

IVY HOLDCO LIMITED

Report and Unaudited Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2021

Company Registration Number 07497036

**REPORT AND UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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BUSINESS REVIEW

The Directors present their report and unaudited condensed interim consolidated financial statements for Ivy Holdco Limited (“the Company”) and its subsidiaries for the six months ended 30 June 2021.

GROUP STRUCTURE

As at 30 June 2021, Ivy Holdco Limited has four wholly-owned subsidiaries: Gatwick Airport Limited (“GAL”), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively known as “the Group”.

The Company’s subsidiary, Gatwick Airport Limited, accounts for the significant majority of the Group’s operations, Ivy Bidco Limited is an investment property holding company and Gatwick Funding Limited has financing transactions which are replicated in a “back-to-back” agreement with Gatwick Airport Limited (its parent) and Ivy Holdco Limited. Collectively, the Group’s operations are considered to represent those of Gatwick Airport (“Gatwick”, the “Airport”).

UK AVIATION STRATEGY

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. Everyone recognises that 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 recognises that aviation is essential to our economic recovery as well as wider agendas such as Global Britain, levelling-up and inclusive, sustainable growth. Gatwick continues to play an active part in working with Government on future policy development as well as supporting the aviation industry’s recovery – including being an active member of the Department for Transport’s (DFT) expert steering group and working with Ministers and officials on establishing the safe return of international travel.

The Global Travel Taskforce

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. The report published in November 2020 made 14 recommendations.

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.

Since April, the GTTF recommendations have been progressed in line with the easing of existing national restrictions. Different restrictions apply to different countries depending on risk in the form of a ‘traffic light’ system for travel. Whilst decisions are driven by the data and evidence at the time, the successful roll out of the vaccine programme across the UK and more widely is an important factor. A review of the countries on the traffic light list takes place every 3 weeks.

BUSINESS REVIEW (continued)**UK AVIATION STRATEGY (continued)****Government Aviation Policy**

There is long standing Government policy support for aviation. 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.

The Aviation Policy Framework (2013) sets out the Government's current policy to allow the aviation sector to continue to make a significant contribution to economic growth across the country, as well as setting out policy on important issues such as noise and climate change. It emphasises the need for airport operators to invest in delivering new capacity and improved resilience as well as maximising the use of existing capacity.

In June 2018 the Government decided to adopt an Airports National Policy Statement (ANPS). At the same time it also announced policy supporting all other airports in making best use of existing runways ('Beyond the Horizon – The future of UK aviation. Making best use of existing runways' June 2018).

In December 2018, the Government published policy proposals for a new Aviation Strategy entitled "Aviation 2050 – The future of UK aviation" (Cm9714) for consultation. The policy measures were designed to develop a long-term Aviation Strategy to 2050 and beyond, aiming to achieve a safe, secure and sustainable aviation sector that meets the needs of consumers and of a global, outward-looking Britain. This consultation closed in June 2019 and although the DfT was due to finalise its strategy during 2020, this work is currently on hold due to the pandemic. One element of Gatwick's input into policy making is through the preparation of a master plan, however Gatwick will continue to respond to Government policy consultations and play its part in securing the right framework to support the sustainable growth of the airport.

The Gatwick Airport Master Plan

It is best practice to review the long-term development and planning strategy of the Airport every five years. Following a public consultation in 2018, in July 2019 the Airport published its master plan and produced a report of consultation. Many of the responses highlighted strong support for Gatwick's future growth ambitions with two-thirds (66%) of respondents supporting growth by making best use of Gatwick's existing runways, through bringing the existing standby runway into routine use alongside the main runway. There was also clear support (59%) for the continued safeguarding of land for an additional runway should it be required in the future.

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 announced 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.

Further detailed design work as well as environmental, highways and other studies are currently underway to prepare the planning application to bring the standby runway into routine use. The planning process will follow the requirements of the Planning Act 2008 for nationally significant infrastructure projects involving the submission of a Development Consent Order (DCO). In September 2019, Gatwick formally started the process and submitted an Environmental Impact Assessment Scoping Report to the Planning Inspectorate (PINS). PINS responded with a Scoping Opinion in October 2019.

BUSINESS REVIEW (continued)**UK AVIATION STRATEGY (continued)****The Gatwick Airport Master Plan (continued)**

Whilst progress on the preparation of the DCO slowed during 2020, the pandemic has reinforced the need to bring economic prosperity to the region through sustainable airport growth. The project resumed again in early 2021 with progress being made on the next step in the planning process - a statutory public consultation proposed for the summer / autumn 2021. This will allow all stakeholders including local authorities, communities, businesses and partners the opportunity to provide more feedback as the scheme evolves. The Secretary of State for Transport will then make the ultimate decision. The standby runway could be brought into routine use by the late 2020s.

Policy Engagement

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 sustainable growth. This ambition is further supported by a Section 106 agreement with Crawley Borough Council and West Sussex County Council which was renewed in April 2019.

REGULATORY ENVIRONMENT

During the period 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 period. Obligations on third parties, contained in the Commitments, do not form part of the licence.

BUSINESS REVIEW (continued)**REGULATORY ENVIRONMENT (CONTINUED)****Commitments until 31 March 2021 (continued)**

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.

Gatwick has complied with all of 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. Gatwick consulted on a fuller 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. Gatwick furthermore decided that it will accelerate the pricing benefit inherent in these Commitments to be effective retrospectively from 1 January 2020, bringing pricing benefits to airlines sooner.

BUSINESS REVIEW (continued)**REGULATORY ENVIRONMENT (CONTINUED)****Commitments from 1 April 2021 (continued)**

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 Gatwick may incur in this period in preparation for obtaining the 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.

Some elements of the regulatory regime remain unchanged, including the CAA requirements in relation to operation 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.

BUSINESS REVIEW (continued)

PASSENGER TRAFFIC TRENDS

	Six months ended 30 June 2021	Six months ended 30 June 2020
Passengers	570,148	7,545,005
Air transport movements ("ATMs")	6,686	50,800
Passengers per ATM	85.3	148.5
Seats per ATM	186.1	194.0
<i>Average load factor (%)</i>	45.8%	76.6%
<i>Commercial passenger services only</i>		

Like all airports worldwide, Gatwick has been adversely impacted by the global response to COVID-19 which has resulted in heavy restrictions from Governments on international travel. Gatwick has operated on average at only around 2% of 2019 volumes between January to June 2021. The frequent changes to the restrictions have made it challenging for both the airline industry to respond and for passengers to plan trips.

