon growth. Our Second Decade of Change sustainability policy, published in June 2021 and discussed in the 'Our Commitment to Sustainability' section of this report, sets out our commitment to reducing Scope 1 and 2 emissions by 80% by 2030 (under 1990 baseline) and to being net zero before 2040. The Second Decade of Change sustainability policy also sets out our commitment to playing our part in the UK aviation and ground transport transition to net zero carbon.

Masterplan

The Airport published its master plan in July 2019. The master plan sets out how Gatwick could develop to meet demand in the most sustainable way over the next 15 years. Taking into account the consultation feedback, Gatwick set out it will:

- continue to make best use of its main runway through the use of technology;
- prepare a planning application to bring the standby runway into routine use; and
- continue to seek that national and local planning policy safeguards land for an additional runway in the future.

In terms of bringing the standby runway into routine use, detailed design work as well as environmental, highways and other studies were undertaken during the first half of 2021. The project (known as the Northern Runway project) will initially follow the process required under the Planning Act 2008 for nationally significant infrastructure projects involving the preparation and submission of a Development Consent Order (DCO).

Commitments

In January 2020 Gatwick issued to its airlines a finalised set of Extended Commitments for the period 1 April 2021 to 31 March 2025; these include a simplified gross yield ceiling to give greater certainty on future charges. Gatwick also decided to accelerate the pricing benefit in these Commitments to be effective retrospectively from 1 January 2020.

Stakeholder Engagement

The Executive Management Board along with the management engage with key stakeholders, the output of this engagement informs business-level decisions. Below highlights some of the engagement that take place.

Passengers

Gatwick engages with our passengers through a number of channels to understand their needs and to help shape our future plans.

Gatwick formally consult the Passenger Advisory Group, a sub-group of the Gatwick Airport Consultative Committee (GATCOM), on our capital investment plans. We listen to their views on the facilities and services we provide to passengers and their recommendations for improving the passenger experience. In addition to consultation with the Passenger Advisory Group on capital development projects, we work with them through several other consultative work streams, to hear about passengers' experiences and needs for their journeys through the Airport.

Gatwick have a comprehensive research strategy, which systematically collects and analyses passengers' views on all aspects of their journeys to and through the Airport, at each of 50 'touch points' where passengers interact with airport services and facilities. In addition, we have an on-line feedback tool to make feedback simple for passengers to give, and social media channels such as Twitter, Instagram and Facebook all offer our customers the opportunity to provide 'in the moment' feedback on their airport experience, as well as providing hugely important opportunities for communication.

STRATEGIC REPORT (CONTINUED)

Section 172(1) Statement

Stakeholder Engagement (continued)

Airlines

Gatwick engages with its airline customers through a variety of established forums to understand their needs and deliver the right operating environment. The key forums used to engage with airlines are:

- Airport Consultative Committee (ACC) covering a range of strategic topics.
- Annual consultation forums covering Gatwick's Capital Investment Programme and the structure and level of airport charges.
- Monthly Joint Operations Group (JOG) meetings with representatives from a range of stakeholders including airlines, ground handlers and Gatwick's local air navigation service provider.

These forums have informed a number of important decisions which have been taken by the directors, including finalisation of Gatwick's price and service offer under the updated and extended commitments term that applies until March 2025, published in January 2020.

Colleagues

Gatwick is a complex business, employing over 1,700 individuals directly and as such there are risks associated with all aspects of the employee experience including hiring, career development, training and reward & recognition. Gatwick's HR approach is to deploy a range of policies and resources to engage, motivate and reward its employees appropriately as well as retaining the critical talent required for the future succession plans for the business. In 2021 the Gatwick People Committee was introduced into the governance structure of the company to provide the executive team forum to enhance the accountability for the employee experience.

Please see People (including Industrial Relations) on page 45 for actions taken in response to the COVID-19 pandemic.

Regulator

Gatwick is subject to a regulatory framework, based on Commitments backed by a licence and supplemented by a monitoring regime by the Civil Aviation Authority (CAA).

Management meet regularly with the CAA to discuss all issues relating to the regulation of Gatwick. As part of the licence Gatwick is required to provide various documents and information.

Suppliers and Commercial Partners

Gatwick works together with suppliers and commercial partners to deliver the vision of being London's airport of choice and deliver the best passenger experience.

Gatwick regularly attend events with the local business community and in the period have hosted a workshop for the Federation of Small Businesses to give them guidance on Gatwick Procurement. Our Procurement team hold a regular quarterly forum attended by all of our construction contractors to keep them updated on Gatwick's plans. Gatwick regularly invite local suppliers along to present to the key contractors to help promote that local supply chain.

In August 2019, in order to demonstrate Gatwick's commitment to fair payment practices, we undertook a review of Gatwick's payment terms. As a result, all Small & Medium Enterprises (SMEs) consisting of businesses with fewer than 250 employees and under £50m turnover, are now paid within 30 days. This is benefitting over 200 small suppliers who were previously on 60 days terms.

STRATEGIC REPORT (CONTINUED)

Section 172(1) Statement

Stakeholder Engagement (continued)

Investors

Understanding the needs of investors helps Gatwick to access a cost-effective financing base and maintain the investment grade rating.

Gatwick's Board of Directors is made up of a mixture of Executive and Non-executive directors representing both shareholders. Gatwick provides regular financial updates to both shareholders. Gatwick publishes annual and semi-annual reports and financial statements which include enhanced disclosures. Along with the reports and financial statements Gatwick performs investor roadshows to provide current and potential investors an update on performance.

Management liaise with credit rating agencies to ensure we understand the impact of Gatwick's strategic decisions.

Local Communities and Environment

Please see Community on page 17.

On behalf of the Board

Marten Soderbom
Director
7 March 2022

DIRECTORS' REPORT

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2021.

BOARD OF DIRECTORS

The directors of the Company who were in office during the period and up to the date of signing the financial statements were as follows:

Michael McGhee
William Woodburn
Olivier Mathieu
Nicolas Notebaert
Rémi Maumon de Longevialle
Pierre-Hugues Paul Schmit
David McMillan
Philip Iley
Eric Delobel
Marten Soderbom

As most of the Airport's operations occur within Gatwick Airport Limited, below lists the directors that served on the Board of Gatwick Airport Limited during the period.

Sir David Higgins (Non-executive Chairman)
Sir David Higgins was appointed non-executive Chairman in January 2017. As Chief Executive of Network Rail, Sir David initiated a major reform programme focussing on transparency, value for money and accountability. Sir David also served as Chief Executive of the organisation responsible for the delivery of the London 2012 Olympic Games, the Olympic Delivery Authority, establishing the organisation and negotiating the overall budget with HM Treasury, and led the commercial negotiations for Stratford City, London & Continental Railways, and Westfield. Sir David holds a degree in Engineering from Sydney University and a Diploma from the Securities Institute. He is also a Fellow of both the Royal Academy of Engineering and the Institute of Civil Engineers. He was appointed Chairman of United Utilities in January 2020.

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

Jim Butler (Chief Financial Officer)
Jim was appointed Gatwick's Chief Financial Officer in September 2021. Prior to that, Jim served in various roles at American Airlines since 1996, including Senior Vice President – Airport Operation and Cargo; President of their Cargo division; and Managing Director of Commercial Planning and Performance. Jim has previously led airport operations and had oversight of strategic initiatives across American's global network throughout the United States, Latin America, the Caribbean, Europe and the Pacific. Jim has also served as a member of the Board of Directors of BAR UK; IATA Cargo Committee and the A4A Cargo Executive Council. Jim is also a licensed private pilot.

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

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS (continued)

William Woodburn (Non-executive Director, GIP representative)
Bill Woodburn is a Founding Partner. He chairs the Portfolio Management Committee and is a member of the Investment, Operating and Valuation Committees. He oversees GIP's Operating Team and is based in Stamford, Connecticut. Prior to the formation of GIP in 2006, Mr. Woodburn spent 23 years at GE, where he most recently served as President and CEO of GE Infrastructure. During his tenure at GE, he oversaw several key acquisitions including those that led to the GE entry and expansion in the water technology business. Mr. Woodburn previously served as Executive Vice President and as a member of the four person Office of the CEO at GE Capital. He served on the GE Capital Board for 2000 and 2001. Mr. Woodburn holds M.S. and B.S. degrees in Engineering from Northwestern University and the U.S. Merchant Marine Academy. He is a member of the Boards of Directors of Gatwick Airport Limited, Competitive Power Ventures and EnLink Midstream.

Philip Iley (Non-executive Director, GIP representative)
Philip Iley is an Investment Principal at GIP focusing on the transport infrastructure sector. Prior to joining GIP in 2016, Philip spent over 20 years as an investment banker at Credit Suisse, heading their Transport & Logistics team from 2006-16. He is also a director on the board on Italo, Europe's largest private high speed rail operator. Philip has a BA (Hons) Law & Accountancy degree from Manchester University.

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

Nicolas Notebaert (Chairman, VINCI Airports and Chief Executive Officer, VINCI Concessions)
Nicolas Notebaert joined the VINCI Group in 2002 as Head of Operations for the French road concession Cofiroute, before being appointed Director of Business Development for VINCI Concessions France in 2004. In February 2008, he became President of VINCI Airports, and CEO of VINCI Concessions in 2016. Prior to joining the VINCI Group, he held various positions in the French Ministry of Public Works and served as a cabinet member of the French Minister for Transportation and Infrastructure. He started his career in 1994 as a consultant to the World Bank. Nicolas Notebaert is a graduate of Ecole Polytechnique (X 89) and Ecole Nationale des Ponts et Chaussées (Ponts 94). As President of VINCI Airports, Nicolas Notebaert holds leadership positions in prominent projects throughout the world: board member of Gatwick Airport Limited, Aeroportos de Portugal (ANA) and Kansai Airports (Japan), President of the Board of Nuevo Pudahuel (the consortium operating Santiago's international airport), Chairman of the Board of Cambodia Airports, Chairman of the board of Aerodom (Dominican Republic), President of the Supervisory Board of Aéroports de Lyon, Chairman of the board of Aéroports du Grand Ouest.

Olivier Mathieu (Executive Vice President, VINCI Concessions)
Olivier Mathieu is an alumnus of the ESSEC business school (MBA). He began his career as an adviser to the Chief Financial Officer of VINCI in 1995. He then successively became management controller at G+H Montage (VINCI Group – Germany), Chief Financial Officer of Sogea-Satom (Africa branch of VINCI Construction) and Chief Administrative and Financial Officer of VINCI Construction Filiales Internationales (Africa, Overseas France, Germany, Central Europe). Olivier Mathieu was then appointed Chief Financial and Asset Management Officer of VINCI Concessions. He was appointed Executive Vice-President of VINCI Concessions in 2012.

DIRECTORS' REPORT (continued)

BOARD OF DIRECTORS (continued)

Rémi Maumon de Longevialle (Chief Financial Officer, VINCI Airports)
Rémi graduated from Ecole Polytechnique and ENSAE in France and has also a Master of Public Affairs from Sciences-Po Paris. He started his career at PwC where he was a member of the PPP / Project Finance team in Paris for 2 years. He joined VINCI in 2012 as Project Manager in the VINCI Concessions Structured Finance team where he took part in the financing of large infrastructure projects in Europe and Latin America (motorways, railways and stadiums). In 2014, he joined the Business Development team of VINCI Airports as Project Manager. He was notably in charge of the successful bid, closing and operational take-over of the Kansai airports in Japan from 2015 to 2016. Rémi was then appointed as Project Director for the Middle-East and Central Asia region where he managed several airport acquisition projects before being named Chief Financial Officer of VINCI Airports in 2018.

Pierre-Hugues Schmit (Chief Commercial Officer, VINCI Airports)
A graduate of Ecole Polytechnique (Paris) in 2001 and the French National University of Civil Aviation (ENAC in Toulouse) in 2003, Pierre-Hugues has also spent one year in UC Berkeley as graduate student in transportation engineering. Pierre-Hugues worked at the French CAA for 7 years, 3 of which as the head of the French Airlines Department (2006-2009). From 2010 to 2012, Pierre-Hugues worked as an advisor to the French Transportation Minister. He then joined Aéroports de Paris as deputy director of the Le Bourget division. In 2014, along with three partners he founded La compagnie, a scheduled airline based in Paris delivering pure business class service to New York. Pierre-Hugues joined VINCI Airports in June 2017 where he supervises the airport business expertise on air service development, extra aeronautical activities and airport operations.

Eric Delobel (Chief Technical Officer, VINCI Airports)
Joining Quille (Bouygues Group) in 1995, he held various positions in the area of project management before moving into real estate development for Bouygues Immobilier, Hammerson, then Foruminvest as Director of programs and development, respectively. After joining VINCI at the end of 2009, he moved to Slovakia at the beginning of 2010 as Chief Executive Officer of the Granvia concession company in charge of the funding, design, construction and operation of the 52km R1-PR1bina expressway, which opened to traffic in October 2011. He joined VINCI Airports in 2012 as Deputy Managing Director of the future Grand Ouest airport, with responsibility for its implementation and the transfer from Nantes Atlantique. In 2014, Eric Delobel was appointed Managing Director for West Region in France. He is a member of the VINCI Airports Executive Committee. On 4 April 2016, he was appointed Chief Executive Officer of Cambodia Airports, the concession company in charge of operation and development of the 3 international airports of Cambodia. On 1 August 2019, Eric Delobel was appointed Chief Technical Officer of VINCI Airports.

