

GATWICK AIRPORT FINANCE PLC

**Report and Unaudited Condensed Interim Consolidated
Financial Statements for the six months ended 30 June 2022**

Company Registration Number 06894065

**REPORT AND UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

CONTENTS

Business Review	3
Report of the Directors	19
Consolidated Income Statement	21
Consolidated Statement of Comprehensive Income	22
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Financial Position	23
Consolidated Cash Flow Statement	24
Notes to the Condensed Interim Consolidated Financial Statements	25

BUSINESS REVIEW

The Directors present their report and unaudited condensed interim consolidated financial statements for Gatwick Airport Finance plc (“the Company”) and its subsidiaries for the six months ended 30 June 2022

GROUP STRUCTURE

On 17 March 2021 the Company was re-registered from a private company to a public limited company and changed its name from Ivy Midco Limited to Gatwick Airport Finance plc in order to issue listed debt.

As at 30 June 2022, Gatwick Airport Finance plc has seven wholly-owned subsidiaries: Ivy Super Holdco Limited, Ivy Holdco Limited (“IHL”), Gatwick Airport Limited (“Gatwick”, “GAL”, “the Airport”), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited, Ivy Property Holdings Limited and Gatwick Funding Limited, collectively known as “the Group”. The business of Gatwick Airport Finance plc is that of a holding company.

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”).

AVIATION STRATEGY AND POLICY

It is widely recognised that aviation is a key part of the UK economy, facilitating the UK brand as a global and connected nation and supporting thousands of jobs and businesses up and down the country. Although the COVID-19 pandemic had a dramatic impact on the transport sector, with aviation being severely affected, the Government continues to recognise that aviation is essential to economic recovery as well as wider agendas such as Global Britain, levelling-up and inclusive, sustainable growth.

Gatwick plays an active part in working with Government on supporting the aviation industry’s recovery as well as future policy development. This has included working with the Airport Operators Association (“AOA”) trade body and other industry bodies (such as the CBI, London Chambers of Commerce and London First), being an active member of the Department for Transport’s (“DFT”) Expert Steering Groups, working with Ministers and officials and responding to Government policy and other consultations.

Government national aviation policy

There is long standing Government policy support for aviation contained in various documents such as the Aviation Policy Framework (2013), Beyond the Horizon - Making best use of existing runways (June 2018), and Aviation 2050 – the Future of Aviation (December 2018). Policy 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.

BUSINESS REVIEW (continued)**AVIATION STRATEGY AND POLICY (continued)****Government national aviation policy (continued)**

Government's approach to aviation policy continues to develop and on 26 May 2022, the DfT published its aviation strategic framework, 'Flightpath to the Future'. This sets out the Government's vision for the aviation sector for the next 10 years. The strategy sets out a 10-point plan, which will be supported by a new Aviation Council made up of representatives from across government and the whole aviation sector. The DfT are also committed to working closely with industry to help it grow and return to pre-pandemic levels of demand and profitability. They recognise that means supporting airport expansion to boost global connectivity and level up the UK. In addition, the Government does not believe aviation must decline in order for the UK to meet its climate change targets. It does recognise however, that UK aviation can play a pioneering role in decarbonising air travel and committing to a greener future by developing clean aircraft, sustainable fuels and more efficient airspace and airports.

Gatwick continues to respond to Government policy consultations and play its part in securing the right framework to support recovery as well as the sustainable growth of the Airport. During the first half of 2022 this included responding to the Government Jet Zero (technical) Consultation on the strategy for net zero aviation. Gatwick's active participation in both Government and local policy consultations and extensive engagement with local authorities, Members of Parliament, business groups, the Gatwick Airport Consultative Committee (GATCOM) and community groups is a key enabler to ensure Gatwick receives the feedback it requires to continue to meet its ambition for long term sustainable growth.