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 has been followed by confusion around the 'traffic light' system for travel brought in by the UK Government from 17 May. After an initial surge of passengers to Portugal volumes were deflated when that country was put back on the amber list with minimal notice, leading to a renewed dampening of passenger confidence to travel.

During June there has been a slow but steady improvement in volumes with 5.2% of the 2019 June passengers coming through the Airport. There is expectation during the second half of the year that this improvement is accelerated following the recent amendment removing the requirement for those who are fully vaccinated (and their children) returning from an 'amber' list country to quarantine for 10 days on their return. A further positive sign is that the percentage of fully vaccinated UK adults now surpasses three quarters of the adult population with the vaccination programme continuing apace.

In the six months ended 30 June 2021, 0.6 million passengers travelled through the Airport, a decrease of 6.9 million or 92.4% compared to the same period in the prior year and a 21.6 million or 97.4% decrease compared to the same period in 2019.

Gatwick has continued to operate from only the North Terminal during this period, flexing the available infrastructure to meet demand. In total 20 airlines have operated scheduled services, serving 108 destinations. Whilst the average load factor is at 45.8% across the period this masks the fact that in the last 6 weeks load factor has steadily increased with 'amber' countries (c49%) closing the gap with the 'green' countries (c63%). It is also expected that passenger numbers will significantly increase to 'amber' destinations following the recent UK Government announcement ending the requirement for fully vaccinated passengers (and their children) to undertake 10 days quarantine on return to the UK.

easyJet have continued operating throughout this period, flexing their capacity to meet passenger demand. As the largest carrier at Gatwick they have commanded the majority of the movements and passengers' volumes during this period at 57% and 59% respectively. British Airways have also shown commitment to Gatwick with their long haul services, flying to Caribbean destinations throughout the period and increasing frequencies as countries are included on the 'green' list. British Airways short haul services remain consolidated at London Heathrow.

BUSINESS REVIEW (continued)

PASSENGER TRAFFIC TRENDS (continued)

Norwegian have emerged from their Examinership process and have recommenced flights from Gatwick, flying to their core Scandinavian markets. They no longer operate long haul flying and we wait to see if the new airline, Norse, commence flying to Norwegian’s core US routes later this year. Norse have acquired aircraft and are progressing well through the start-up necessities for a new airline.

jetBlue has announced Gatwick as part of their two airport strategy for London serving JFK in New York with daily flights later this summer and have plans to grow transatlantic routes over the next few years, in particular New York and Boston.

CAPITAL INVESTMENT PROGRAMME

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 experience of using the Airport through both investment in modern infrastructure and improving service standards. This will ensure that airlines can operate efficiently and customers enjoy a superior airport experience relative to competitors, encouraging greater utilisation of Gatwick and supporting its long-term growth ambitions. 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

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Capital expenditure	35.4	66.5

From April 2014, and following completion of Gatwick’s £1.2 billion Q5 Capital Investment Programme, regulatory oversight of Gatwick has evolved in response to the seven year Commitments framework, under which the Airport has made price, service quality, capital investment and consultation undertakings to its customers. Rather than being constrained by a fixed capital investment programme, the new framework allows flexibility, innovation, and pace in making investments at the Airport to improve services for our passengers and airline customers. Cumulative capital expenditure over the commitments period totals £1,423.5 million and is significantly in excess of the minimum investment level of at least £100.0 million per annum on average over the seven years.

In July 2019 Gatwick published its 2019 Capital Investment Programme (“CIP”) outlining plans to invest £1.1 billion over the next five years. Following the impact of COVID-19 on the business in 2020 this plan was revised.

In the period, capital expenditure decreased £31.1 million from £66.5 million in the six months ended 30 June 2020 to £35.4 million in the six months ended 30 June 2021. Many projects already in delivery at the start of 2020 were stopped during the year with only operationally critical projects or those that were near to completion continuing. Closure of construction sites was not mandated by the Government during lockdown, therefore Gatwick was able to work with contractors to review safe working practices and as a result was able to maintain progress on a number of projects that were on site, and in some cases, even benefit from the low volume of operational activity. The Group continues to review and consult on its CIP and plans to publish an updated version in due course.

BUSINESS REVIEW (continued)**CAPITAL INVESTMENT PROGRAMME (continued)**

During the period Gatwick controlled and delivered its CIP through several individual programmes covering the key elements of the Airport. Key capital investment projects and programmes completed or in construction during the six months ended 30 June 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 period 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.
- **COVID-19 measures:** Investment was made during the period on a number of COVID-19 related measures including perspex screens for check in desks in South Terminal.
- **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, with planned work in both areas completing ahead of schedule due to reduced operational activity on the runway. Construction continued on an ambitious project to replace the entire airfield data network with new resilient fibre-optic cabling.

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 with this forecast to continue in the coming months.

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. 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.

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

During the final quarter of the year, 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.

BUSINESS REVIEW (continued)**RESPONSE TO COVID-19 (continued)**

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 £140m in 2020:
 - 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. 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. South Terminal remains closed and the Airport continues to vary the operational footprint in the North Terminal to meet the changing demand;
 - Between March and November 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 million Term Loan (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 period, the Group received a capital injection of £370.0 million.

The Group was approved to draw up to £300 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 to both provide additional working capital to the Group and to extend the maturity of the facility.

As at 30 June 2021, the Group held cash of £623.5 million and its £300 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 6 months to 30 June 2021, and its forecast for each of the 12 month periods ending 31 December 2021, 2022, and 2023. These forecasts incorporate revised 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.

BUSINESS REVIEW (continued)**RESPONSE TO COVID-19 (continued)**

The Group has been granted a covenant waiver and 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 shall be waived in respect of the calculation dates falling on December 2020 and June 2021; and b) a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace the April 2020 to March 2021 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 assumes a steady increase in passengers as the vaccination program in the UK continues to roll out and reduces levels of serious infection such that we expect total passenger numbers of 2021 to be circa 20% compared to 2019. Whilst the Group has obtained a covenant waiver for the June 2021 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 recent rise in COVID-19 cases and the action taken by both the UK Government and other nations, there remains short term uncertainty in the passenger forecasts for 2021.