Marten Soderbom (Non-executive Director, GIP representative)
Marten Soderbom is a Principal at Global Infrastructure Partners (GIP) and is based in London. Marten focuses on the transport sector at GIP and worked on the recent sale of Gatwick, the sale of London City Airport and the acquisition of NTV Italo Rail. Marten is a member of the Board of Directors of Gatwick Airport Limited. Prior to joining GIP in 2012, Marten spent 12 years at Credit Suisse, where he was a Director in the Transport team. His experience includes numerous airport, port and rail M&A transactions and privatisations. He also has M&A, capital raising and restructuring experience in other transport sub-sectors including airline, shipping and bus.

DIVIDENDS

The directors did not declare or pay any dividends during the year (2020: £nil). The directors did not recommend the payment of a final dividend (2020: £nil).

STATEMENT OF ENGAGEMENT WITH EMPLOYEES

The directors have promoted the information in this statement to the Section 172(1) statement shown on page 50.

DIRECTORS' REPORT (continued)

STATEMENT ON ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE COMPANY

The directors have promoted the information in this statement to the Section 172(1) statement shown on page 50.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

In accordance with the Companies (Miscellaneous Reporting) Regulation 2018, the Board has reviewed its corporate governance arrangements and the statement below explains how the Group has applied the Financial Reporting Council (FRC) Wates Corporate Governance Principles.

Gatwick's Purpose & Leadership:

As set out in detail within sections 1-4 of the Strategic Report, the Board has set out the ambition of the Group "to compete to grow and become London's airport of choice" in a way that benefits all - our passengers, our people, our business partners and our communities.

The Board has established six strategic priorities to: deliver the best passenger experience; help our airlines grow; increase value and efficiency; protect and enhance its reputation; build a strong environment, health and safety culture; and develop the best people, processes and technology. The Board implements this strategy by aligning all its activities with these priorities.

Balancing Opportunity and Risk to create long-term sustainable success:
As set out in detail within section 2 of the Strategic Report, the Board is committed to promoting the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

Set out below is a summary of four key areas of focus for the Board during the year:

1. Managing the Impact of COVID-19

- The Board has taken a number of steps to both secure additional liquidity and to obtain a waiver of financial covenants from the Groups creditors. In addition, operating costs of the group have been significantly decreased with details of the actions taken included in the Response to COVID-19 section.
- Gatwick continues to work with the Government to help navigate through the pandemic and ensure adequate support is provided for the aviation sector and to deliver a safe and efficient recovery.
- The Group is actively working with its stakeholders to ensure a safe and high quality service is provided to passengers.

2. Extension of the Commitments Regulatory Framework

- Since 1 April 2014, Gatwick's regulatory framework has been based on Commitments backed by a licence and supplemented by a monitoring regime. The Commitments are a set of legally enforceable undertakings, made by Gatwick to airlines, covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The Commitments also enable Gatwick to enter into a series of bilateral contracts incorporating, for example, price, service and duration, agreed on a contractual basis between Gatwick and individual airlines.
- Given that Gatwick has maintained a strong operational performance over recent years, in June 2018 the CAA published CAP 1684: "Future economic regulation of Gatwick Airport Limited: initial consultation" which is broadly supportive of Gatwick's favoured process of approaching the airlines directly with a commercial proposal, recognising this mechanism was embedded in the original Commitments, beyond the expiry of the previous Commitments framework on 31 March 2021.
- The first generation of Commitments expired on 31 March 2021 and Gatwick remained subject to them until this date. Gatwick consulted on a set of extended Commitments in October 2019 and issued finalised extended Commitments to our airlines in January 2020, with a term from 1 April 2021 to 31 March 2025.
- In February 2021, the economic regulator published its decision and statutory Licence consultation in relation to economic regulation of Gatwick from 1 April 2021 to 31 March 2025. The February 2021 decision outlined broad support for Gatwick's finalised extended commitments and introduced some changes to the ongoing annual monitoring provisions. The CAA confirmed the final licence conditions in a notice in May 2021 (CAP 2144).

DIRECTORS' REPORT (continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

3. Delivering Sustainable Growth by Engaging and Delivering for our Stakeholders

- The key strategic objective for Gatwick is to compete to grow and become London's airport of choice. A key enabler in delivering this objective is continued focus on transforming the passenger and airline airport experience through both investment in modern infrastructure and improving service standards. Significant further investment is planned to expand current facilities where required, to achieve greater operational efficiency and improve the passenger experience for all segments of the passenger journey.
- Prior to COVID-19, Gatwick was operating close to its permitted limit on annual aircraft movements and was the busiest single runway airport in the world. As a result, management has identified that sustainable growth and increased airport capacity could be delivered through further development of our existing infrastructure.
- Gatwick continues to build and maintain strong relationships with stakeholders including the Government, airlines, business partners, passengers and employees. Working closely with these stakeholders ensures that the Airport can influence and shape future policy and decisions that may affect Gatwick and the aviation industry, and also to identify joint working opportunities to promote best practice.
- Gatwick understands the importance to its business of the communities in which it operates, and through consultation and engagement seeks to ensure that their concerns are taken into account in the operation and planning of Gatwick. The Board is committed to managing the airport responsibly, such that economic benefits are optimised without prioritising profits over the long term interests of local communities.
- Gatwick continues to work collaboratively with its partners to deliver sustainable growth. The 2020 Decade of Change objectives set a strong foundation and in June 2021 Gatwick published its second Decade of Change sustainability policy, which looks ahead to 2030. Gatwick has made significant progress on all areas of focus, it continues to reduce the Airport's environmental impact, by delivering sustainable growth.
- Gatwick has maintained its environmental permits and licenses and has had no formal reportable environmental incidents.
- The Group undertakes procurement responsibly and encourages trade and employment opportunities for local communities. Gatwick has a transparent recruitment process and is committed to recruiting diverse talented individuals from all sectors of the community. Gatwick has developed a number of strategies and policies to engage, motivate and challenge its employees as well as rewarding appropriately.
- Gatwick has a range of formal consultative bodies that discuss pay, conditions of employment, and business issues with three recognised trade unions (Unite, Prospect, and PCS). The Gatwick Joint Committee, the top-level consultative forum in the Airport, provides a forum for the workforce to share with management their views on business strategy and performance.
- Gatwick is preparing a planning application to bring the standby runway into routine use. The project (known as the Northern Runway project) will initially follow the process required under the Planning Act 2008 for nationally significant infrastructure projects involving the preparation and submission of a Development Consent Order (DCO).

4. Maintaining an effective risk management culture and internal control environment

- As set out in detail within section 5 of the Strategic Report, an effective risk management culture and internal control environment is a central element of the Group's strategic decisions and operations. The Group is committed to implementing appropriate strategies and processes that identify, analyse and manage the risks associated with the organisation in order to minimise the frequency and impact of undesired and unexpected events on the Group's objectives, while enabling it to optimise its business opportunities.
- Whilst these internal controls and processes are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatements or loss, the Audit, Risk and Finance Committee provides the Board, amongst other things, with independent oversight of the risk management of the Group.
- The principal corporate risks as identified by the Board are detailed within Section 5 of the Strategic Report.

DIRECTORS' REPORT (continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

Board Composition, Responsibilities & Remuneration:

- The Corporate Governance and Leadership of the Group is set out in detail within section 4 of the Strategic Report.
- This provides a detailed description of the Board of Directors (the 'Board') and Committees of the Board. Each board comprises a chair, a number of non-executive directors and advisers which together bring a broad balance of skills, backgrounds, experience and knowledge.
- Each Board and Committees of the Board have a terms of reference which set out clearly their accountability and responsibilities. The Board's policies and procedures support effective decision-making and independent challenge.
- The Remuneration and People Committee ensures that executive remuneration structures align to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

FUTURE DEVELOPMENTS

The directors have disclosed future developments in the Strategic Report on page 26 in the Response to COVID-19 section.

FINANCIAL RISK MANAGEMENT

The directors have disclosed financial risk management in the Strategic Report on page 46.

DIRECTORS' INDEMNITY

During the year ended 31 December 2021 and as at the date of approval of the financial statements, the Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, but without prejudice to any indemnity to which the person concerned might otherwise be entitled, every Director of the Company shall be indemnified out of the assets of the Company against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

DISCLOSURE OF INFORMATION TO 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.

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

The directors are responsible for preparing the Annual Report and the Consolidated and Parent Company Financial Statements 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 group and the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) 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 group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' confirmations

Each of the directors, whose names and functions are listed in officers and professional advisors confirm that, to the best of their knowledge:

- the group and company financial statements, which have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), give a true and fair view of the assets, liabilities and financial position of the group and company, and of the profit of the group; and
- the strategic report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

On behalf of the Board

Marten Soderbom
Director
7 March 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Ivy Holdco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and the Consolidated and Parent Company Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2021; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated and Company Cash Flow Statements for the year 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 group 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, 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 group's and the company's ability to continue as a going concern. Due to the nature of the company's operations, its evaluation of going concern is dependent on the evaluation of the Gatwick Airport Finance plc consolidated group consisting of Gatwick Funding Limited, Gatwick Airport Limited, Gatwick Airport Finance plc, Ivy Super Holdco Limited, Ivy Bidco Limited and the Company (collectively the "Group"). Consequently, the directors' assessment of going concern and our related audit procedures were primarily performed at a Group level.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED (continued)

Report on the audit of the financial statements (continued)

Material uncertainty related to going concern (continued)

Whilst the vaccination programme and removal of restrictions in the UK and abroad shows traffic recovering during the forecast period in management's forecasts, uncertainty remains over these forecasts. Given the current level of cases and both existing and future actions that have been or could be taken by both the UK Government and other nations, there remains short term uncertainty in the passenger forecasts. The Senior Interest Cover ratio is particularly sensitive to changes in revenues and cash flows and changes as a result of further travel restrictions or new variants could result in the Group breaching its senior interest cover ratio covenant when next assessed as at 31 December 2022. Details of the debt to which this covenant applies are set out in note 24 of the Consolidated Financial Statements. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the Directors' forecasts of anticipated passenger numbers and associated cash flows and a downside scenario they had modelled for reasonableness having regard to other externally available estimates as to the potential recovery of the UK aviation sector in 2022 and 2023.
- We further considered available funding to the Group for a period of at least a year from the date of approval of these financial statements, and any associated financial covenants related to this debt, to assess the level of available liquidity to the Group and any risk of potential covenant breaches, in particular as at the next measurement dates of 31 December 2022 and 30 June 2023.
- Recognising the highly uncertain environment affecting the sector at present, due to the pandemic, we then assessed to what level passenger numbers would need to fall in order to potentially breach the debt covenants and to have a critically low level of liquidity. Whilst this was not triggered in management's anticipated forecasts, scenarios do exist whereby extended government restrictions over travel or new variants could significantly impact the summer and we therefore assessed it as being plausible that the senior interest cover ratio could be breached.
- In addition to the above referenced assessment over passenger numbers and associated revenues we performed various tests to assess the integrity of management's forecast cash flow models including assessing the integrity of the model, its mathematical accuracy and the reasonableness of other key assumptions such as over cash costs and working capital movements reflected in the model.
- We also assessed the terms and maturities of all debt agreements and any associated covenants to ensure they were appropriately considered as part of our work.
- Finally, we reviewed the directors' conclusions and disclosures of the matter as set out in note 1 to the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our audit approach

Overview

Audit scope

- Our full scope audit accounts for 100% of Group revenue.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Overview (continued)

Key audit matters

- Material uncertainty related to going concern (group and company)
- Valuation of investment properties (group)
- Recoverability of investment in Gatwick Airport Limited (company)
- COVID-19 (group and company)

Materiality

- Overall group materiality: £10,600,000 (2020: £10,600,000) based on a qualitative and quantitative assessment of the results in the year.
- Overall company materiality: £6,050,000 (2020: £6,050,000) based on a qualitative and quantitative assessment of the results in the year. As above, and as agreed at the audit committee, we have agreed that a materiality of £6.84m, consistent with that applied in the prior year, equating to 0.6% of total assets, was an appropriate level to apply.
- Performance materiality: £8,000,000 (2020: £8,000,000) (group) and £4,540,000 (2020: £4,540,000) (company).