Gatwick's approach to sustainable airport growth

In July 2019, the Airport published its master plan setting out how Gatwick could develop to meet demand in the most sustainable way over the next 15 years, by:

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

In terms of bringing the existing Northern Runway into routine use, detailed design work as well as environmental, highways and other studies have been undertaken which led to a 12 week consultation commencing in September and running until 1 December 2021. During the first half of 2022, Gatwick has carefully considered all the feedback received from the various stakeholders, as well as local residents and businesses who are interested in how the Airport develops. Work continues to refine the proposals and to improve the scheme, including holding a second consultation on various highway improvements and other project matters taking place from 14 June to 27 July.

Once the planning application is prepared, it will be submitted (likely to be at the beginning of 2023) to the Planning Inspectorate for examination. Following examination, the Secretary of State for Transport will then make the ultimate decision based on the Inspectorates recommendation. The Northern Runway could be brought into routine use by the late 2020s.

The ending of UK Government travel restrictions and into recovery

Following the outbreak of the omicron variant at the end of 2021, the Government reviewed international travel restrictions at the beginning of January 2022. Considering data on the severity of the virus, all travel restrictions and rules were removed ahead of the Easter holidays on 18 March and shortly afterwards Gatwick reopened the South Terminal on 27 March.

BUSINESS REVIEW (continued)**AVIATION STRATEGY AND POLICY (continued)****The ending of UK Government travel restrictions and into recovery (continued)**

The UK was one of the first major economies to remove all its remaining COVID-19 travel restrictions, and in response both passenger and air traffic movements increased rapidly. In parallel with the removal of travel restrictions, Gatwick worked with Government officials to support the ramp up of international travel including promoting recruitment campaigns, ensuring checks and training requirements were appropriate for new airport personnel and working with third parties to ensure their operational readiness.

The industry has welcomed the return of strong demand for flying. However, the speed of recovery has meant that some airport partners have been unable to resource their operations fast enough to keep pace with the increase in demand.

Following a review of operations, Gatwick found that a number of companies based at the Airport were expected to operate with a severe lack of staff resources over the summer holiday period. If not addressed, this would have seen airport passengers continuing to experience an unreliable and potentially poor standard of service, including more queues, delays and last-minute cancellations.

In consultation with the airlines, Gatwick has temporarily moderated the rate of growth for July and August by putting in place a gradually increasing capacity level at the Airport; the growth trajectory is aligned with the resource capabilities of the airlines and ground handlers.

The DfT subsequently issued a one-off “amnesty” on airport slot rules to all airlines in the UK to reduce the remainder of their summer schedule by up to 30%. Provided that airlines handed the slots back between 24 June and 8 July, they would maintain their historic rights to use them for summer 2023. This has led to further cancellations from airlines but these have been planned in advance, mitigating disruption and helping to ensure that airlines only fly schedules that they are capable of resourcing

Whilst higher demand and an accelerated recovery pace has led to operational challenges across the whole aviation industry, continuous efforts are being made to work with the airlines and ground handlers to put in place operational mitigations to ensure flight programmes are operated and good service levels are maintained.

PASSENGER TRAFFIC TRENDS

	Six months ended 30 June 2022	Six months ended 30 June 2021
Passengers	13,136,862	570,148
Air transport movements (“ATMs”)	89,143	6,686
Passengers per ATM	147.4	85.3
Seats per ATM	189.6	186.1
Average load factor (%)	77.7%	45.8%
<i>Commercial passenger services only</i>		

There has been a significant recovery of traffic at Gatwick, with the monthly passenger numbers increasing from 0.8 million in January to 3.5 million in June, with further growth forecast for the peak summer period. The South Terminal reopened on 27 March 2022 to meet the increase in traffic; movements increased from 11,923 in March to 18,537 in April and there was a 59.1% month-on-month increase in passengers.