The Group's most recent forecast anticipates a breach in the Senior ICR at calculation dates of 31 December 2021 and 30 June 2022, and in Senior RAR at each calculation date from 31 December 2021 to 31 December 2023 (inclusive).

The Group has issued a request for a covenant waiver and amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes : a) a request that any Default relating to Senior ICR and Senior RAR levels shall be waived in respect of the calculation dates falling on December 2021 and June 2022; and b) a request for a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace 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. If the requested waivers and amendments are not agreed, an Event of Default may arise, which may (if supported by the required majority of Qualifying Borrower Secured Creditors) result in acceleration of the debt and enforcement action being taken. Given the underlying credit quality of the business, the Directors consider they can secure the necessary and timely support of the Qualifying Borrower Secured Creditors.

Given the current rise in COVID-19 cases and the action taken by both the UK Government and other nations, there remains short term uncertainty in the passenger forecasts for 2021 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.

BREXIT

The transition period for the UK exiting the EU came to an end on 31 December 2020. Following this period, the UK will see no immediate change in aviation regulations or market arrangements. A trade agreement was agreed between the UK and the EU on 24 December 2020. For the aviation sector the trade agreement preserved traffic rights between the UK and the EU, with the exception of the removal of cabotage rights (i.e. the rights of UK airlines to fly routes within EU).

The UK is no longer part of the EU's aviation institutions, including the European Union Aviation Safety Agency (EASA), however the trade agreement emphasises the aim of close cooperation in this area based on mutual recognition of licences. Other regulatory impacts are largely limited by European legislation becoming UK legislation as part of the European Union (Withdrawal) Act 2018. This means there are not immediate changes to rules and regulations governing areas such as slots, airport charges, ground handling or the rights of passengers with reduced mobility.

BUSINESS REVIEW (continued)**FINANCIAL REVIEW****Revenue**

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Aeronautical income	12.7	59.5
Retail income	7.7	36.5
Car parking income	1.6	12.2
Property rental income	12.9	16.9
Operational facilities and utilities income	2.9	8.6
Other income	4.5	10.5
Total revenue	42.3	144.2

The decrease in revenue for the six months ended 30 June 2021 of 70.7% was primarily due to the COVID-19 pandemic which caused a 92.4% decrease in passenger volume, impacting all revenue streams.

Aeronautical income

Aeronautical income is driven by traffic volume, the level of airport charges and the terms of bilateral contracts with airlines. In the six months ended 30 June 2021, aeronautical income decreased by 78.7% or £46.8 million to £12.7 million against the backdrop of a 92.4% 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 for the six months ended 30 June 2021 was £22.62 (30 June 2020: £7.89) 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 33% of aeronautical income, relative to 4% in the prior year, driving a higher yield on a per passenger basis.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Aeronautical income (continued)

The period was also impacted by the seasonal imbalance of traffic, with 72% of the passenger volume falling into the higher yielding summer season (i.e. April to June) relative to only 1% 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, aircraft parking charges are higher and airline discounts are typically lower. The effect of these factors on the yield per passenger was amplified by the reduced loads on passenger flights.

Retail income

Net retail income per passenger is calculated as follows:

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Duty and tax-free	1.7	9.6
Specialist shops	0.8	8.3
Catering	3.0	9.7
Bureau de change	1.1	4.2
Other retail	1.1	4.7
	7.7	36.5
Less: retail expenditure	(0.1)	(1.0)
Net retail income	7.6	35.5
Passengers (m)	0.6	7.5
Net retail income per passenger	£12.67	£4.73

In the six months ended 30 June 2021, net retail income decreased by 78.6% period-on-period to £7.6 million with an increase in income per passenger of 167.9% to £12.67. 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.

All categories have continued to see the extreme impact of COVID-19 due to the reduction of the number of passengers travelling and the various Government restrictions that have been implemented to control the spread of the virus. Gatwick has worked closely with retailers to re-open their units and ensure the appropriate measures and processes are in place to protect passenger safety whilst they travel through the airport.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Car parking income

Net car parking income decreased by 105.4% period-on-period and income per passenger decreased by 178.8%.

Net car parking income per passenger is calculated as follows:

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Car parking income	1.6	12.2
Less: car parking expenditure	(2.0)	(4.8)
Net car parking income	(0.4)	7.4
Passengers (m)	0.6	7.5
Net car parking (loss)/income per passenger	(£0.78)	£0.99

For the six months ended 30 June 2021, parking income was heavily impacted by COVID-19 and reduced passenger volumes. In response, the product offering was flexed in line with demand and Gatwick has worked closely with suppliers to reduce costs to a minimum whilst maintaining service levels. Given the proportion of fixed costs associated with parking and very low pax volumes the net income for the period was negative.

Other income categories

For the six months ended 30 June 2021, income from property rental income, operational facilities and utilities income, and other income categories decreased by £15.7 million to £20.3 million compared to £36.0 million for the six months ended 30 June 2020. Income in the period was impacted by lower volumes of passengers, closure of various infrastructure and reduced occupancy of areas and office space (in turn lowering energy and water consumption). Other income overall has not fallen in line with passenger volumes as an element of these revenue streams is fixed.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Operating costs

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Staff costs	36.2	67.5
Retail expenditure	0.1	1.0
Car parking expenditure	2.0	4.8
Depreciation and amortisation	86.9	90.0
Maintenance and IT expenditure	14.6	16.2
Rent and rates	16.0	14.9
Utility costs	7.4	8.6
General expenses	16.2	28.0
Total operating costs (pre-exceptional items)	179.4	231.0

For this period, staff costs, the largest operating cost, decreased by £31.3 million or 46.4%. The average number of full time equivalent (“FTE”) employees reduced from 2,779 for the six months to June 2020 to 1,735 for the same period in 2021. As at 30 June 2021, there were 1,713 FTE employees, a 31.9% reduction compared to the equivalent 30 June 2020 position of 2,515 FTE employees. This reflects the outcome of a significant re-organisational change 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 £0.9 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 £2.8 million or 58.3%; 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.