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. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Key audit matters (continued)

The key audit matters are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (group) As disclosed in note 16 to the Consolidated Financial Statements, the Group holds investment properties totalling £1,073.1 million at 31 December 2021 (2020: £1,016.0 million) including Car Parks, Offices and Non-Operational land. The carrying value of these investment properties is inherently judgemental and is based on valuations carried out by independent third party valuers Jones Lang LaSalle ("JLL") as at the year end. JLL was engaged by the Directors and performed their work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards and the requirements of International Accounting Standard 40 'Investment Property'. JLL included a material valuation uncertainty clause in their valuation reports as at 31 December 2021. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of investment properties. The valuation of the Group's investment property portfolio was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, and the valuation is sensitive to changes in assumptions, particularly: • Changes in the estimated rental value of the underlying property, and management's plan to utilise the properties in the future; • The rental yields that are achievable from the use of the property, particularly the estimate of future cash flows associated with the profitability of the car parks; and • The discount rate and comparable transactions used to support the fair value analysis.	In respect of the valuation of investment properties, we engaged PwC real estate valuation experts to assist us in evaluating the JLL valuation assumptions including: • assessing the valuation approach used and any changes in the approach from prior years; ensuring the valuation approach is consistent with professional valuation standards; • evaluating significant assumptions and judgements made in the model; and • we had particular regard to the material uncertainty reference in the JLL valuation and ensured that we and our PwC valuation team assessed whether the values in the JLL report were reasonable to include in the financial statements. As part of this assessment we considered the adequacy of the disclosures made in Note 16 (Investment Properties) to the financial statements. This included ensuring that due attention was brought to the reader's attention of the fact that the valuers had included a material valuation uncertainty in their report and consequently that less certainty and a higher degree of caution should be attached to the valuations as at 31 December 2021. We discussed this clause with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the reasonableness of the inclusion of the valuation in the consolidated statement of financial position and disclosures made in the financial statements are appropriate. We obtained supporting documentation to test the key inputs into the valuation including validating input data such as future cash flows associated with rental income, revenues growth assumptions and yields. We tested the mathematical accuracy of the valuation models. We assessed the disclosures of the methodologies used, assumptions adopted and the associated judgements with reference to relevant accounting standards. We also sought to understand the impact of climate change on the portfolio and considered how this had been reflected in the assessment of carrying values. Where additions were made we also challenged management as to the appropriateness of them. Ultimately we concluded that the reported valuation was appropriate to include in the financial statements.

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of investment in Gatwick Airport Limited (company) The Company holds an investment in Gatwick Airport Limited of £949.9 million (2020: £604.9 million). Given the size and nature of the investment, there is judgement required by management to determine whether or not there is any indication of impairment in value. Due to COVID-19, which was considered a triggering event for the impairment evaluation, management performed an assessment of the recoverability of its investment in Gatwick Airport Limited. Valuations of this nature are inherently judgmental and require management to use a variety of estimates, in particular the assessment of future cash flows of the airport, discount rates based on their regulatory weighted average cost of capital and perpetual growth rates in relation to a value in use, and the valuation a third party would be willing to pay to acquire the operations in the case of fair value less cost to sell.	We obtained management’s impairment assessment, noting the discounted cash flow model contained significant headroom. The key judgements underpinning the model was forecast growth over the next four years which included the recovery of passenger numbers and the impact this has on projected revenues and costs, projected capital expenditure and the discount rate used. To assess these assumptions, we performed the following: • Compared the projected capital expenditure with expected project costs, and management’s regulatory commitment; • Assessed the discount rate against the regulatory WACC, compared to the existing capital structure of other similar sized airports, and assessed the sensitivity of the discount rate to the headroom within the model; • Assessed the reasonableness of the perpetuity growth rate, comparing to United Kingdom GDP forecasts, and sensitised the assumption against the headroom in the model; • Compared the model to the requirements of IAS 36; and • Tested the mathematical accuracy of the model. We did not identify any material exceptions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
COVID-19 (group and company) Since the outbreak of COVID-19 the Group and Company have continued to operate and trade, however, there have been periods of significantly reduced passenger traffic when compared to historic levels. This reduction in traffic has continued into the first quarter of the year ending 31 December 2022. Management has considered the impact of COVID-19 on the Group and Company financial statements. Primarily these considerations related to the possible impairment of intangible and tangible assets, the revaluation of investment properties, the recognition of income from furlough and temporary government unemployment support schemes, the appropriate accounting for revised revenue contracts and the Board's going concern assessment.There is a risk that the financial impact arising from COVID-19 which has been recorded by management is inappropriate or that we might not able to obtain sufficient audit evidence in order to support our conclusions in respect of this assessment. Our audit focused on those areas where management identified potential financial impacts arising as a result of the pandemic which, based on our independent risk assessment, could have given rise to a risk of material misstatement. Refer to note 1 Basis of preparation, note 6, note 15, note 16, and as well as the Strategic Report - Response to COVID-19, for management's disclosures of the relevant judgements, estimates and impacts related to these items.	In advance of the year end and throughout the course of the audit we continued to assess the risks arising from the COVID-19 pandemic. We focussed on areas where significant additional audit effort might be required as well as those areas which might be susceptible to a material financial impact on the performance and position of the Group or Company for the year ended 31 December 2021. Other than as already described in the section on going concern and the key audit matters above, having regard to the key areas impacted by COVID-19 as set out in the column to the left, we performed additional procedures as set out below: • With regard to asset valuations, where relevant, various recovery scenarios were modelled by management in the cash flow models used to assess for possible impairments of intangible and tangible assets. We evaluated management's assumptions in light of expectations of recovery from the pandemic as well as historical results and post year end performance and concluded these to be reasonable and consistent with other evidence obtained during the course of our audit work; • With regard to furlough we verified furlough receipts have been received through inspection of bank statements and checked that the Group has met the required eligibility criteria in respect of schemes in territories where claims or receipts were outstanding at the year-end date: and • With regard to amended revenue contracts, we performed a test across all revenue contracts to identify amended contracts and evaluate whether the revenue recognition model was updated to reflect the amendment, if applicable. Despite undertaking our year end work remotely, we did not encounter any significant difficulties in performing our audit testing or in obtaining the required evidence to support our audit conclusions. We reviewed the disclosures in the financial statements in respect of the impact of COVID-19 and concluded that these are appropriate. Based on the work performed, as summarised above, we found that the Group's and Company's conclusions in respect of the impact of COVID-19 are appropriate.

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 group and the company, the accounting processes and controls, and the industry in which they operate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

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:

	Financial statements - group	**Financial statements - company**
Overall materiality	£10,600,000 (2020: £10,600,000).	£6,050,000 (2020: £6,050,000).
How we determined it	a qualitative and quantitative assessment of the results in the year. In determining materiality for the Group for the current year we had regard to the highly unusual year which resulted in significant pre-tax losses of £368.7 million as well as the fact that EBITDA is dramatically reduced compared to historical pre pandemic results. Given the highly unusual year none of the standard benchmarks typically used to determine materiality felt appropriate in isolation albeit we had regard to them. We had a detailed discussion on the topic with the Audit Committee, which included representatives of the investors, and after some debate agreed that a materiality of £10.6 million, equating to 2.9% of the loss before tax, was an appropriate level to apply. As noted above due to the highly unusual year subject to audit we do not believe that any standard benchmark in isolation is appropriate instead we have had careful regard to what level of adjustment to the reported results would materially impact the assessment of any users of the accounts. In this context we considered adjusted EBITDA but rejected this due to it dramatically falling away and being of limited relevance, as agreed with the audit committee, in the context of the current year. We then had regard to other often used benchmarks namely net assets and loss before tax. Applying standard benchmarks of 1% and 5% in relation to these would, in our view, lead to too high a materiality and hence we determined materiality at a level equivalent to the prior year equivalent was appropriate and equates to just under 3% of the loss before tax for the year	a qualitative and quantitative assessment of the results in the year. As above, and as agreed at the Audit Committee, we have agreed that a materiality of £6.84m, consistent with that applied in the prior year, equating to 0.6% of total assets, was an appropriate level to apply.
Rationale for benchmark applied	As noted above due to the highly unusual year subject to audit we do not believe that any standard benchmark in isolation is appropriate instead we have had careful regard to what level of adjustment to the reported results would materially impact the assessment of any users of the accounts. In this context we considered adjusted EBITDA but rejected this due to it dramatically falling away and being of limited relevance, as agreed with the audit committee, in the context of the current year. We then had regard to other often used benchmarks namely net assets and loss before tax. Applying standard benchmarks of 1% and 5% in relation to these would, in our view, lead to too high a materiality and hence we determined materiality at a level equivalent to the prior year equivalent was appropriate and equates to just under 3% of the loss before tax for the year.	As the Company is a holding company, its most significant balance is its investment in Gatwick Airport Limited. Therefore, we have utilised an asset based measure for materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £9.16 million to £10.07 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED (continued)

Report on the audit of the financial statements (continued)

Our audit approach (continued)

Materiality (continued)

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £8,000,000 (2020: £8,000,000) for the group financial statements and £4,540,000 (2020: £4,540,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £500,000 (group audit) (2020: £500,000) and £300,000 (company audit) (2020: £300,000) as well as misstatements below those amounts 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, except to the extent otherwise explicitly stated in this report, 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.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED (continued)

Report on the audit of the financial statements (continued)

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, 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 group's and 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 group or 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.
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and the licence terms set out by the Civil Aviation Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the risk of fraud in revenue recognition and management override of controls. Audit procedures performed by the engagement team included:

- We have held discussion with the Groups' General Council to identify matters relating to laws and regulations which require further investigation. This also included obtaining minutes of internally held meetings to inspect these to identify further non-identified matters;
- We have performed a detailed review of the terms and conditions outlined in the Civil Aviation Authority licence to determine any significant risk of non-compliance and have specifically performed procedures around the Group's ability to comply with capital expenditure commitments. We have also obtained, reviewed and assessed any observations in the report of the Covid-19 recovery visit performed by the Civil Aviation Authority during 2021;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by unexpected users;
- Reviewing the Group's litigation register as far as it related to non-compliance with laws and regulations and fraud; and
- Reviewing relevant Group's meeting minutes, including those of the Board of Directors and the Audit Committee.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY HOLDCO LIMITED (continued)

Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andrew Latham

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2022

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £m**	Year ended 31 December 2020 £m
Revenue	4	**192.7**	217.0
Other operating income	5	**0.1**	-
Operating costs	6	**(393.9)**	(465.1)
Operating loss		**(201.1)**	(248.1)
Analysed as:			
Operating loss before exceptional items		**(201.0)**	(205.5)
Operating costs – exceptional	7	**(0.1)**	(42.6)
Investment property revaluation	16	**54.7**	(159.7)
Loss on disposal of fixed assets	9	**(0.8)**	(0.9)
Financing			
Fair value loss on derivative financial instruments	10	**(149.8)**	(0.6)
Finance income	11	**79.8**	36.6
Finance costs	12	**(151.5)**	(153.2)
Loss before tax		**(368.7)**	(525.9)
Income tax (charge)/credit	13	**(1.9)**	60.4
Loss for the period		**(370.6)**	(465.5)

The notes on pages 73 to 112 form an integral part of these financial statements.

All income and expenses recognised during the current and prior periods are from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £m**	Year ended 31 December 2020 £m
Loss for the year		**(370.6)**	(465.5)
Other comprehensive income/(expense)			
Items that will not be reclassified to the consolidated income statement			
Actuarial gain/(loss) on retirement benefit obligations	25	**76.9**	(33.5)
Tax (charge)/credit	23	**(14.6)**	7.2
Other comprehensive profit/(loss) for the year		**62.3**	(26.3)
Total comprehensive expense for the year		**(308.3)**	(491.8)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Note	**Share capital £m**	**Merger reserve £m**	**Retained earnings £m**	**Total £m**
Balance at 1 January 2020		254.4	(260.8)	316.4	310.0
Loss for the year		-	-	(465.5)	(465.5)
Other comprehensive expense		-	-	(26.3)	(26.3)
Balance at 31 December 2020		254.4	(260.8)	(175.4)	(181.8)
Loss for the year		-	-	(370.6)	(370.6)
Other comprehensive income		-	-	62.3	62.3
Issue of share capital	27	345.0	-	-	345.0
Share based payments		-	-	0.8	0.8
Balance at 31 December 2021		**599.4**	**(260.8)**	**(482.9)**	**(144.3)**

The notes on pages 73 to 112 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	**31 December 2021 £m**	31 December 2020 £m
Assets			
Non-current assets			
Property, plant and equipment	15	**2,177.4**	2,308.6
Investment properties	16	**1,073.1**	1,016.0
Intangible assets	17	**24.0**	23.3
Lease receivables	21	**16.8**	16.7
Other non-current assets	22	**300.1**	300.1
Retirement benefit asset	25	**59.7**	-
		3,651.1	3,664.7
Current assets			
Inventories		**6.0**	7.0
Trade and other receivables	18	**90.3**	82.9
Corporation tax receivable		**34.1**	29.1
Cash and cash equivalents		**558.0**	293.1
		688.4	412.1
Total assets		**4,339.5**	4,076.8
Liabilities			
Non-current liabilities			
Non-current borrowings	24	**(3,349.7)**	(3,354.4)
Derivative financial liabilities	20	**(317.4)**	(193.0)
Lease liabilities	21	**(78.0)**	(60.8)
Deferred tax	23	**(290.1)**	(268.6)
Retirement benefit obligations	25	**-**	(38.1)
		(4,035.2)	(3,914.9)
Current liabilities			
Current borrowings	24	**(274.6)**	(174.4)
Lease liabilities	21	**(3.2)**	(2.9)
Trade and other payables	26	**(161.0)**	(158.0)
Current tax liabilities		**(1.0)**	(1.8)
Deferred income		**(8.8)**	(6.6)
		(448.6)	(343.7)
Total liabilities		**(4,483.8)**	(4,258.6)
Net liabilities		**(144.3)**	(181.8)
Equity			
Share capital	27	**599.4**	254.4
Retained earnings		**(482.9)**	(175.4)
Merger reserve		**(260.8)**	(260.8)
Total equity		**(144.3)**	(181.8)

The financial statements of Ivy Holdco Limited (company registration number 07497036) on pages 69 to 112 were approved by the Board of Directors on 7 March 2022 and signed on its behalf by:

Marten Soderbom
Director

Rémi Maumon de Longevialle
Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £m**	Year ended 31 December 2020 £m
Cash flows from operating activities			
(Loss)/profit before tax		**(368.7)**	**(525.9)**
Adjustments for:			
Investment property revaluation	16	**(54.7)**	**159.7**
Loss on disposal of fixed assets		**0.8**	**0.9**
Fair value loss on financial instruments	10	**149.8**	**0.6**
Finance income	11	**(79.8)**	**(36.6)**
Finance costs	12	**151.5**	**153.2**
Depreciation and amortisation	6	**174.7**	**180.4**
Decrease/(increase) in inventories, trade and other receivables		**2.3**	**(6.3)**
Increase/(decrease) in trade and other payables		**11.6**	**(27.4)**
Defined benefit pension contributions		**(21.5)**	**(20.4)**
Other non-cash movements		**-**	**(0.3)**
Cash generated from operations		**(34.0)**	**(122.1)**
Corporation tax paid		**-**	**(0.5)**
Net cash from operating activities		**(34.0)**	**(122.6)**
Cash flows from investing activities			
Interest received		**25.3**	**0.7**
Sale of tangible fixed assets		**-**	**0.1**
Purchase of fixed assets		**(28.7)**	**(108.2)**
Net cash from investing activities		**(3.4)**	**(107.4)**
Cash flows from financing activities			
Interest paid		**(105.3)**	**(134.5)**
Payment of lease liabilities and interest	28	**(3.5)**	**(1.0)**
Issue of ordinary share capital	27	**345.0**	**-**
Increase in external borrowings	28	**391.5**	**470.2**
Repayment of external borrowings		**(300.0)**	**-**
Increase in revolving credit facility		**-**	**215.0**
Payment of inflation accretion	28	**(25.4)**	**(36.6)**
Net cash from financing activities		**302.3**	**513.1**
Net increase in cash and cash equivalents		**264.9**	**283.1**
Cash and cash equivalents at the beginning of the period		**293.1**	**10.0**
Cash and cash equivalents at the end of the year		**558.0**	**293.1**

The notes on pages 73 to 112 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. BASIS OF PREPARATION

Ivy Holdco Limited ("the Company") is a private company, limited by shares, and is registered and incorporated in England, United Kingdom. The registered number is 07497036 and the registered address is 8th Floor, 20 Farringdon Street, London, EC4A 4AB.

These financial statements are the consolidated financial statements of the Group for the year ended 31 December 2021. The comparative period is the year ended 31 December 2020. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Ivy Holdco Limited transitioned to UK-adopted International Accounting Standards in its financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The financial statements of the Ivy Holdco Limited have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and prepared under the historical cost convention, except for investment properties and derivative financial instruments. These exceptions to the historic cost convention have been measured at fair value in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and as permitted by the Fair Value Directive as implemented in the Companies Act 2006. There were no changes to accounting standards that had a material impact on the financial statements.

The Directors have prepared the financial statements on a going concern basis. In assessing the going concern position of the Group, 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.

In forming this view, the Directors have noted that 2020 and 2021 were an unprecedented period in the aviation sector but that the actions taken since the start of the pandemic have managed the impact and put the Group in a strong position for recovery. Whilst, the vaccination programme and removal of restrictions in the UK and abroad gives confidence to the Directors on a significant traffic recovery there remains a degree of uncertainty over forecasts for 2022.

The Group'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 24.

The Group has taken steps to increase the availability of cash and committed funding available. Further to the action taken during 2020, the Group issued £300.0 million of new Class A bonds and utilised the proceeds to repay the £300.0 million Term Loan entered into during April 2020. During 2020 the Group was approved to draw up to £300.0 million under the Bank of England Covid Corporate Financing Facility ("CCFF"). £175.0 million was drawn on 10 November 2020. The loan was repaid in January 2021, with a further £250.0 million drawn on 14 January 2021. Prior to the closure of the CCFF scheme this loan was repaid in March 2021 with a further £275.0 million drawn on 19 March 2021. As at 31 December 2021, the Group held cash of £558.0 million and its £300.0 million Revolving Credit Facility was fully drawn. The Group also has access to a committed £150.0 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 for at least the next 12 months.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

1. BASIS OF PREPARATION (continued)

During 2020 and 2021 the Group was granted covenant waivers and an amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes: a) that any Default relating to Senior ICR and Senior RAR levels are waived in respect of the calculation dates falling on December 2020, June 2021, December 2021 and June 2022; and b) a temporary amendment (until June 2024) to the calculation of the Senior RAR to replace both the April 2020 to March 2021 EBITDA and the April 2021 to March 2022 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

The high level of vaccinations in the UK and our core markets; the availability of widespread testing and the acknowledgement from Government that economic impacts need to be considered means that 2022 is likely to see less restrictions in place than in 2021, allowing the recovery of international travel. The Group’s most recent forecast assumes a steady increase in passengers such that we expect total passenger numbers of 2022 to be circa 66% compared to 2019. Following the granting of the covenant waiver, the Group anticipates compliance with all covenant tests at the relevant calculation dates. However, it should be noted that the ICR is particularly sensitive to the concentrated loss of revenues and cash flows within a trailing 12 month period, while the Senior RAR is impacted for longer since it incorporates a 3 year trailing average EBITDA component. Given the current level of cases and the action taken by both the UK Government and other nations, there remains short term uncertainty in the passenger forecasts for 2022.

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, given the underlying credit quality of the business, can secure the necessary and timely support of its debtholders, and that it is accordingly appropriate to adopt a going concern basis for the preparation of these financial statements. Whilst there are a number of severe but plausible downside scenarios, including the emergence of a new variant and the introduction of new restrictions, there remains the existence of a material uncertainty due to the potential impact on the Group’s ICR covenant ratio at the 31 December 2022 calculation date. Whilst the Group has a number of options to mitigate or remedy any potential covenant breaches, this may cast significant doubt about the Group’s ability to adopt a going concern basis of preparation for the financial statements. These 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 7 March 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

Revenue is recognised when the Group satisfies performance obligations by transferring control of goods or services to its customers. Revenue is measured at the fair value of the consideration receivable net of rebates, discounts and VAT. Note 4 provides further details. Revenue comprises:

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

- Retail:
  - Concession fees recognised for the provision of retail space based upon concessionaires’ turnover. The performance obligation is satisfied by the customer occupying the retail space.

- Car parking:
  - Car parking income is recognised over the period of parking.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Revenue (continued)

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

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

(b) Exceptional Items

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

(c) Property, Plant and Equipment

Property, plant and equipment constitutes the Group's operational asset base including terminal complexes, airfield assets, plant, equipment, Group occupied properties and right to use assets recognised under IFRS 16. The Group has elected to use the cost model under IAS 16 Property, Plant and Equipment as modified by the transitional exemption to account for assets at deemed cost that were fair valued upon transition to IFRS at 1 April 2014 in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Consequently, property, plant and equipment is stated at cost or deemed cost less accumulated depreciation.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

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

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

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

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

(d) Investment Properties

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

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

(e) Intangible Assets

Intangible assets relate to computer software costs and are measured at cost less accumulated amortisation. Amortisation is recognised in the Income Statement on a straight-line basis over the expected useful economic life (4 – 10 years), from the date that the assets are available for use. Amortisation methods and useful lives are reviewed annually and adjusted if appropriate. Software costs within intangible assets are all acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the asset does not generate cash flows that are independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset. The Group has carried out sensitivity analyses on the reasonably possible changes in key assumptions in the impairment tests. In all cases tested, there is sufficient headroom and no indication of a material impairment of assets.

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

(g) Leases

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at a cost which comprises the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate to dismantle and remove the underlying asset, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset can be reduced by impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability for the Group comprise of fixed payments and any amounts expected to be payable under a residual value guarantee.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments, resulting in an adjustment made to the carrying value of the right-of-use asset.

The Group presents right-of-use assets in 'property, plant and equipment', and lease liabilities in 'lease liabilities' in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases for low value assets. The Group recognises the lease payments associated with such leases as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

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

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

(h) Inventories

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

(i) Cash and Cash Equivalents

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Cash that can only be used for a specific purpose or where access is restricted, is classified as restricted cash.

(j) Financial Instruments

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

Financial Assets

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

The Group's financial assets are measured at amortised cost. Classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

Financial Assets (continued)

1. Amortised cost

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

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

2. Impairment of financial assets

The Group applies a provision matrix using historical loss experience, adjusting for current conditions and reasonable forecasts. The Group uses three years of historical data to establish an average default rate. This probability is applied to current information, taking into account adjustments for current external conditions and reasonable forecasts.

The Group's adjustment of 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 assets 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 Group's definition of default is based on the ageing of debts and will also consider the financial status of the customer. The Group considers any debts over 180 days overdue, or any customer that falls into receivership, in default.

Trade receivables are assessed monthly for any impairments. For trade receivables and other assets that are in scope of the IFRS 9 impairment model, an expected credit loss model has been applied, taking into account current conditions and reasonable forecasts.

Financial Liabilities

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

Financial Liabilities (continued)

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.

Facility and arrangement fees resulting from the negotiation of finance that do not qualify as issue costs are written off to the Income Statement as incurred. Debt issue costs on refinanced instruments are written off directly to the Income Statement when the liability is derecognised.

3. Trade and other payables

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

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4. Derivative financial instruments

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

Financial Liabilities (continued)

4. Derivative financial instruments

The Group's current derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement, 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 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.

(k) Retirement Benefit Obligations

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

Current service costs, past service costs, net interest on the defined benefit liability (assets) and plan administration expenses are recognised within the Income Statement as they are incurred. Re-measurements on retirement benefit obligations and the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) are recognised in Other Comprehensive Income under IAS 19 Employee Benefits.

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

(l) Current and Deferred Taxation

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

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

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, for instance, deferred tax is recognised on temporary differences arising from the revaluation of investment properties.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) Dividend Distribution

A dividend distribution to the Group's shareholders is recognised in the Group's financial statements in the period in which the shareholders' right to receive payment of the dividend is established by approval of the dividend at the Annual General Meeting, or board meeting for interim dividends.

(o) Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the Group's accounting policies, management have made estimates and judgements. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to changes in estimates and assumptions. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

a) Estimates

1) Investment Properties

Investment properties were valued at fair value at 31 December 2021 by Jones Lang LaSalle Limited (2020: Jones Lang LaSalle Limited). The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence. As at the valuation date, there is a shortage of market evidence for comparison purposes, to inform opinions of value on the majority of the Group's portfolio. The Jones Lang Lasalle valuation of these assets was therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Further details are available in note 16.

Investment property classification and valuation are areas of judgement. The directors have defined specific criteria required to be met for assets to be classified as investment property. The directors consider car park assets meet this classification criteria therefore hold them as investment property. Car parks are valued primarily on a profits method of valuation which considers the cash flows expected to be generated by their trading potential. This reflects income and operating costs from previous years together with estimated forecasts, assumptions around future growth rates and varying discount rates depending on the attributes of each individual car park. Further details are available in note 16. The Group has carried out sensitivity analyses on the reasonably possible changes in key assumptions and any material changes in the inputs could lead to a material change in the valuation.

2) 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. Sensitivity analysis over the key inputs which create estimate uncertainty has been performed to assess the impact of changes in market conditions (note 20).

3) Retirement Benefit Obligations

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

4) Taxation

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The recognition of a deferred tax asset in the financial statements is therefore based on management's estimates of forecast profits in future years. Further details are available in note 13 and note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

b) Judgements

1) Capitalisation

Management are required to make judgements in relation to the capitalisation of costs within fixed assets. This relates to when amounts may begin to be capitalised, the asset class, the useful economic life applied, and where there may be doubt about the ultimate completion of the asset, for example with the Northern Runway project where there will be regulatory requirements such as planning consents.

4. REVENUE

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

(a) Nature of services

The Group's main revenue streams are:
- Airport and other traffic charges
- Retail income
- Car parking income
- Property income
- Operational facilities, utilities and other income

- Airport and other traffic charges: there are four distinct performance obligations, these are landing, parking, departing and other charges (i.e. noise and fixed electrical ground power). The revenue from these charges is recognised on the day the movement takes place or services are rendered.

  There are a number of airline contracts in place with discounts which vary by season (Summer/Winter). The Group recognises the discount over the period during which it is earned. Discounts are typically focussed on the Winter season.

- Retail income: the Group deems that the performance obligation is the provision of retail space in return for a fee. The fee is either a fixed rental fee or a concession fee based on the concessionaire's turnover. The performance obligation is satisfied by the customer occupying the retail space.

- Car parking income: car parking revenue is recognised either
  a) on the date of arrival at the car parking in the case of pre-booked reservation; or
  b) on the date of departure from the car park in the case of pay-on-exit (roll up).

  The performance obligation is the provision of a car parking space in return for a fee.

- Property income: the performance obligation is the provision of office space or land in return for a fee. The fee is either a fixed rental fee or a fee based on the tenant's turnover in the case of the hotel and petrol stations. The Group considers the performance obligation is satisfied by the customer occupying the office space or land. Income is recognised in accordance with IFRS 16.