BUSINESS REVIEW (continued)**PASSENGER TRAFFIC TRENDS (continued)**

In the six months ended 30 June 2022, 13.1 million passengers travelled through the Airport, an increase of 12.5 million compared to the same period in 2021. Passenger numbers in the first six months were 59.0% of the equivalent period in 2019 (22.2 million passengers). Average load factors have significantly increased compared to 2021 and are now only 7.1 percentage points behind the same period in 2019 (2019: 84.8%). The average load factor was 84.7% in the month of June 2022.

easyJet has increased their operation during this period and during June they operated an average of 180 departures a day. This is expected to increase to around 200 departures during the summer peak. British Airways added to their long haul services, returning to the US market as well as increasing their Caribbean flights. At the start of summer, British Airways' short haul operation returned to Gatwick, together flying an average of 41 daily departures during June. Other airlines flying significant volumes at Gatwick include TUI, Vueling and Wizz who respectively flew an average of 26, 24 and 18 daily departures in June.

The majority of airlines who flew from Gatwick in 2019 have returned to flying here this year. Gatwick also welcomed several new airlines in the first half of the year. They included: Nouvelair flying from Tunisia three times a week; Norse Atlantic, with daily flights to New York starting from August; and Scoot commenced its regular schedule flying twice a week from Singapore and Bangkok after offering a number of flights in December 2021.

REGULATORY ENVIRONMENT

Gatwick is subject to economic regulation by the CAA under the Civil Aviation Act 2012. 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 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 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.

In February 2021, the CAA 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.

BUSINESS REVIEW (continued)**REGULATORY ENVIRONMENT (continued)**

- **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 £120 million 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 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-instated sufficiently quickly.

Gatwick has undertaken to notify the CAA and all Operators at the Airport at least two years prior to the end of the Commitments Term (i.e. by 31 March 2023) of its intention with regards to the continuation of commitments. In anticipation of this, Gatwick has started discussions with operators and the CAA about the future of the Commitments from 1 April 2025.

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)**CAPITAL INVESTMENT PROGRAMME**

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

- Capacity
- Cost Efficiencies
- Sustainability and Decade of Change
- Service Quality
- Commercial Revenue
- Asset Stewardship and Resilience

	Six months ended 30 June 2022	Six months ended 30 June 2021
	£m	£m
Capital expenditure	30.2	35.4

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.

Capital expenditure at Gatwick was £30.2 million for the six months ended 30 June 2022 (£35.4 million six months ended 30 June 2021). Key projects and programmes completed or in construction during the period ended 30 June 2022 can be summarised as follows:

- **Buildings and Structures:** Investment continued during the period 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 continues and remains on track for delivery in Spring 2023. Work has resumed on refurbishment of the North Terminal domestic gate facilities.
- **IT and ATC resilience:** A programme of works to maintain the 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 Gatwick's capital investment plans going forward.
- **Airfield Programme:** Construction work began in April on a significant project to resurface the main runway and will continue into Summer 2022. Work takes place overnight to minimise the impact to airport operations and will involve laying 40,000 tonnes of new asphalt. The old asphalt is being recycled. There continues to be investment in airfield asset stewardship and resilience in terms of taxiway and runway rehabilitation. The project to replace the entire airfield data network with new resilient fibre-optic cabling has progressed well and the new network is in the final stages of testing.
- **Security:** The trials of new security screening equipment for passengers and their cabin baggage are underway in North Terminal Central Search. The new technology offers significant passenger service benefits as liquids and laptops will no longer need to be removed from bags.
- **Northern Runway:** Details on bringing the Northern Runway into routine use are discussed on page 4.

BUSINESS REVIEW (continued)**IMPACT OF COVID-19**

The COVID-19 pandemic has had an unprecedented adverse impact on the global aviation industry, with significantly reduced levels of traffic and substantial cuts in capacity by airlines prior to the removal of travel restrictions in March 2022.

From March 2020, a number of steps were taken to reduce cash outgoings and to reposition the business for the mid-term:

- The group acted to reduce operating expenditure by revising agreements with suppliers; halting discretionary expenditure; operating from a single terminal until the South Terminal reopened in March 2022; reducing headcount; and utilising the Government's job retention scheme.
- The Group's Capital Investment Programme was minimised with only operationally critical projects or those that are near to completion continuing.