Depreciation and amortisation decreased by £3.1 million or 3.4% due to the reduced asset base.

Maintenance and IT expenditure decreased £1.6 million or 9.9%. Following the travel restrictions announced towards the end of March 2020, Gatwick entered into discussions with all major suppliers and third party service providers in order to pro-actively manage the cost base appropriately. In some cases, this meant negotiating a reduced service and in others it meant pausing, deferring or stopping activities.

Rent and rates increased by £1.1 million or 7.4% for the six months ended 30 June 2021 due to an inflationary increase in the rates multiplier applied to all valuations, liability assessment of vacations resulting in a new baseline cost for current period, and one-off credits in 2020.

Utility costs decreased by £1.2 million. A reduction in consumption due to infrastructure closures and lower occupancy of rental and office space as a result of COVID-19 were extensively offset by higher wholesale prices.

General expenses decreased by £11.8 million or 42.1% primarily due to a receipt of £8.0 million from the UK Government in relation to the Airports and Ground Operators Support Scheme.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

EBITDA

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

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Operating loss	(137.2)	(103.4)
Add back: exceptional items	0.1	16.6
Add back: depreciation and amortisation	86.9	90.0
EBITDA (pre-exceptional items)	(50.2)	3.2

EBITDA decreased by £53.4 million compared to the same period in the prior year due to a significant reduction in passenger numbers as a result of the impact COVID-19 had on the Airport’s operations.

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 5 for further details.

Principal risks and uncertainties

The principal risks, as identified by the Board of Directors, have not changed since 31 December 2020. They are explained in more detail in the Group’s annual report and consolidated financial statements for the period ended 31 December 2020 and relate to the following key areas:

- Environment, health and safety
- Business resilience
- CAA regulation
- Competition rules
- Aviation policy and strategy
- Capital projects
- Changes in demand
- Loss of Personal Data
- Anti-corruption and anti-bribery matters
- People (including Industrial Relations)
- Financial risk

The principal risks for the Group are also explained in more detail in the Gatwick Funding Limited prospectus published in March 2021 including commercial risks impacting demand such as macro-economic, exposure to airline actions, event risks (including epidemic diseases).

BUSINESS REVIEW (continued)**FINANCIAL REVIEW (continued)****Financing activities**

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 17 of the financial statements. Following the impact of COVID-19, during 2020 the RCF of £300 million was fully drawn to ensure sufficient liquidity and has remained fully drawn to 30 June 2021.

During the period ended 30 June 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 parent company, issuing £450.0 million of Senior Secured Notes.

Going concern

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

Dividends

The Directors have not declared a dividend during the period to 30 June 2021 (30 June 2020: £nil).

REPORT OF THE DIRECTORS

BASIS OF PREPARATION

The attached unaudited condensed interim consolidated financial statements of Ivy Holdco Limited, comprising the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and other explanatory notes have been prepared as required by the Ivy Holdco Limited Common Terms Agreement and are considered to fairly represent the financial condition and operations of Ivy Holdco Limited and its subsidiaries as at 30 June 2021 and for the six months then ended.

We confirm that, to the best of our knowledge:

- these condensed interim consolidated financial statements have been prepared on the basis of the policies set out in the 2020 annual financial statements and in accordance with UK International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34"); and
- the accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied by the Group in its audited consolidated financial statements for the period ended 31 December 2020 which were prepared in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006.

The financial information set out herein does not constitute the Group's statutory financial statements for the period ended 31 December 2020 within the meaning of Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year is available on the Airport's website and will be filed with the Registrar of Companies. The auditor's report on the 31 December 2020 financial statements was not modified and did not contain any statement under Section 498 of the Companies Act 2006, however it included an emphasis of matter material uncertainty related to going concern.

OWNERSHIP

On 13 May 2019, Ivy Guernsey Holding L.P completed the sale of a 50.01% interest in the Group to Cruiser Bidco Limited, a UK incorporated company. Cruiser Bidco Limited is ultimately owned by VINCI SA, a company incorporated in France.

The remaining 49.99% interest in the Group remains ultimately managed by GIP.

VINCI Airports, as the leading private airport operator in the world, manages the development and operation of 45 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.

REPORT OF THE DIRECTORS (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.

The directors have set out their compliance with Section 172 in the Group's audited consolidated financial statements for the period ended 31 December 2020.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Marten Soderbom', written in a cursive style.

Marten Soderbom
Director

11 August 2021

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2021

	Note	Unaudited six months ended 30 June 2021 £m	Unaudited six months ended 30 June 2020 £m	Audited year ended 31 December 2020 £m
Revenue	3	42.3	144.2	217.0
Operating costs	4	(179.5)	(247.6)	(465.1)
Operating loss		(137.2)	(103.4)	(248.1)
<i>Analysed as:</i>				
Operating loss before exceptional items		(137.1)	(86.8)	(205.5)
Operating costs - exceptional	5	(0.1)	(16.6)	(42.6)
Investment property revaluation	11	31.5	(178.2)	(159.7)
Loss on disposal of fixed assets	6	(0.1)	(0.4)	(0.9)
Financing				
Fair value loss on derivative financial instruments		(70.7)	(5.3)	(0.6)
Finance income	7	48.9	18.4	36.6
Finance costs	8	(76.4)	(75.0)	(153.2)
Loss before tax		(204.0)	(343.9)	(525.9)
Income tax (charge)/credit	9	(40.6)	22.9	60.4
Loss for the period		(244.6)	(321.0)	(465.5)

The notes on pages 25 to 41 form an integral part of these unaudited condensed interim consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	Unaudited six months ended 30 June 2021 £m	Unaudited six months ended 30 June 2020 £m	Audited year ended 31 December 2020 £m
Loss for the period	(244.6)	(321.0)	(465.5)
Other comprehensive income			
Items that will not be reclassified to the consolidated income statement			
Actuarial gain/(loss) on retirement benefit obligations	53.1	(26.1)	(33.5)
Tax (charge)/credit	(8.5)	5.8	7.2
Other comprehensive income/(loss) for the period	44.6	(20.3)	(26.3)
Total comprehensive loss for the period	(200.0)	(341.3)	(491.8)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2021