- Operational facilities, utilities and other income: this revenue is derived from the recovery of certain costs incurred by the Group. The Group considers the performance obligation is satisfied when the customers make use of the facilities and utilities provided by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. REVENUE (continued)

(a) Nature of services (continued)

Disaggregation of revenue

In the following table, revenue is disaggregated by the Group's primary service lines:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Airport and other traffic charges	**85.6**	89.7
Retail		
- Duty and tax-free	**12.7**	13.2
- Specialist shops	**7.3**	11.6
- Catering	**10.2**	12.2
- Bureaux de change	**3.9**	5.0
- Other retail	**4.5**	7.8
	38.6	49.8
Car parking	**18.0**	17.7
Property income	**25.9**	30.6
Operational facilities and utilities income	**10.5**	12.7
Other	**14.1**	16.5
	192.7	217.0

More than 10% of the Group's total revenue is derived from easyJet in the current and prior periods.

(b) Contract balances

	31 December 2021 £m	31 December 2020 £m
Receivables (note 18)	**40.5**	19.9
Contract assets	**6.2**	2.2
Contract liabilities	**(8.8)**	(6.6)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights to receive consideration become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers, for which revenue is recognised over time, when the Group's performance obligations have been satisfied.

The amount of revenue recognised in the period to 31 December 2021 from performance obligations satisfied in previous periods is £6.1 million (2020: £14.7 million). This is due to a revision in estimated passenger numbers in respect to the annual assessment of various aeronautical and retail contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. REVENUE (continued)

(b) Contract balances (continued)

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	31 December 2021 £m		31 December 2020 £m	
	Contract assets	**Contract liabilities**	Contract assets	Contract liabilities
Revenue recognised that was included in contract liability balance at the beginning of the period	**-**	**3.8**	-	10.9
Increases due to cash received (excluding amounts recognised as revenue in the period)	**-**	**(6.0)**	-	(5.9)
Transfers from contract assets recognised at the beginning of the period to receivables	**(2.2)**	**-**	(19.9)	-
Increases as a result of changes in the measure of progress	**6.2**	-	2.2	

Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year or less.

5. OTHER OPERATING INCOME

During the year ended 31 December 2021 the Group received other income in the form of insurance proceeds.

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Other income	**0.1**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. OPERATING COSTS

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Wages and salaries [(a)]	**65.9**	74.7
Social security costs	**8.9**	10.5
Pension costs	**6.9**	8.1
Share-based payments	**0.9**	-
Other staff related costs	**2.2**	3.8
Staff costs	**84.8**	97.1
Retail expenditure	**0.4**	2.3
Car parking expenditure	**6.7**	6.9
Depreciation and amortisation	**174.7**	180.4
Maintenance and IT expenditure	**30.4**	30.2
Rent and rates	**32.1**	30.7
Utility costs	**17.7**	16.7
Police costs	**11.8**	12.9
Other operating expenses [(b)]	**20.6**	30.6
Aerodrome navigation service costs	**14.6**	14.7
Exceptional costs	**0.1**	42.6
	393.9	465.1

(a) Wages and salaries are net of government grants relating to the Coronavirus Job Retention Scheme amounting to £16.0 million in the year (2020: £25.8 million)

(b) Other operating expenses includes impairment of trade receivables amounting to £0.4 million in the year (2020: £5.4 million) and government grants relating to the Airport and Ground Operations Support Scheme (“AGOSS”) of £12.0 million (2020: £nil).

Average full-time equivalent (“FTE”) employee numbers decreased from 2,515 for the period ended 31 December 2020 to 1,718 for the year ended 31 December 2021. Average operational FTE employees decreased from 2,091 to 1,445 during the year, and non-operational FTE employees decreased from 424 to 273. At 31 December 2021 there were 1,687 FTE employees (2020: 1,768).

Costs in respect of audit services to the Group totalled £0.4 million in the period (2020: £0.3 million). Costs in respect of other assurance services totalled £0.2 million in the period (2020: £0.1 million). The allocation to the Company is £5,000.

7. OPERATING COSTS - EXCEPTIONAL

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Transaction costs [(a)]	**-**	3.2
Reorganisation costs [(b)]	**0.1**	39.4
	0.1	42.6

(a) Incentive and reorganisation costs incurred in relation to the sale of Gatwick to VINCI SA.

(b) Reorganisation costs relate to the reorganisation of the business following the impact of COVID-19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

8. DIRECTORS' EMOLUMENTS

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Directors' emoluments		
Aggregate emoluments	**1.2**	4.0

An amount of £nil (2020: £nil) was paid into money purchase schemes in respect of the Directors. Aggregate amounts receivable under long-term incentive schemes were £nil (2020: £nil).

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Highest paid Director		
Aggregate emoluments and benefits	**0.6**	2.3

During the year, the Directors received a reduced salary, consistent with other staff members within the group and no bonuses were payable for 2020 or 2021 as part of the ongoing actions to mitigate the financial impacts of COVID-19.

Nine Directors (2020: nine) were not remunerated during the year for services to the Group. No Directors exercised share options during the year (2020: nil). No Directors are members of the Gatwick Airport Limited defined benefit pension plan (2020: nil). No compensation was received by former Directors for loss of office during the year (2020: nil). No Directors had awards receivable in the form of shares under the Group's LTIP (2020: nil).

During the prior year, GIP completed the syndication process of its stake in Gatwick to a consortium of investors. As a result of the transaction, in 2020 the Directors received £2.9m of deferred consideration associated with the transaction.

9. LOSS ON DISPOSAL OF FIXED ASSETS

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

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Loss on disposal of fixed assets	**0.8**	0.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

10. FAIR VALUE MOVEMENT ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value loss on derivative financial instruments represents the movement in the year of the present value of expected net cash outflows in interest rate and index- linked derivative contracts (refer to note 19).

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Fair value loss on derivative financial instruments	**(149.8)**	(0.6)

11. FINANCE INCOME

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Interest receivable from other group undertakings [a]	**16.1**	16.2
Interest receivable on money markets and bank deposits	**-**	0.2
Interest receivable on derivative financial instruments [b]	**63.2**	19.8
Lease income	**0.5**	0.4
	79.8	36.6

(a) These amounts relate to interest receivable on a £300.0 million intercompany loan with Ivy Super Holdco Limited.

(b) These amounts relate to interest receivable on £396.0 million interest to index-linked derivatives and £289.0 million fixed to floating interest-linked derivatives. Refer to note 19 for detail on the nominal value of the Group's swaps.

12. FINANCE COSTS

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Interest on fixed rate bonds	**129.4**	124.4
Interest on bank borrowings [a]	**6.1**	7.1
Interest payable on derivative financial instruments [b]	**6.2**	12.4
Amortisation of debt costs	**2.7**	4.0
Non-utilisation fees on bank facilities	**0.7**	0.9
Lease expense	**11.8**	11.0
Net charge on pension scheme	**0.5**	0.4
Capitalised borrowing costs [c]	**(5.9)**	(7.0)
	151.5	153.2

(a) These amounts relate to interest payable on loans drawn under the £300.0 million Authorised Credit Facilities Agreement., Term Loan and Bank of England CCFF.

(b) These amounts relate to interest payable on £396.0 million interest to index-linked derivatives and £289.0 million fixed to floating interest-linked derivatives. Refer to note 19 for detail on the nominal value of the Group's swaps.

(c) Borrowing costs have been capitalised using a rate of 3.39% (2020: 4.08%), which is the weighted average of rates applicable to the Group's overall borrowings outstanding during the year. The capitalised interest amount is calculated by applying the capitalisation rate to the average monthly balance of assets in the course of construction, after deducting the value of construction work undertaken but not paid for, and included in the value of such assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

13. INCOME TAX

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Current tax		
Total current tax credit	**0.5**	22.3
Adjustment in respect of prior years	**4.5**	4.2
Total current tax credit	**5.0**	26.5
Deferred tax		
Current year	**66.4**	74.3
Adjustment in respect of prior years	**(3.7)**	(3.1)
Effect of change in tax rate	**(69.6)**	(37.3)
Total deferred tax (charge)/credit	**(6.9)**	33.9
Income tax (charge)/credit	**(1.9)**	60.4

Reconciliation of effective tax rate

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2020: 19%). The actual tax (charge)/credit for the current and prior years differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Loss before tax	**(368.7)**	(525.9)
Tax on loss at 19%	**70.1**	99.9
Effect of:		
Adjustment in respect of prior years	**0.8**	1.1
Expenses not deductible for tax purposes [(a)]	**(6.4)**	(1.9)
Tax rate changes	**(69.6)**	(37.3)
Effects of group relief	**2.9**	3.0
Revaluation on investment property	**0.3**	(4.4)
Total tax (charge)/credit	**(1.9)**	60.4

(a) Expenses not deductible for tax purposes is primarily due to capital expenditure which does not qualify for tax relief amounting to £7.5 million (2020: £4.1 million).

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

The calculation of the Group’s total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with HMRC or, as appropriate, through a formal legal process. The Group is currently in discussions with HMRC regarding the utilisation of certain losses and taxes associated with a group reorganisation, and while the final resolution of this matter is uncertain at this time, having taken external advice the directors believe the group has a very strong position and accordingly are confident this will not give rise to any additional tax liability. However, due to the inherent uncertainty surrounding matters of this nature the final resolution could give rise to material difference in the tax charge and related cash flows. The resolution of matters of this nature is not always within the control of the Group and it is often dependent on the efficacy of the legal processes in the relevant tax jurisdictions in which the Group operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

14. DIVIDENDS

The directors did not declare or pay any dividends during the year (2020: £nil). The Directors did not recommend the payment of a final dividend (2020: £nil).

15. PROPERTY, PLANT AND EQUIPMENT

Cost	Terminal complexes £m	Airfield assets £m	Group occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	Total £m
1 January 2020	1,590.2	572.2	164.8	712.1	168.5	3,207.8
Additions at cost	-	-	-	-	86.0	86.0
Interest capitalised	-	-	-	-	7.0	7.0
Transfers to completed assets	27.0	9.7	1.1	14.7	(62.7)	(10.2)
Disposals	(0.2)	-	-	(1.2)	-	(1.4)
31 December 2020	1,617.0	581.9	165.9	725.6	198.8	3,289.2
Additions at cost	-	-	-	-	51.1	51.1
Impairment (1)	-	-	-	-	(9.7)	(9.7)
Interest capitalised	-	-	-	-	5.9	5.9
Transfers to completed assets	2.2	0.8	22.5	7.6	(43.5)	(10.4)
Reclassification between categories	(4.9)	(10.6)	(0.3)	9.8	-	(6.0)
Disposals	(0.3)	(0.2)	-	(1.4)	-	(1.9)
31 December 2021	**1,614.0**	**571.9**	**188.1**	**741.6**	**202.6**	**3,318.2**
Accumulated Depreciation						
1 January 2020	(411.9)	(170.6)	(27.4)	(201.3)	-	(811.2)
Charge for the year	(81.8)	(31.7)	(7.0)	(50.1)	-	(170.6)
Disposals	0.1	-	-	1.1	-	1.2
31 December 2020	(493.6)	(202.3)	(34.4)	(250.3)	-	(980.6)
Charge for the year	(76.4)	(32.0)	(8.0)	(46.4)	-	(162.8)
Reclassification between categories	0.4	1.6	0.1	(1.3)	-	0.8
Disposals	0.3	0.2	-	1.3	-	1.8
31 December 2021	**(569.3)**	**(232.5)**	**(42.3)**	**(296.7)**	**-**	**(1,140.8)**
Net book value						
31 December 2021	**1,044.7**	**339.4**	**145.8**	**444.9**	**202.6**	**2,177.4**
31 December 2020	1,123.4	379.6	131.5	475.3	198.8	2,308.6
1 January 2020	1,178.3	401.6	137.4	510.8	168.5	2,396.6

(1) Previously capitalised costs written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation

Terminal complexes, airfield assets, Group occupied properties, plant and equipment and other assets are shown at historical cost or deemed cost following fair value revaluation upon the Group's transition to IFRS at 1 April 2014 or following reclassification from investment property.

As a result of the COVID-19 pandemic, the directors have assessed the recoverability of the assets through a discounted cashflow analysis using the forecast EBITDA generated by the Group, discounted by the regulatory WACC and concluded their carrying value is appropriate and no impairments are required.

Capitalised interest

Interest costs of £5.9 million (2020: £7.0 million) have been capitalised in the year at a capitalisation rate of 3.39% (2020: 4.08%) based on a weighted average cost of borrowings.

Security

As part of the financing agreements outlined in note 24, the Group have granted security over its assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

16. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 January 2020	1,173.0
Transfers to completed assets (from Assets in the course of construction)	3.2
Disposals	(0.5)
Revaluation loss	(159.7)
31 December 2020	1,016.0
Transfers to completed assets (from Assets in the course of construction)	0.1
Reclassification between categories	3.0
Disposals	(0.7)
Revaluation gain	54.7
31 December 2021	**1,073.1**
Net book value	
31 December 2021	**1,073.1**
31 December 2020	1,016.0
1 January 2020	1,173.0

Valuation

Investment properties and land held for development were valued at open market value at 31 December 2021 by Jones Lang LaSalle Limited at £1,073.1 million. (2020: £1,016.0 million valued by Jones Lang LaSalle Limited). These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account, *inter alia,* of planning constraints and reflecting the demand for airport related uses. As a result of the valuation, a gain of £54.7 million is recognised in the income statement (2020: a loss of £159.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

16. INVESTMENT PROPERTIES (continued)

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

The fair value measurement for all of the investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used (refer to note 20). Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence.