The cost saving measures highlighted above are expected to have benefits in the mid-term as the repositioned cost base means that EBITDA is forecast to recover ahead of traffic.

In addition to the actions to reduce cash outgoings, the Group has taken steps to increase the availability of cash and committed funding available. As at 30 June 2022, the Group held cash of £395.4 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 2022, and its forecast for each of the 12 month periods ending 31 December 2022, 2023, and 2024. These forecasts incorporate current traffic planning assumptions combined with mitigating actions already identified.

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

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

The Senior RAR at the 30 June 2022 calculation date, which is covered by the covenant waiver, breached the trigger level. The calculation of Senior RAR is subject to an amended definition of Transfer RAB at each calculation date from (and excluding) 30 June 2022 to (and including) 30 June 2024, preventing any forecast default.

The removal of restrictions impacting international travel, both in the UK and Gatwick's core markets, has resulted in a strong recovery in the first half of 2022. For further details, refer to Passenger Traffic Trends on page 5. The Group's most recent forecast shows expected passenger numbers in 2022 of circa 70% compared to 2019.

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

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Aeronautical income	142.2	12.7
Retail income	62.7	7.7
Car parking income	38.8	1.6
Property rental income	15.0	12.9
Operational facilities and utilities income	14.5	2.9
Other income	18.3	4.5
Total revenue	291.5	42.3

The increase in revenue for the six months ended 30 June 2022 of £249.2 million was primarily due to the recovery of traffic following the removal of travel restrictions, 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 2022, aeronautical income increased from £12.7 million to £142.2 million with passenger volumes recovering from 0.6 million to 13.1 million.

Following a period of consultation with the airline community, the planned gross yield for the year commencing 1 April 2022 (i.e. the planned aeronautical revenue per passenger excluding the terms of bilateral contracts) increased by 5.2%. This was in line with the two year cumulative increase in RPI against a planned gross yield for the year ending 31 March 2021 which was held flat in nominal terms. The planned gross yield remained circa 2% lower than the price ceiling under Gatwick's price commitment. In addition, the permitted security cost adjustment associated with a hold baggage screening project increased from £0.60 per passenger to £1.08 per passenger, having been reprofiled to spread recovery of the deficit generated by the pandemic over a 4-year period from 21/22 to 24/25.

Including the impact of bilateral pricing agreements, the aeronautical yield (aeronautical income per passenger) for the six months ended 30 June 2022 was £10.97 (30 June 2021: £22.62). The higher yield in the six months ended 30 June 2021, was driven by the impacts of the pandemic, including (i) parking charges associated with long-term parking of non-operational aircraft, (ii) a high proportion of passenger volumes delivered in the higher yielding summer season when some travel restrictions were relaxed (the effects of which were amplified by low load factors as the market began to recover), and (iii) income from non-passenger and general aviation flights which accounted for 33% of revenue versus less than 5% in the prior year.

Following a significant relaxation of travel restrictions, these effects have started to unwind in the six months ended 30 June 2022 driven by a material increase in traffic volumes and improving load factors. The yield remains partially inflated by seasonal effects of both volume and price. This includes a higher proportion of traffic falling into the summer charging season (Apr – Jun) following the relaxation of travel restrictions, the reinstatement of slot rules and the impact of higher charges which apply during the summer months. The yield in the six months ended 30 June 2022 also reflects the terms of bilateral agreements which, together with Gatwick's pricing decision, are intended to support and incentivise an accelerated recovery of passenger volumes following the pandemic.