	Share capital £m	Merger reserve £m	Retained earnings £m	Total £m
Balance at 31 December 2020 (audited)	254.4	(260.8)	(175.4)	(181.8)
Loss for the period	-	-	(244.6)	(244.6)
Other comprehensive income	-	-	44.6	44.6
Issue of share capital	345.0	-	-	345.0
Share based payments	-	-	0.5	0.5
Balance at 30 June 2021 (unaudited)	599.4	(260.8)	(374.9)	(36.3)
Balance at 31 December 2019 (audited)	254.4	(260.8)	316.4	310.0
Loss for the period	-	-	(321.0)	(321.0)
Other comprehensive income	-	-	(20.3)	(20.3)
Balance at 30 June 2020 (unaudited)	254.4	(260.8)	(24.9)	(31.3)

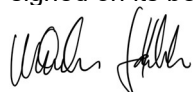
The notes on pages 25 to 41 form an integral part of these unaudited condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Note	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Assets				
Non-current assets				
Property, plant and equipment	10	2,257.5	2,375.9	2,308.6
Investment properties	11	1,047.2	996.3	1,016.0
Intangible assets	12	25.8	25.1	23.3
Lease receivables	14	16.8	16.9	16.7
Other non-current assets	15	300.1	300.1	300.1
Retirement benefit asset	18	14.6	-	-
		3,662.0	3,714.3	3,664.7
Current assets				
Inventories		6.1	7.3	7.0
Trade and other receivables		54.6	57.0	82.9
Corporation tax receivable		30.1	2.5	29.1
Cash and cash equivalents		623.5	326.7	293.1
		714.3	393.5	412.1
Total assets		4,376.3	4,107.8	4,076.8
Liabilities				
Non-current liabilities				
Borrowings	17	(3,351.9)	(3,354.5)	(3,354.4)
Derivative financial instruments	13	(238.2)	(197.6)	(193.0)
Lease liabilities	16	(79.0)	(62.1)	(60.8)
Deferred tax		(318.7)	(280.4)	(268.6)
Retirement benefit obligations	18	-	(43.4)	(38.1)
		(3,987.8)	(3,938.0)	(3,914.9)
Current liabilities				
Current borrowings	17	(273.7)	-	(174.4)
Lease liabilities	16	(2.8)	(2.1)	(2.9)
Trade and other payables	19	(140.9)	(174.6)	(158.0)
Current tax liabilities		(0.6)	(15.1)	(1.8)
Deferred income		(6.8)	(9.3)	(6.6)
		(424.8)	(201.1)	(343.7)
Total liabilities		(4,412.6)	(4,139.1)	(4,258.6)
Net liabilities		(36.3)	(31.3)	(181.8)
Equity				
Share capital		599.4	254.4	254.4
Retained earnings		(374.9)	(24.9)	(175.4)
Merger reserve		(260.8)	(260.8)	(260.8)
Total equity		(36.3)	(31.3)	(181.8)

The notes on pages 25 to 41 form an integral part of these unaudited condensed interim consolidated financial statements.

These condensed interim consolidated financial statements of Ivy Holdco Limited (Company registration number: 07497036) were approved by the Board of Directors on 11 August 2021 and were signed on its behalf by:



Marten Soderbom
Director



Rémi Maumon de Longevialle
Director

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2021

	Unaudited six months ended 30 June 2021 £m	Unaudited six months ended 30 June 2020 £m	Audited year ended 31 December 2020 £m
Cash flows from operating activities			
Loss before tax	(204.0)	(343.9)	(525.9)
<i>Adjustments for:</i>			
Investment property revaluation	(31.5)	178.2	159.7
Loss on disposal of fixed assets	0.1	0.4	0.9
Fair value loss on financial instruments	70.7	5.3	0.6
Finance income	(48.9)	(18.4)	(36.6)
Finance costs	76.4	75.0	153.2
Depreciation and amortisation	86.9	90.0	180.4
Decrease/(increase) in inventories, trade and other receivables	10.6	1.2	(6.3)
Increase/(decrease) in trade and other payables	18.4	30.4	(27.4)
Defined benefit pension contributions	-	(7.5)	(20.4)
Other non-cash movements	-	-	(0.3)
Cash generated from operations	(21.3)	10.7	(122.1)
Corporation tax paid	-	(1.0)	(0.5)
Net cash from operating activities	(21.3)	9.7	(122.6)
Cash flows from investing activities			
Interest received	25.2	0.5	0.7
Sale of tangible fixed assets	-	0.1	0.1
Purchase of fixed assets	(15.2)	(78.8)	(108.2)
Net cash from investing activities	10.0	(78.2)	(107.4)
Cash flows from financing activities			
Interest paid	(70.6)	(90.2)	(134.5)
Payment of lease liabilities	(1.4)	(1.3)	(1.0)
Issue of ordinary share capital	345.0	-	-
Increase in external borrowings	94.1	298.3	470.2
Increase in revolving credit facility	-	215.0	215.0
Payment of inflation accretion on derivatives	(25.4)	(36.6)	(36.6)
Net cash from financing activities	341.7	385.2	513.1
Net increase in cash and cash equivalents	330.4	316.7	283.1
Cash and cash equivalents at the beginning of the period	293.1	10.0	10.0
Cash and cash equivalents at the end of the period	623.5	326.7	293.1

The notes on pages 25 to 41 form an integral part of these unaudited condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 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.

These financial statements are the condensed interim consolidated financial statements of Ivy Holdco Limited and its subsidiaries (“the Group”) for the six months ended 30 June 2021. The comparative periods are the six months ended 30 June 2020 and the year ended 31 December 2020. They are presented in sterling and rounded to the nearest £0.1 million. These condensed interim consolidated financial statements have been prepared in accordance with UK International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”) and prepared under the historical cost convention, except for investment properties, available-for-sale assets, derivative financial instruments and financial liabilities that qualify as hedged items under a fair value hedge accounting system. These exceptions to the historic cost convention have been measured at fair value in accordance with UK-adopted IFRS and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2020 which are prepared in accordance with International Financial Reporting Standards (“IFRS”) in conformity with the requirements of the Companies Act 2006.