As at the valuation date, there is a shortage of market evidence for comparison purposes, to inform opinions of value on the majority of the Group's portfolio. The Jones Lang Lasalle valuation of these assets was therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. The valuers consider this clause to be a disclosure in their reports rather than a disclaimer, meaning the material uncertainty clause is to serve as a precaution and does not invalidate their valuation. Inputs to the valuations including discount rate, exit yield and forecast revenue assumptions are based on latest known information. The increasing discount rate and exit yield considered reflect the current market sentiment under the COVID-19 pandemic, impacting negatively the fair value, rather than a different long-term perspective for these assets. The Directors are satisfied that these valuations are appropriate for inclusion in the financial statements.

17. INTANGIBLE ASSETS

Cost	Intangible assets £m
1 January 2020	74.1
Transfers to completed assets (from Assets in the course of construction)	7.0
Disposals	(1.4)
31 December 2020	79.7
Transfers to completed assets (from Assets in the course of construction)	10.3
Reclassification between categories	3.1
Disposals	(0.6)
31 December 2021	**92.5**
Accumulated Amortisation	
1 January 2020	(47.8)
Charge for the year	(9.8)
Disposals	1.2
31 December 2020	(56.4)
Charge for the year	(11.9)
Reclassification between categories	(0.8)
Disposals	0.6
31 December 2021	**(68.5)**
Net book value	
31 December 2021	**24.0**
31 December 2020	23.3
1 January 2020	26.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

18. TRADE AND OTHER RECEIVABLES

	31 December 2021 £m	31 December 2020 £m
Trade receivables	**40.5**	19.9
Less: loss allowance	**(6.6)**	(1.9)
Net trade receivables	**33.9**	18.0
Accrued interest receivable	**33.4**	16.0
Other receivables	**0.7**	4.9
Prepayments and accrued income [(a)]	**6.4**	19.3
Amounts owed by group undertakings – interest free	**0.6**	0.6
Amounts owed by group undertakings – interest bearing	**15.3**	24.1
	90.3	82.9

(a) Includes contract assets.

The carrying value of trade and other receivables is classified at amortised cost.

Trade receivables are assessed monthly for any impairments. For trade receivables and other assets that are in scope of the IFRS 9 impairment model, an expected credit loss model has been applied, taking into account current conditions and reasonable forecasts.

Trade receivables are non-interest bearing and are generally on 14 day payment terms.

For further information about the Group's exposure to credit and market risks, and impairment losses for trade receivables, refer to note 20.

19. DERIVATIVE FINANCIAL LIABILITIES

	31 December 2021 Notional £m	**31 December 2021 Fair value £m**	31 December 2020 Notional £m	31 December 2020 Fair value £m
Variable rate to index-linked swaps	**40.0**	**32.4**	40.0	29.5
Fixed rate to index-linked swaps	**356.0**	**240.5**	356.0	163.5
Fixed rate to floating-linked swaps	**289.0**	**44.5**	-	-
	685.0	**317.4**	396.0	193.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. DERIVATIVE FINANCIAL LIABILITIES (continued)

Variable rate to index-linked swaps
Variable rate to index-linked swaps have been entered into to economically hedge borrowings and inflation-linked revenue.

Fixed rate to index-linked swaps
Fixed rate to index-linked swaps have been entered into to economically hedge borrowings and inflation-linked revenue.

Fixed rate to floating-linked swaps
Fixed rate to floating rate swaps have been entered into to reduce the proportion of fixed rate debt held by the group to below 85%.

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 Group has recognised a £149.8 million loss in financial derivatives through the income statement for the year ended 31 December 2021 (2020: £0.6 million loss).

The Group has recognised a total cumulative gain of £37.1 million at 31 December 2021 (2020: £30.4 million) to reflect the credit risk on the Group's external swap position.

20. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments (other than derivatives) comprise bank borrowings, cash and short term deposits. The main purpose of these instruments is to raise finance for the Group's operations.

The Group also enters into derivative transactions, principally interest rate swaps and index-linked swaps. The purpose of these transactions is to manage the interest rate and inflation risks arising from the Group's operations and its sources of finance.

The Group does not use financial instruments for speculative purposes. The treasury function operates on a centralised non-speculative risk basis. Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the Group's business operations and funding.

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

Market risk

Market risk is the risk that changes in market prices, such as interest rates and inflation indices (such as RPI) will affect the Group's income and expenditure or the value of its holdings of financial instruments.

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a mix of fixed to floating rate debt within Board approved parameters such that a minimum of 75% of existing and forecast debt is at a fixed rate. To manage this mix, the Group enters into interest rate swaps. These swaps may be designated to hedge underlying debt obligations. The Group also uses floating rate interest bearing financial assets as a natural hedge of the exposure to fair value interest rate risk. These instruments do not qualify for hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

20. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

As at 31 December 2021, the Group's fixed: floating interest rate profile, after hedging, on gross debt was 84:16 (2020: 84:16).

As at 31 December 2021, each 0.5% change in interest rates would have resulted in the following gain/(loss) to pre-tax profit and equity, due to movement in the finance income, finance cost and mark-to-market valuation of derivatives:

	31 December 2021 Income statement impact £m	**31 December 2021 Equity impact £m**	31 December 2020 Income statement impact £m	31 December 2020 Equity impact £m
0.5% increase in interest rates	**2.3**	**-**	2.5	-
0.5% decrease in interest rates	**(2.3)**	**-**	(2.5)	-
0.5% increase in inflation indices	**(54.0)**	**-**	(50.4)	-
0.5% decrease in inflation indices	**51.2**	**-**	47.7	-

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet their contractual obligations. Credit risk arises from cash and cash equivalents, derivative financial instruments and accounts receivable. The Group has no significant concentrations of credit risk. The Group's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used.

(a) Trade and lease receivables and amounts due from other group undertakings

For the financial assets that are in scope of the IFRS 9 impairment model, the Group applies a provision matrix using historical loss experience, adjusting for current conditions and reasonable forecasts. The assets assessed by the Group are the receivables, and the Group uses three years of historical data to establish an average default rate.

The Group'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 Group's definition of default is based on the ageing of debts and will also consider the financial status of the customer. The Group considers any debts over 180 days overdue, or any customer that falls into receivership, in default.

The Group has recognised a provision based on current external factors of £6.6 million as at 31 December 2021 (2020: £6.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

20. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Trade and lease receivables and amounts due from other group undertakings (continued)

Movements in impairment allowance for trade receivables are as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
At 1 January	**6.4**	3.0
Increase during the year	**1.4**	5.3
Receivable written off as uncollectible	**-**	-
Reversal of amounts previously impaired	**(1.2)**	(1.9)
As at 31 December	**6.6**	6.4

Credit risk exposure

The table below summarises the Group's exposure to credit risk by customer group calculated as a portion of impairment of trade receivables over the annual revenue.

	Year ended 31 December 2021 %	Year ended 31 December 2020 %
Airport and other traffic charges [(a)]	**-**	-
Retail	**1.4**	1.4
Car park [(a)]	**-**	2.1
Property	**3.6**	12.4
Other [(a)]	**-**	0.8

(a) Nil due to reversal of amounts previously impaired.

As the Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer group, the Group analyses each customer for creditworthiness by using external ratings. The Group can also adjust payment terms to mitigate its exposure to credit risk.

The airport charges and payment terms for airlines are published in the Conditions of Use. As the charges are significantly based on the number of departing passengers, the outstanding debt can escalate quickly. Therefore financial security is requested from all new customers, invoices are raised on a five day cycle and where credit is granted, it is on 14 day payment terms or less. Airline credit exposure is monitored on a daily basis and payment terms and financial security requirements amended as appropriate.

Many of the retail concessionaires have a significant high street presence and are affected by the changes in their market place. The performance of their contracts at the Airport are constantly monitored and the broader impact of their overall business is considered. Additional financial security is requested where there is an indication of increased credit risk.

Passenger car parking charges are either paid in advance or paid prior to exit from the car park. Parking charges for contractors and service providers are billed on a monthly cycle and where credit is granted, it is on 14 day payment terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

20. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Trade and lease receivables and amounts due from other group undertakings (continued)

Credit risk exposure (continued)

Certain customers and suppliers are critical to the operation of the Airport, such as ground handling agents and failure of such companies can have a significant impact on the operation of the Airport. The credit risk of these companies is constantly monitored and where an increase in credit risk is identified an appropriate action plan is agreed with that company in order to ensure a stable operation of the Airport and to minimise any financial loss.

(b) Cash and Cash equivalents

The Group maintains a prudent split of cash and cash equivalents across a range of market counterparties in order to mitigate counterparty credit risk.

(c) Debt securities

Board approved investment policies and relevant debt facility agreements provide counterparty investment limits, based on short- and long-term credit ratings. Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with counterparties with short-term credit ratings lower than A-3/F3. The Group monitors the credit rating of derivative counterparties regularly and ensures no positions are entered into with counterparties with a long-term credit rating below BBB+(S&P), BBB+(Fitch) or Baa1 (Moody's).

As at 31 December 2021, the Group had no credit risk exposure with derivative counterparties of its interest rate swaps and index-linked swaps due to a liability position on the mark to market (2020: nil).

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

Liquidity risk

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

Financial assets by category

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

	31 December 2021 £m	31 December 2020 £m
Lease receivables	**16.8**	16.7
Trade receivables	**33.9**	18.0
Other receivables	**0.7**	4.9
Cash and cash equivalents	**558.0**	293.1
Amounts owed by group undertakings	**316.0**	324.2
Total financial assets	**925.4**	656.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

20. FINANCIAL INSTRUMENTS (continued)

Capital risk management

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

	31 December 2021	**31 December 2021**	31 December 2020	31 December 2020
	Other financial liabilities at amortised cost	**Liabilities at fair value through income statement**	Other financial liabilities at amortised cost	Liabilities at fair value through income statement
	£m	**£m**	£m	£m
Borrowings	**3,624.3**	**-**	3,528.8	-
Derivative financial liabilities	**-**	**317.4**	-	193.0
Lease liabilities	**81.2**	**-**	63.7	-
Trade payables and accruals	**45.2**	**-**	35.0	-
Other payables	**2.7**	**-**	3.3	-
Capital creditors	**13.5**	**-**	21.8	-
Total financial liabilities	**3,766.9**	**317.4**	3,652.6	193.0

Changes in the fair value of derivative financial 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 Group has recognised a £149.8 million loss (2020: £0.6 million loss) in financial derivatives through the income statement for the year ended 31 December 2021.

At 31 December 2021, the Group has not designated any financial liabilities at fair value through the Income Statement, other than its derivative financial liabilities which do not qualify for hedge accounting.

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and net settled derivative financial instruments as at 31 December 2021 to the contract maturity date. Other non-interest bearing financial liabilities have been excluded. All current liabilities have varying maturity dates within the next 12 months

	Less than one year £m	**One to two years £m**	**Two to five years £m**	**Greater than five years £m**
31 December 2021				
Class A Bonds – Principal payments	**-**	**-**	**600.0**	**2,500.0**
Class A Bonds – Interest payments	**131.8**	**131.8**	**363.8**	**1,354.3**
Derivative financial instruments	**(50.8)**	**9.8**	**132.1**	**262.3**
	81.0	**141.6**	**1,095.9**	**4,116.6**
31 December 2020				
Class A Bonds – Principal payments	-	-	300.0	2,500.0
Class A Bonds – Interest payments	124.3	124.3	357.0	1,432.8
Derivative financial instruments	18.3	(6.8)	19.7	130.7
	142.6	117.5	676.7	4,063.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

20. FINANCIAL INSTRUMENTS (continued)

Fair value estimation

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Trade receivables
- Trade payables
- Cash and cash equivalents
- Amounts due to/from group undertakings

	31 December 2021 Book value £m	31 December 2021 Fair value £m
Fair value of borrowings		
Class A Bonds	**3,050.7**	**3,547.8**

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

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

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

The fair value of the Group's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 31 December 2021, all of the resulting fair value estimates in the Group are included at Level 2 except for Bonds which are valued at Level 1, consistent with previous years (2020: Level 2 except for Bonds which are valued at Level 1).

21. LEASES

A. As a lessee

'Property, plant and equipment' comprise owned and leased assets.

	Note	31 December 2021 £m
Property, plant and equipment owned		**1,990.3**
Right-of-use assets		**187.1**
	15	**2,177.4**

The Group's leased assets include group occupied property, vehicles and machinery. Information about leases for which the Group is a lessee is presented below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

21. LEASES (continued)

A. As a lessee (continued)

Right-of-use assets

Cost

	Group occupied properties £m	Plant and equipment £m	Total £m
1 January 2020	15.9	179.1	195.0
Additions in the Year	-	0.9	0.9
Disposals in the year	-	(0.1)	(0.1)
31 December 2020	15.9	179.9	195.8
Additions in the year	18.0	1.9	19.9
Disposals in the year	-	(0.6)	(0.6)
31 December 2021	**33.9**	**181.2**	**215.1**
Accumulated depreciation			
1 January 2020	(1.3)	(17.0)	(18.3)
Charge in the Year	(1.1)	(3.7)	(4.8)
Disposals in the Year	-	0.1	0.1
31 December 2020	(2.4)	(20.6)	(23.0)
Charge in the Year	**(2.0)**	**(3.3)**	**(5.3)**
Disposals in the Year	**-**	**0.3**	**0.3**
31 December 2021	**(4.4)**	**(23.6)**	**(28.0)**
Net Book value			
31 December 2021	**29.5**	**157.6**	**187.1**
31 December 2020	13.5	159.3	172.8
1 January 2020	14.6	162.1	176.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

21. LEASES (continued)

A. As a lessee (continued)

Lease liabilities included in the statement of financial position

	31 December 2021 £m	31 December 2020 £m
Current	**3.2**	2.9
Non-current	**78.0**	60.8
Total lease liabilities	**81.2**	63.7

The following table sets out the maturity analysis of lease liabilities, showing the undiscounted lease payments payable after the reporting date.