BUSINESS REVIEW (continued)**FINANCIAL REVIEW (continued)****Retail income**

Net retail income per passenger is calculated as follows:

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Duty and tax-free	21.0	1.7
Specialist shops	12.8	0.8
Catering	16.6	3.0
Bureau de change	5.8	1.1
Other retail	6.5	1.1
	62.7	7.7
Less: retail expenditure	(0.6)	(0.1)
Net retail income	62.1	7.6
Passengers (m)	13.1	0.6
Net retail income per passenger	£4.74	£12.67

In the period ended 30 June 2022, net retail income significantly increased by £54.5 million to £62.1 million. As passenger volumes started to recover, Gatwick worked closely with concessionaires to reopen specific units in the North Terminal and also reopen the South Terminal in March. This also created opportunity for a new entertainment/electronics offering and a change of Bureau de Change operator. Sales per passenger have been strong across most categories despite operational challenges resulting from staff shortages impacting opening hours and stock deliveries. Unusually high income per passenger in the six months ended June 2021 was driven by a number of commercial arrangements including minimum guarantees; for the six months ended 30 June 2022, income per passenger decreased to £4.74 which is more in line with levels achieved in the corresponding period in 2019 pre COVID-19.

BUSINESS REVIEW (continued)**FINANCIAL REVIEW (continued)****Car parking income**

Net car parking income per passenger is calculated as follows:

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Car parking income	38.8	1.6
Less: car parking expenditure	(7.3)	(2.0)
Net car parking income	31.5	(0.4)
Passengers (m)	13.1	0.6
Net car parking income/(loss) per passenger	£2.40	(£0.78)

Net car parking income increased by £31.9 million period-on-period and income per passenger increased by £3.18. Revenue growth stemmed from a combination of more passengers, a higher proportion of UK based passengers (a key driver of car park revenues), broader product mix (as passenger volumes grew, all products reopened including the South terminal car parks) and high market prices reflecting constrained local supply. Operating and sales costs have also been closely monitored during the period.

Other income categories

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Property rental income	15.0	12.9
Operational facilities and utilities income	14.5	2.9
Other income	18.3	4.5
Total revenue	47.8	20.3

For the six months ended 30 June 2022, income from property rental income, operational facilities and utilities income, and other income categories increased by £27.5 million to £47.8 million compared to the six months ended 30 June 2021. Income in the period was generated by higher volumes of passengers, reopening of the South Terminal and increased occupancy of areas and office space as tenants returned and operations ramped back up (in turn increasing energy and water consumption). Overall, other income in total has not increased in line with passenger volumes as an element of these income streams is fixed.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Operating costs

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m
Staff costs	57.2	36.2
Retail expenditure	0.6	0.1
Car parking expenditure	7.3	2.0
Depreciation and amortisation	81.9	86.9
Maintenance and IT expenditure	17.6	14.6
Rent and rates	15.4	16.0
Utility costs	13.7	7.4
General expenses	31.5	16.3
Total operating costs (pre-exceptional items)	225.2	179.5

Staff costs are one of the largest operating cost categories and increased by £21.0 million (58.0%) in the first six months of 2022 compared to the same period in 2021. Following the cessation of the furlough scheme in September 2021, and to protect jobs until the South Terminal re-opened and passenger numbers started to recover, a number of cost mitigations were put in place. As such, the growth in staff costs mostly stems from focussed recruitment activities (particularly within Security) to ensure appropriate staffing levels to match growing passenger numbers. The average number of full time equivalent (“FTE”) employees increased from 1,735 for the six months to June 2021 to 1,820 for the same period in 2022. As at 30 June 2022, there were 1,988 FTE employees, a 16.1% increase compared to the equivalent 30 June 2021 position of 1,713 FTE employees.

Retail expenditure increased by £0.5 million which was in line with the rise in E-commerce and advertising revenue; this revenue was driven by the general upturn in passengers and trading, as well as specific areas of infrastructure reopening offering more opportunities for advertising.

Car park expenditure increased by £5.3 million; this was a direct result of higher demand due to passenger volumes and the opening of more products and areas to match passenger needs.

Depreciation and amortisation decreased by £5.0 million or 5.8% due to the reduced asset base.