Going Concern

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 flows 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 the first half of 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 early success of the vaccination programme in the UK and significant progress made abroad gives confidence to the Directors on a significant traffic recovery in the future there remains a degree of uncertainty over forecasts for the next 12 months.

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.

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. In addition during the period, the Group received a capital injection of £370.0 million. 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 30 June 2021, the Group held cash of £623.5 million and its £300 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021**1. BASIS OF PREPARATION (continued)**

The Group's financing arrangements are subject to compliance with financial covenants, including the Senior Interest Cover Ratio ("ICR") (which is calculated on the basis of operating cash flow within a 12-month period, adjusted downwards by a pre-defined notional (non-cash) amount, compared to net interest paid) and the Senior RAR Ratio ("RAR") (which is calculated by reference to net debt compared with a defined multiple of average EBITDA from the last 3 years). Both covenants are subject to bi-annual tests at 30 June and 31 December.

The Group has been granted a covenant waiver and amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes : a) any Default relating to Senior ICR and Senior RAR levels is waived in respect of the calculation dates falling on December 2020 and June 2021; and b) a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace the April 2020 to March 2021 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 assumes a steady increase in passengers as the vaccination program in the UK continues to roll out and reduces levels of serious infection such that we expect total passenger numbers of 2021 to be circa 20% compared to 2019. Whilst the Group has obtained a covenant waiver for the June 2021 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 recent rise in COVID-19 cases and the action taken by both the UK Government and other nations, there remains short term uncertainty in the passenger forecasts for 2021.

The Group's most recent forecast anticipates a breach in the Senior ICR at calculation dates of 31 December 2021 and 30 June 2022, and in Senior RAR at each calculation date from 31 December 2021 to 31 December 2023 (inclusive).

The Group has issued a request for a covenant waiver and amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes : a) a request that any Default relating to Senior ICR and Senior RAR levels shall be waived in respect of the calculation dates falling on December 2021 and June 2022; and b) a request for a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace 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. If the requested waivers and amendments are not agreed, an Event of Default may arise, which may (if supported by the required majority of Qualifying Borrower Secured Creditors) result in acceleration of the debt and enforcement action being taken. Given the underlying credit quality of the business, the Directors consider they can secure the necessary and timely support of the Qualifying Borrower Secured Creditors.

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 the Group has a number of options to mitigate or remedy any potential covenant breaches, there remains the existence of 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. These financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the financial statements had not been prepared on a going concern basis.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

2. GENERAL INFORMATION

The financial information set out herein does not constitute the Group's statutory financial statements for the period ended 31 December 2020 within the meaning of Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year will be filed with the Registrar of Companies. The auditor's report on the 31 December 2020 financial statements was not modified and did not contain any exceptions in the statement under Section 498 of the Companies Act 2006, however it included an emphasis of matter material uncertainty related to going concern.

3. REVENUE

The Directors consider the business has only one segment (defined as the Airport due to the nature of its regulatory environment, type of operation, geographic location, and internal management reporting framework).

Disaggregation of revenue

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.

	Unaudited six months ended 30 June 2021 £m	Unaudited six months ended 30 June 2020 £m	Audited year ended 31 December 2020 £m
Airport and other traffic charges	12.7	59.5	89.7
Retail	7.7	36.5	49.8
- Duty and tax-free	1.7	9.6	13.2
- Specialist shops	0.8	8.3	11.6
- Catering	3.0	9.7	12.2
- Bureau de change	1.1	4.2	5.0
- Other retail	1.1	4.7	7.8
Car parking	1.6	12.2	17.7
Property income	12.9	16.9	30.6
Operational facilities and utilities income	2.9	8.6	12.7
Other	4.5	10.5	16.5
	42.3	144.2	217.0

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

4. OPERATING COSTS

	Unaudited six months ended 30 June 2021 £m	Unaudited six months ended 30 June 2020 £m	Audited year ended 31 December 2020 £m
Wages and salaries	27.0	53.8	74.7
Social security costs	4.6	5.7	10.5
Pension costs	3.0	4.4	8.1
Share based payments	0.5	-	-
Other staff related costs	1.1	3.6	3.8
Staff costs	36.2	67.5	97.1
Retail expenditure	0.1	1.0	2.3
Car parking expenditure	2.0	4.8	6.9
Depreciation and amortisation	86.9	90.0	180.4
Maintenance and IT expenditure	14.6	16.2	30.2
Rent and rates	16.0	14.9	30.7
Utility costs	7.4	8.6	16.7
Police costs	6.6	6.0	12.9
General expenses	2.4	16.2	30.6
Aerodrome navigation service costs	7.2	5.8	14.7
Exceptional costs	0.1	16.6	42.6
	179.5	247.6	465.1

Wages and salaries are presented net of £12.5 million grant income relating to the UK Government's Coronavirus Job Retention Scheme (30 June 2020: £12.1 million, 31 December 2020: £25.8 million).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

5. OPERATING COSTS - EXCEPTIONAL

	Unaudited six months ended 30 June 2021 £m	Unaudited six months ended 30 June 2020 £m	Audited year ended 31 December 2020 £m
Transaction costs ^(a)	-	0.5	3.2
Reorganisation costs ^(b)	0.1	16.1	39.4
	0.1	16.6	42.6

(a) Incentive and reorganisation costs incurred during the period 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.