	31 December 2021 £m	31 December 2020 £m
Less than one year	**15.3**	14.3
Between one and five years	**55.2**	50.3
More than five years	**665.3**	654.6
Total undiscounted lease payments payable	**735.8**	719.2

Amounts recognised in Income statement

	31 December 2021 £m	31 December 2020 £m
Interest on lease liabilities	**11.8**	11.0
Depreciation expense on right-of-use assets	**5.3**	4.8
Expenses relating to short-term leases [a]	**-**	-
	17.1	15.8

(a) Short-term leases amount to £30,828 for the year ended 31 December 2021 (2020: £33,080)

B. As a Lessor

The Group leases properties, which have been classified as a finance lease. Please see note 11 for the Group’s finance lease income for the year.

Leases included in the statement of financial position

	31 December 2021 £m	31 December 2020 £m
Non-current assets	**16.8**	16.7
Total lease asset	**16.8**	16.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

21. LEASES (continued)

B. As a Lessor (continued)

Leases included in the statement of financial position (continued)

The following table sets out the maturity analysis of the lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	31 December 2021 £m	31 December 2020 £m
Less than one year	**0.8**	0.8
Between one and five years	**3.6**	3.6
More than five years	**74.6**	76.0
Total undiscounted lease payments receivable	**79.0**	80.4

Lease income from lease contracts in which the Group acts as a lessor for the year is £25.9 million (2020: £30.6 million). The Group classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

22. OTHER NON-CURRENT ASSETS

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

	31 December 2021 £m	31 December 2020 £m
Other non-current assets	**300.1**	300.1

During the year ended 31 December 2019 the Group advanced its immediate parent, Ivy Super Holdco Limited £300.0 million.

23. DEFERRED TAX

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

	Losses £m	Fixed assets £m	Retirement benefit obligations £m	Short term timing differences £m	Total £m
1 January 2020	7.1	(319.0)	4.3	(2.1)	(309.7)
(Charge)/credit to income	45.3	(7.4)	(4.2)	0.2	33.9
Credit to equity	-	-	7.2	-	7.2
31 December 2020	52.4	(326.4)	7.3	(1.9)	(268.6)
(Charge)/credit to income	105.6	(107.3)	(7.1)	1.9	(6.9)
Charge to equity	-	-	(14.6)	-	(14.6)
31 December 2021	**158.0**	**(433.7)**	**(14.4)**	**-**	**(290.1)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

23. DEFERRED TAX (continued)

The deferred tax assets include an amount of £158.0 million which relates to carried-forward tax losses of £643.0 million in the Group. The Group has incurred tax losses over the last two financial years as a result of travel restrictions caused by the coronavirus pandemic. Management considers that these deferred tax assets will be recoverable against estimated future taxable income. These estimates are based on the Group's approved business plans and budgets, which are also used for going concern and asset impairment testing. The tax losses can be carried forward indefinitely and have no expiry date.

24. BORROWINGS

	31 December 2021 £m	31 December 2020 £m
Fixed rate borrowings	**3,050.7**	2,756.7
Authorised Credit Facility–Revolving Facility [(a)]	**299.0**	298.8
Term Loan	**-**	298.9
Bank of England Covid Corporate Financing Facility	**274.6**	174.4
	3,624.3	3,528.8

Maturity Profile:		
Repayable in less than 1 year	**274.6**	174.4
Repayable between 1 and 2 years	**598.1**	298.9
Repayable between 2 and 5 years	**297.6**	597.7
Repayable in more than 5 years	**2,454.0**	2,457.8
	3,624.3	3,528.8

(a) This amount includes capitalised upfront costs in relation to the bank facilities entered into on 21 June 2018. These costs are being amortised over the term of the facility.

At the balance sheet date, the Group recognised unamortised capitalised coupon discount and debt issuance costs of £50.9 million (2020: £46.2 million).

All the above borrowings are carried at amortised cost. The fixed rate borrowings and Authorised Credit Facility are secured.

Ivy Holdco Group Facilities

The Group is party to a Common Terms Agreement ("CTA") with, *inter alia*, the National Westminster Bank as Authorised Credit Facility ("ACF") agent and previously the Initial Authorised Credit Facility ("Initial ACF") agent. Gatwick Airport Limited and Ivy Holdco Limited have Borrower Loan Agreements with Gatwick Funding Limited (as Issuer), and Deutsche Trustee Company Limited (as Borrower Security Trustee). The CTA together with a Master Definitions Agreement covers, *inter alia*, the Initial ACF Agreement, the ACF Agreement and the Borrower Loan Agreements.

The ACF Agreement entered into on 21 June 2018 has a Revolving Credit Facility of £300.0 million and a tenor of five years (with two, one year extension options) giving a termination date of 21 June 2023 (and extension options to 21 June 2024 and 21 June 2025 respectively). During the prior year the Group exercised the first one year extension option, giving a revised termination date of 21 June 2024. There are £300.0 million drawings outstanding on the Revolving Credit Facility at 31 December 2021 (2020: £300.0 million). The Group also has access to a committed £150.0 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months, providing additional assurance to bondholders and banks.

A further ACF Agreement entered into on 3 April 2020 has a Term Loan Facility of £300.0 million and a tenor of one year (with two, 6 month extension options) giving an initial termination date of 16 April 2021 (and extension options to 16 October 2021 and 16 April 2022 respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

24. BORROWINGS (continued)

Ivy Holdco Group Facilities (continued)

During the year the Group issued £300.0 million of new Class A bonds. The proceeds of the new bonds were utilised to repay the £300.0 million Term Loan on the initial termination date. The Term Loan was fully repaid and terminated on this date.

The Group was approved to draw up to £300.0 million under the Bank of England Covid Corporate Financing Facility ("CCFF"). £175 million was drawn on 10 November 2020. The loan was repaid in January 2021 and a further £250 million was drawn on 14 January 2021. Prior to the closure of the CCFF scheme this loan was repaid in March 2021 with a further £275.0 million drawn on 19 March 2021.

The Group's subsidiary, Gatwick Funding Limited has issued £3,100.0 million (2020: £2,800 million) of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2021 £m**	As at 31 December 2020 £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 2.5 per cent.	2030	2032	16 Apr 2021	**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 Jul 2019	**300.0**	300.0	GAL
				3,100.0	2,800.0	

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

At 31 December 2021, the average interest rate payable on borrowings was 3.25% p.a. (2020: 3.45% p.a.).

At 31 December 2021, the Group had no (2020: none) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

Financial covenants

During 2020 and 2021 the Group was granted covenant waivers and an amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes: a) that any Default relating to Senior ICR and Senior RAR levels are waived in respect of the calculation dates falling on December 2020, June 2021, December 2021 and June 2022; and b) a temporary amendment (until June 2024) to the calculation of the Senior RAR to replace both the April 2020 to March 2021 EBITDA and the April 2021 to March 2022 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

24. BORROWINGS (continued)

Financial covenants (continued)

The following table summarises the Group's financial covenants as at 31 December 2021 under the CTA, and lists the trigger and default levels:

Covenant	**31 December 2021**	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**(1.49)**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.81**	> 0.70	> 0.85

25. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

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

The total cost charged to the Income Statement of £6.0 million (2020: £7.1 million) represents contributions payable to this scheme by the Group at rates specified in the rules of the plans. As at 31 December 2021, £0.3 million of contributions (2020: £0.4 million) due in respect of the current reporting year remain unpaid to the scheme.

Defined benefit pension plan

For some employees, the Group operates a funded pension plan providing benefits based on final pensionable pay. Assets of the plan are held in a separate trustee administered fund.

Cash contributions to the plan are reviewed at funding valuations carried out every three years. If there is a shortfall against this target, then the Company and trustees will agree on deficit contributions to meet this.

The results of the formal actuarial valuation as at 30 September 2019 were updated to 31 December 2021 by an independent qualified actuary in accordance with IAS 19.

The estimated amount of total employer contributions expected to be paid to the plan during the year ending 31 December 2022 is £3.8 million (actual for year ended 31 December 2021: £21.3 million).

There is a risk to the Company that adverse experience could lead to a requirement for the Company to make additional contributions to recover any further deficit that arises in the plan. The next valuation is due as at 30 September 2022.

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

	31 December 2021 %	31 December 2020 %
Rate of increase in salaries – to 31 December 2021	**1.5**	1.5
– from 31 December 2021	**1.5**	1.5
– thereafter	**1.5**	1.5
Rate of increase in pensions in payment (RPI)	**3.0**	2.8
Rate of increase in pensions in payment (5% LPI)	**2.0**	2.7
Discount rate	**2.0**	1.4
Retail Prices Index inflation	**3.2**	2.8
Consumer Prices Index inflation	**2.4**	2.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

The majority of the plan's assets are held within instruments with quoted market prices in an active market. Whilst the majority of the Plan's holdings are regarded as being readily marketable, the plan has an allocation to private credit where the assets are subject to a maximum 9 year lockup period from September 2017. The plan does not invest directly in property occupied by the Group or in financial securities issued by the Group. The investment strategy is set by the Trustee of the plan in consultation with the Group.

In the plan, pensions in payment are generally increased in line with inflation and benefit payments have an average duration of 22 years

The mortality assumptions used were as follows:

	31 December 2021 Years	31 December 2020 Years
Life expectancy of male aged 60 at the Statement of Financial Position date	**26.3**	26.4
Life expectancy of male aged 60 in 20 years' time	**27.6**	27.9
Life expectancy of female aged 60 at the Statement of Financial Position date	**28.4**	28.6
Life expectancy of female aged 60 in 20 years' time	**29.8**	30.1

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

Assumptions	Change in assumption	Impact on plan liabilities at 31 December 2021 £m
Discount rate	-0.5%	66.0
Inflation	+0.5%	47.3
Life expectancy	+ 1 year	20.0

The sensitivity analyses above have been calculated to show the movement in the defined benefit obligation at the end of the reporting year in isolation, and may not be representative of the actual change. Each change is based on a change in the key assumption shown while holding all other assumptions constant and assuming no change in the corresponding asset value for the Plan. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the balance sheet has been applied. The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the previous year.

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

	31 December 2021 £m	31 December 2020 £m
Present value of plan liabilities	**(562.9)**	(596.1)
Fair value of plan assets	**622.6**	558.0
Surplus/(deficit)	**59.7**	(38.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Reconciliation of present value of plan liabilities

	31 December 2021 £m	31 December 2020 £m
Opening present value of plan liabilities	**(596.1)**	(511.7)
Current service cost	**(0.2)**	(0.2)
Interest cost	**(8.2)**	(11.3)
Contributions from plan members [(a)]	**(0.1)**	(0.1)
Benefits paid	**12.4**	10.8
Actuarial gain/(loss)	**29.3**	(83.6)
Closing present value of plan liabilities	**(562.9)**	(596.1)

(a) Contributions from plan members include contributions paid by the Group on behalf of plan members via salary sacrifice.

Reconciliation of fair value of plan assets

	31 December 2021 £m	31 December 2020 £m
Opening fair value of plan assets	**558.0**	487.0
Interest on plan assets	**7.7**	10.9
Actuarial gain	**47.8**	50.5
Benefits paid	**(12.3)**	(10.8)
Contributions paid by employer	**21.3**	20.3
Contributions paid by members	**0.1**	0.1
Closing fair value of plan assets	**622.6**	558.0

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

	31 December 2021	31 December 2020
Equity funds	**26%**	24%
Private equity funds	**2%**	4%
Emerging market multi asset funds	**8%**	9%
Diversified growth funds	**28%**	29%
Liability driven investment funds	**24%**	24%
Cash/other	**12%**	10%
	100%	100%

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

25. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

The amounts recognised in the income statement are as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Employer's part of current service cost	**(0.2)**	(0.2)
Net interest charge	**(0.5)**	(0.4)
	(0.7)	(0.6)

Actuarial gains and losses

The amount recognised in other comprehensive income are as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Changes in financial assumptions	**35.6**	(98.9)
Changes in demographic assumptions	**9.7**	-
Experience adjustments on benefit obligations	**(16.2)**	14.9
Return on plan assets less interest on plan assets	**47.8**	50.5
Gain/(loss) recognised in other comprehensive income	**76.9**	(33.5)

Amounts for current year and prior years

	31 December 2021 £m	**31 December 2020 £m**	31 December 2019 £m	31 March 2019 £m	31 March 2018 £m
Present value of plan liabilities	**(562.9)**	**(596.1)**	(511.7)	(495.9)	(465.8)
Fair value of plan assets	**622.6**	**558.0**	487.0	458.3	427.9
Surplus/(deficit)	**59.7**	**(38.1)**	(24.7)	(37.6)	(37.9)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

26. TRADE AND OTHER PAYABLES

	31 December 2021 £m	31 December 2020 £m
Trade payables	**8.7**	9.4
Accruals	**36.5**	25.6
Capital payables	**13.5**	21.8
Accrued interest payable	**99.6**	97.9
Other payables	**2.7**	3.3
	161.0	158.0

27. SHARE CAPITAL

	31 December 2021 £m	31 December 2020 £m
Called up, allotted and fully paid		
599,418,486 (2020: 254,417,261) ordinary shares of £1.00 each	**599.4**	254.4

The Group issued 345,001,225 shares on 24 June 2021 for £345,001,225.