6. LOSS ON DISPOSAL OF FIXED ASSETS

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

	Unaudited six months ended 30 June 2021 £m	Unaudited six months ended 30 June 2020 £m	Audited year ended 31 December 2020 £m
Loss on disposal of fixed assets	0.1	0.4	0.9

7. FINANCE INCOME

	Unaudited six months ended 30 June 2021 £m	Unaudited six months ended 30 June 2020 £m	Audited year ended 31 December 2020 £m
Interest receivable from other group undertakings ^(a)	8.0	8.0	16.2
Interest receivable on money markets and bank deposits	-	0.1	0.2
Interest receivable on derivative financial instruments ^(b)	40.6	9.9	19.8
Lease income	0.3	0.4	0.4
	48.9	18.4	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 13 for detail on the nominal value of the Group's swaps.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

8. FINANCE COSTS

	Unaudited six months ended 30 June 2021 £m	Unaudited six months ended 30 June 2020 £m	Audited year ended 31 December 2020 £m
Interest on fixed rate bonds	63.1	61.8	124.4
Interest on bank borrowings	4.0	2.4	7.1
Interest payable on derivative financial instruments	2.7	6.2	12.4
Amortisation of debt costs	2.7	1.7	4.0
Non-utilisation fees on bank facilities	0.5	0.7	0.9
Lease expense	5.8	5.4	11.0
Net charge on pension scheme	0.3	0.2	0.4
Capitalised borrowings costs	(2.7)	(3.4)	(7.0)
	76.4	75.0	153.2

9. INCOME TAX

The tax charge for the six months ended 30 June 2021 is based on an effective tax rate of -19.9% (30 June 2020: 6.7%, 31 December 2020: 11.5%). An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 25 May 2021. This has resulted in a tax charge for the six months ended 30 June 2021 despite a loss before tax due to the effect on the Group's deferred tax liability.

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges.

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 a 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

10. PROPERTY, PLANT AND EQUIPMENT

Cost	Terminal complexes	Airfield assets	Group occupied properties	Plant, equipment & other assets	Assets in the course of construction	Total
	£m	£m	£m	£m	£m	£m
1 January 2021 (audited)	1,617.0	581.9	165.9	725.6	198.8	3,289.2
Additions at cost	-	-	-	-	35.4	35.4
Interest capitalised	-	-	-	-	2.7	2.7
Transfers to completed assets (including to investment properties and intangible assets)	3.1	0.9	19.5	1.7	(32.3)	(7.1)
30 June 2021 (unaudited)	1,620.1	582.8	185.4	727.3	204.6	3,320.2
Depreciation						
1 January 2021 (audited)	(493.6)	(202.3)	(34.4)	(250.3)	-	(980.6)
Charge for the period	(39.9)	(15.5)	(3.8)	(22.9)	-	(82.1)
30 June 2021 (unaudited)	(533.5)	(217.8)	(38.2)	(273.2)	-	(1,062.7)
Net book value						
30 June 2021 (unaudited)	1,086.6	365.0	147.2	454.1	204.6	2,257.5
30 June 2020 (unaudited)	1,162.0	391.0	134.7	491.1	197.1	2,375.9
31 December 2020 (audited)	1,123.4	379.6	131.5	475.3	198.8	2,308.6

Security

As part of the financing agreements outlined in note 17, the Group has 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

11. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 January 2021 (audited)	1,016.0
Transfers to completed assets (from assets in the course of construction)	(0.2)
Revaluation gain	31.5
Disposals	(0.1)
30 June 2021 (unaudited)	1,047.2
Net book value	
30 June 2021 (unaudited)	1,047.2
30 June 2020 (unaudited)	996.3
31 December 2020 (audited)	1,016.0

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. 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, negatively impacting 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

12. INTANGIBLE ASSETS

Cost	Intangible assets £m
1 January 2021 (audited)	79.7
Transfers to completed assets (from assets in the course of construction)	7.3
30 June 2021 (unaudited)	87.0
Amortisation	
1 January 2021 (audited)	(56.4)
Charge for the period	(4.8)
30 June 2021 (unaudited)	(61.2)
Net book value	
30 June 2021 (unaudited)	25.8
30 June 2020 (unaudited)	25.1
31 December 2020 (audited)	23.3

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2021		Unaudited 30 June 2020		Audited 31 December 2020	
	Notional £m	Fair value £m	Notional £m	Fair value £m	Notional £m	Fair value £m
Variable rate to index-linked swaps	40.0	28.2	40.0	31.1	40.0	29.5
Fixed rate to index-linked swaps	356.0	180.5	356.0	166.5	356.0	163.5
Fixed rate to floating-linked swaps	289.0	29.5	-	-	-	-
	685.0	238.2	396.0	197.6	396.0	193.0

Variable rate to index-linked swaps

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

Fixed rate to index-linked swaps

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

13. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 the Income Statement. 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.

14. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments (other than derivatives) comprise bank loans, 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.

Financial instruments by category

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

Amortised cost

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Lease receivables	16.8	16.9	16.7
Trade receivables	27.4	20.1	18.0
Other receivables	1.7	1.2	4.9
Cash and cash equivalents	623.5	326.7	293.1
Amounts owed by group undertakings	307.8	316.6	324.8
Total financial assets	977.2	681.5	657.5

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

14. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category (continued)

	Unaudited 30 June 2021		Unaudited 30 June 2020		Audited 31 December 2020	
	Other financial liabilities at amortised cost £m	Liabilities at fair value through income statement £m	Other financial liabilities at amortised cost £m	Liabilities at fair value through income statement £m	Other financial liabilities at amortised cost £m	Liabilities at fair value through income statement £m
Borrowings	3,625.6	-	3,354.5	-	3,528.8	-
Derivative financial liabilities	-	238.2	-	197.6	-	193.0
Lease liabilities	81.8	-	64.2	-	63.7	-
Trade payables and accruals	54.3	-	77.0	-	35.0	-
Other payables	3.3	-	3.8	-	3.3	-
Capital payables	22.4	-	30.8	-	21.8	-
Total financial liabilities	3,787.4	238.2	3,530.3	197.6	3,652.6	193.0

At 30 June 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.

For the six months ended 30 June 2021, the Group recognised a £70.7 million loss (30 June 2020: £5.3m loss, 31 December 2020: £0.6m loss) on financial derivatives through the Income Statement.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

14. FINANCIAL INSTRUMENTS (continued)

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 30 June 2021 to the contract maturity date.

	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
30 June 2021 (unaudited)				
Class A Bonds – Principal payments	-	-	600.0	2,500.0
Class A Bonds – Interest payments	131.8	131.8	363.8	1,381.8
Derivative financial instruments	(50.5)	(29.0)	60.7	38.5
	81.3	102.8	1,024.5	3,920.3

30 June 2020 (unaudited)				
Class A Bonds – Principal payments	-	-	300.0	2,500.0
Class A Bonds – Interest payments	124.3	124.3	357.0	1,460.3
Derivative financial instruments	21.1	(7.1)	22.8	134.5
	145.4	117.2	679.8	4,094.8

31 December 2020 (audited)				
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

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

	30 June 2021 Book value £m	30 June 2021 Fair value £m
Fair value of borrowings		
Class A Bonds	3,052.9	3,648.2

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 30 June 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 (30 June 2020: Level 2 except for Bonds which are valued at Level 1, 31 December 2020: Level 2 except for Bonds which are valued at Level 1).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

15. OTHER NON-CURRENT ASSETS

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

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Other non-current assets	300.1	300.1	300.1

16. LEASES

As a lessee

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

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Property, plant and equipment owned	2,067.7	2,201.8	2,135.8
Right-of-use assets	189.8	174.1	172.8
	2,257.5	2,375.9	2,308.6

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.

Lease liabilities included in the Statement of Financial Position

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Current	2.8	2.1	2.9
Non-current	79.0	62.1	60.8
Total lease liabilities	81.8	64.2	63.7

Amounts recognised in the Income statement

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Nine months ended 31 December 2020 £m
Interest on lease liabilities	5.8	5.4	11.0
Depreciation expense on right-of-use assets	2.5	2.5	4.8
	8.3	7.9	15.8

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

17. BORROWINGS

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Fixed rate borrowings	3,052.9	2,757.4	2,756.7
Authorized Credit Facility–Revolving Facility	299.0	298.5	298.8
Term loan	-	298.6	298.9
Bank of England Covid Corporate Financing Facility	273.7	-	174.4
	3,625.6	3,354.5	3,528.8
Maturity Profile:			
Repayable within 1 year	273.7	298.6	174.4
Repayable between 1 and 2 years	-	-	298.9
Repayable between 2 and 5 years	896.1	597.2	597.7
Repayable in more than 5 years	2,455.8	2,458.7	2,457.8
	3,625.6	3,354.5	3,528.8

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

Ivy Holdco Group Facilities

Gatwick Airport Limited and Ivy Holdco Limited 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.

During the period ended 30 June 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 was fully repaid and terminated on this date.

There are £300.0 million drawings outstanding on the Revolving Credit Facility at 30 June 2021 (30 June 2020: £300.0 million, 31 December 2020: £300.0 million).

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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

17. BORROWINGS (continued)

Ivy Holdco Group Facilities (continued)

The Group's subsidiary Gatwick Funding Limited has issued £3,100.0 million (30 June 2020: £2,800.0 million, 31 December 2020: £2,800.0 million) of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	As at 30 June 2021 £m	As at 30 June 2020 £m	As at 31 December 2020 £m
Class A 5.25 per cent. Bonds	2024	2026	300.0	300.0	300.0
Class A 6.125 per cent. Bonds	2026	2028	300.0	300.0	300.0
Class A 4.625 per cent. Bonds	2034	2036	350.0	350.0	350.0
Class A 5.75 per cent. Bonds	2037	2039	300.0	300.0	300.0
Class A 3.125 per cent. Bonds	2039	2041	350.0	350.0	350.0
Class A 6.5 per cent. Bonds	2041	2043	300.0	300.0	300.0
Class A 2.625 per cent. Bonds	2046	2048	300.0	300.0	300.0
Class A 3.25 per cent. Bonds	2048	2050	300.0	300.0	300.0
Class A 2.875 per cent. Bonds	2049	2051	300.0	300.0	300.0
Class A 2.5 per cent. Bonds	2030	2032	300.0	-	-
			3,100.0	2,800.0	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 30 June 2021, the average interest rate payable on borrowings was 2.72% (30 June 2020: 4.02%, 31 December 2020: 3.45%).

At 30 June 2021, the Group had no (30 June 2020: £nil, 31 December 2020: £nil) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

Financial covenants

The Group has been granted a covenant waiver and 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 shall be waived in respect of the calculation dates falling on December 2020 and June 2021; and b) a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace the April 2020 to March 2021 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 has issued a request for a covenant waiver and amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes: a) a request that any Default relating to Senior ICR and Senior RAR levels shall be waived in respect of the calculation dates falling on December 2021 and June 2022; and b) a request for a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2021

17. BORROWINGS (continued)

Financial covenants (continued)

The following table summarises the Group's financial covenants compliance as at 30 June 2021 under the CTA, and lists the trigger and default levels:

Covenant	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2020	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	(2.51)	(1.29)	<1.50	<1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	1.12	0.94	>0.70	>0.85

18. RETIREMENT BENEFIT OBLIGATIONS

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.

Plan assets and liabilities at 30 June 2021 have been recognised at their fair value based on an interim valuation prepared by an independent qualified actuary in accordance with IAS 19.

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

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Present value of plan liabilities	(554.7)	(573.8)	(596.1)
Fair value of plan assets	569.3	530.4	558.0
Surplus/(deficit)	14.6	(43.4)	(38.1)

19. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Trade payables	11.5	15.8	9.4
Accruals	42.8	61.2	25.6
Capital payables	22.4	30.8	21.8
Accrued financing charges	-	0.1	-
Accrued interest payable	60.9	62.9	97.9
Other payables	3.3	3.8	3.3
	140.9	174.6	158.0

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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20. RELATED PARTY TRANSACTIONS

During the period the Group entered into transactions with related parties as follow:

	Income/(expense) to related party		
	Unaudited six months ended 30 June 2021 £m	Unaudited six months ended 30 June 2020 £m	Audited year ended 31 December 2020 £m
Ivy Super Holdco Limited	8.0	8.0	16.2
VINCI Airports SAS	(1.0)	(1.8)	(2.7)
Global Infrastructure Partners	(1.0)	(1.5)	(2.2)

	Amounts owed from/(due to) related party		
	Unaudited as at 30 June 2021 £m	Unaudited as at 30 June 2020 £m	Audited as at 31 December 2020 £m
Gatwick Airport Finance plc	0.9	0.9	0.9
Ivy Super Holdco Limited	306.9	315.7	323.9
VINCI Airports SAS	(3.7)	(6.1)	(2.7)
Global Infrastructure Partners	(3.2)	(4.6)	(2.2)

21. CLAIMS AND CONTINGENT LIABILITIES

As part of the Group's financing agreements, the Group 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 and the disclosure in note 9, the Group has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 30 June 2021.