28. RECONCILIATION IN NET DEBT

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

	As at 1 January 2021 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 December 2021 £m**
Borrowings	**(3,528.8)**	**(91.5)**	**(4.0)**	**(3,624.3)**
Derivative financial liabilities	**(193.0)**	**25.4**	**(149.8)**	**(317.4)**
Lease liabilities	**(63.7)**	**3.5**	**(21.0)**	**(81.2)**
Total financing liabilities	**(3,785.5)**	**(62.6)**	**(174.8)**	**(4,022.9)**
Cash and cash equivalents	**293.1**	**264.9**	**-**	**558.0**
Net debt	**(3,492.4)**	**202.3**	**(174.8)**	**(3,464.9)**

	As at 1 January 2020 £m	Cash flow £m	Other non-cash changes £m	As at 31 December 2020 £m
Borrowings	(2,839.6)	(685.2)	(4.0)	(3,528.8)
Derivative financial liabilities	(228.9)	36.6	(0.7)	(193.0)
Lease liabilities	(65.5)	1.0	0.8	(63.7)
Total financing liabilities	(3,134.0)	(647.6)	(3.9)	(3,785.5)
Cash and cash equivalents	10.0	283.1	-	293.1
Net debt	(3,124.0)	(364.5)	(3.9)	(3,492.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

29. RELATED PARTY TRANSACTIONS

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

	Income/(Expense) to related party		Amounts owed from/(due to) related party	
	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	**As at 31 December 2021 £m**	As at 31 December 2020 £m
Gatwick Airport Finance plc [(a)]	**-**	-	**1.0**	0.8
Ivy Super Holdco Limited [(a)]	**16.1**	16.2	**315.0**	323.9
VINCI Airports SAS [(b)]	**(1.7)**	(2.7)	**(4.4)**	(2.7)
Global Infrastructure Partners [(b)]	**(1.6)**	(2.2)	**(3.8)**	(2.2)

(a) Amounts receivable from related party relate to interest income.

(b) Amounts payable to related party relate to royalties and service fees.

Ivy Super Holdco Limited is the Group's immediate parent entity in the UK. Gatwick Airport Finance plc is the parent entity of Ivy Super Holdco Limited (see note 32).

30. COMMITMENTS

Capital commitments

Contracted commitments for capital expenditure amount to £54.4 million (2020: £23.3 million).

Other commitments

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

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

31. CLAIMS AND CONTINGENT LIABILITIES

As part of the refinancing agreements outlined in note 24, the Group have granted security over their assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

Other than the above and the disclosures in note 13, the Group has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other material items arising in the normal course of business at 31 December 2021 (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

32. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 December 2021 the Group's ultimate parent and controlling party is VINCI SA, a company incorporated in France.

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 Group's results are included in the audited consolidated financial statements of VINCI SA for the year ended 31 December 2021, the largest group 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.

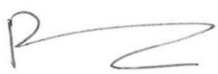
COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	**31 December 2021 £m**	31 December 2020 £m
Assets			
Non-current assets			
Investment in subsidiaries	6	**949.9**	604.9
Current assets			
Deferred tax asset		**5.0**	1.9
Cash and cash equivalents		**0.7**	0.7
Total assets		**955.6**	607.5
Liabilities			
Non-current liabilities			
Borrowings	7	**(293.6)**	(293.3)
Current liabilities			
Trade and other payables		**(38.3)**	(28.6)
Total liabilities		**(331.9)**	(321.9)
Net assets		**623.7**	285.6
Equity			
Share capital	8	**599.4**	254.4
Retained earnings		**24.3**	31.2
Total equity		**623.7**	285.6

The loss for the year ended 31 December 2021 was £6.9 million (2020: £8.1 million loss).

These parent company financial statements on pages 113 to 121 were approved by the Board of Directors on 7 March 2022 and signed on its behalf by:

Marten Soderbom
Director



Rémi Maumon de Longevialle
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Note	Share capital £m	Retained earnings £m	Total £m
Balance at 1 January 2020		254.4	39.3	293.7
Loss for the year	4	-	(8.1)	(8.1)
Balance at 31 December 2020		**254.4**	**31.2**	**285.6**
Loss for the year	4	**-**	**(6.9)**	**(6.9)**
Issue of share capital		**345.0**	**-**	**345.0**
Balance at 31 December 2021		**599.4**	**24.3**	**623.7**

The notes on pages 113 to 121 form an integral part of these parent company financial statements.

COMPANY CASH FLOW STATEMENT
For the year ended 31 December 2021

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash flows from operating activities		
(Loss)/profit before tax	**(10.0)**	(10.0)
Adjustments for:		
Dividend income	**-**	-
Finance expense	**10.0**	10.0
Increase in trade and other payables	**-**	-
Net cash from operating activities	**-**	-
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at the beginning of the Year	**0.7**	0.7
Cash and cash equivalents at the end of the Year	**0.7**	0.7

The notes on pages 113 to 121 form an integral part of these parent company financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. BASIS OF PREPARATION

Ivy Holdco Limited ("the Company") is a private company, limited by shares, and is registered and incorporated in England, United Kingdom. The registered number is 07497036 and the registered address is 8th Floor, 20 Farringdon Street, London, EC4A 4AB.

These financial statements are the financial statements of Ivy Holdco Limited ("the Company") for the year ended 31 December 2021. The comparative period is the year ended 31 December 2020. They have been prepared applying the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006 and prepared under the historical cost convention, except for investment properties and derivative financial instruments. These exceptions to the historic cost convention have been measured at fair value in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

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

The 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, given the underlying credit quality of the business, can secure the necessary and timely support of its debtholders, and that it is accordingly appropriate to adopt a going concern basis for the preparation of these financial statements. Whilst there are a number of severe but plausible downside scenarios, including the emergence of a new variant and the introduction of new restrictions, there remains the existence of a material uncertainty due to the potential impact on the Group's ICR covenant ratio at the 31 December 2022 calculation date. Whilst the Group has a number of options to mitigate or remedy any potential covenant breaches, this may cast significant doubt about the Group's ability to adopt a going concern basis of preparation for the financial statements. These 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.

As at 31 December 2021 the Company had net current liabilities of £33.0 million (2020: £26.0 million net current liabilities) and net assets of £623.3 million (2020: £285.6 million). Taking into account the Company's current assessment of the impact of COVID-19 combined with the mitigating actions that are within the Company's control, and access to cash and committed financing, the Directors consider the Company can maintain sufficient liquidity over the next 12 months, and they continue to adopt a going concern basis for the preparation of the Financial Statements.

The financial statements were approved by the Directors on 7 March 2022.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in subsidiaries

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

(b) Receivables

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Current and deferred taxation

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

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

(d) 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.

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

(e) Share Capital

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

(f) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In applying the Company's accounting policies management have made estimates and judgements. Actual results may, however, differ from the estimates calculated and management believe that the following presents the greatest level of uncertainty.

a) Taxation – Judgement

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

b) Investments in subsidiaries – Estimate

Management assesses, at each reporting date, whether there is an indication that the investment subsidiaries may be impaired. If any such indication exists, or when annual impairment testing for an investment is required, the Company makes an estimate of the investment's recoverable amount. Recoverable amount is the higher of an investment's net realisable value and its value in use. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment. Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

4. COMPANY RESULT FOR THE YEAR

The loss for the year ended 31 December 2021 was £6.9 million (2020: £8.1 million loss).

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

Audit fees of £5,000 (2020: £5,000) are borne by Gatwick Airport Limited.

Employee information

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

No Directors received remuneration for services to the company

5. DIVIDENDS

No dividends were declared during the year (2020: £nil). The Directors did not recommend the payment of a final dividend (2020: £nil).

The Company did not receive dividends from its wholly-owned subsidiary, Gatwick Airport Limited, during the year (2020: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. INVESTMENT IN SUBSIDIARIES

	31 December 2021 £m	31 December 2020 £m
Investment in subsidiaries	**949.9**	604.9

On 24 June 2021 the company acquired 345,001,225 shares in its subsidiary, Gatwick Airport Limited, for £345,001,225.

The Company has investments in the following subsidiary undertakings:

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

(a) Held by a subsidiary undertaking

All subsidiaries (except for Gatwick Funding Limited ("GFL")) are incorporated and operate in England, United Kingdom. Gatwick Airport Limited and Gatwick Airport Pension Trustees Limited have registered office 5th Floor Destinations Place, Gatwick Airport, West Sussex, RH6 0NP. Ivy Bidco Limited has registered office 8th Floor, 20 Farringdon Street, London, United Kingdom, EC4A 4AB. GFL is incorporated in Jersey and has registered office 44 Esplanade, St Helier, Jersey, JE4 9WG.

7. BORROWINGS

	31 December 2021 £m	31 December 2020 £m
Fixed rate borrowings	**293.6**	293.3
Maturity Profile:		
Repayable between 1 and 2 years	**-**	-
Repayable between 2 and 5 years	**-**	-
Repayable in more than 5 years	**293.6**	293.3
	293.6	293.3

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

At the balance sheet date, the Company recognised unamortised capitalised coupon discount and debt issuance costs of £6.4 million (2020: £6.7 million).

Ivy Holdco Group Facilities

Gatwick Airport Limited and the Company are party to a Common Terms Agreement ("CTA") with, *inter alia*, the National Westminster Bank as Authorised Credit Facility ("ACF") agent and previously the Initial Authorised Credit Facility ("Initial ACF") agent. Gatwick Airport Limited and Ivy Holdco Limited have Borrower Loan Agreements with Gatwick Funding Limited (as Issuer), and Deutsche Trustee Company Limited (as Borrower Security Trustee). The CTA together with a Master Definitions Agreement covers, *inter alia*, the Initial ACF Agreement, the ACF Agreement and the Borrower Loan Agreements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

7. BORROWINGS (continued)

The Company's subsidiary, Gatwick Funding Limited has issued £3.100.0 million of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2021 £m**	As at 31 December 2020 £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 2.5 per cent.	2030	2032	16 Apr 2021	**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 Jul 2019	**300.0**	300.0	GAL
				3,100.0	2,800.0	

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

At 31 December 2021, the average interest rate payable on borrowings was 3.25% (2020: 3.45% p.a.).

At 31 December 2021, the Group had no (2020: £nil) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

Financial covenants

During 2020 and 2021 the Group was granted covenant waivers and an amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes: a) that any Default relating to Senior ICR and Senior RAR levels are waived in respect of the calculation dates falling on December 2020, June 2021, December 2021 and June 2022; and b) a temporary amendment (until June 2024) to the calculation of the Senior RAR to replace both the April 2020 to March 2021 EBITDA and the April 2021 to March 2022 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

The following table summarises the Group's financial covenants as at 31 December 2021 under the CTA, and lists the trigger and default levels:

Covenant	**31 December 2021**	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**(1.49)**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.81**	> 0.70	> 0.85

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

8. CALLED UP SHARE CAPITAL

	31 December 2021 £m	31 December 2020 £m
Called up, allotted and fully paid		
599,418,486 (2020: 254,417,261) ordinary shares of £1.00 each	**599.4**	254.4

The Company issued 345,001,225 shares on 24 June 2021 for £345,001,225.

9. RELATED PARTY TRANSACTIONS

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

	Interest payable with related party		Amounts owed to related party	
	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	**As at 31 December 2021 £m**	As at 31 December 2020 £m
Gatwick Airport Limited	**-**	-	**(30.1)**	(20.3)
Gatwick Funding Limited	**(10.0)**	(10.0)	**(293.6)**	(293.3)
	(10.0)	(10.0)	**(323.7)**	(313.6)

Gatwick Airport Limited is a subsidiary of the Company (refer to note 6). Gatwick Funding Limited and Ivy Bidco Limited are both subsidiary companies of Gatwick Airport Limited.

10. CLAIMS AND CONTINGENT LIABILITIES

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

Other than the above, the Company has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

11. RECONCILIATION IN NET DEBT

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

	As at 1 January 2021 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 December 2021 £m**
Cash and cash equivalents	**0.7**	**-**	**-**	**0.7**
Borrowings	**(293.3)**	**-**	**(0.3)**	**(293.6)**
	(292.6)	**-**	**(0.3)**	**(292.9)**

	As at 1 January 2020 £m	Cash flow £m	Other non-cash changes £m	As at 31 December 2020 £m
Cash and cash equivalents	0.7	-	-	0.7
Borrowings	(293.1)	-	(0.2)	(293.3)
	(292.4)	-	(0.2)	(292.6)

12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 December 2021, VINCI SA, a company incorporated in France, is the ultimate parent and ultimate controlling party of Ivy Holdco Limited, a United Kingdom ("UK") incorporated and domiciled company.

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 Company 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 for the year ended 31 December 2021, the largest group 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.