Maintenance and IT expenditure increased by £3.0 million (20.5%) compared to the same six month period in 2021. A major maintenance programme was undertaken ahead of reopening the South Terminal to ensure the infrastructure was operationally ready. This involved in-house teams plus a number of third-party service providers.

Utility costs increased by £6.3 million. Numerous factors have affected supply and demand, resulting in steep increases in energy prices. Consumption has increased due to the reopening of infrastructure and higher occupancy of rental and office space post the removal of COVID-19 lockdown restrictions.

General expenses increased by £15.2 million or 93.3%. Contracts that vary with the number of passengers and infrastructure increased by £6.6 million demonstrating that a high proportion of non-staff costs are largely fixed in nature. Receipts from the DfT in relation to the Airports and Ground Operators Support Scheme (“AGOSS”) were £4.0 million in 2022 compared to £8.0 million in 2021. Professional consultancy costs increased by £1.2 million due to work on the Northern Runway programme, surveys and inspections on infrastructure and strategic advice on commercial opportunities.

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 2022 £m	Six months ended 30 June 2021 £m
Operating profit/(loss)	66.3	(137.3)
Add back: exceptional items	-	0.1
Add back: depreciation and amortisation	81.9	86.9
EBITDA (pre-exceptional items)	148.2	(50.3)

For the six months ended 30 June 2022, EBITDA was £148.2 million, an improvement of £198.6 million from the loss noted in the corresponding prior year period. This was driven by growth in passengers, the reopening of the South Terminal and strict cost controls.

Exceptional costs have been disclosed separately above due to the one off nature of the costs which relate to the COVID-19 special severance programme. 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 2021. They are explained in more detail in the Group’s annual report and consolidated financial statements for the year ended 31 December 2021 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 16 of the financial statements. The RCF of £300.0 million was fully drawn to ensure sufficient liquidity and remains fully drawn at 30 June 2022.

During 2020 the Group was approved to draw up to £300.0 million under the Bank of England Covid Corporate Financing Facility (“CCFF”). £275.0 million of the facility was drawn on 19 March 2021 and was repaid in full on 17 March 2022.

The Group has issued no further debt during the period ended 30 June 2022.

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 2022 (30 June 2021: £nil).

BUSINESS REVIEW (continued)**SUSTAINABILITY****Decade of Change to 2030**

In June 2021, Gatwick published its second Decade of Change sustainability policy, which looks ahead to 2030 and sets out a renewed set of goals covering 10 topic areas. The goals are shared across three common themes: People and Communities; Net Zero; and Local Environment.

To support the delivery of the new policy, we established the Capital, Environment and Sustainability Committee. Membership of the subcommittee includes Board members and advisors, along with the Chief Executive Officer and Chief Financial Officer. We also assigned each of the Decade of Change themes an owner and have established a new Decade of Change Steering Group, whose purpose is to provide leadership and direction for sustainability across Gatwick. The Steering Group meets monthly, and membership includes Board members as well as the owners of the three Decade of Change themes.

Performance is demonstrated through compliance with regulations and permits, achievement of goals and targets, and achieving external accreditations and best practice awards. Progress and performance during 2021 is set out in the Decade of Change 2021 Performance Summary.

Highlights from the last six months are summarised below:

People and Communities

Gatwick's People and Communities theme includes work relating to the Local Economy; Opportunity and Accessibility; Workplace Safety; Local Communities; and Noise. We have made progress across all five areas with highlights including expansion of the Potential Supplier Registration Form on the Gatwick website to benefit SMEs located across six additional postcode areas in the region; the launch of a new pilot development programme – Springboard - for women within Gatwick; and partnering with the Department for Work and Pensions and a wide range of airport employers to deliver four highly successful local jobs fairs to support recruitment for Summer 2022 operations.

Gatwick's successful education and careers programme has seen high levels of engagement, for example the monthly Learn Live airport careers broadcasts into schools generated over 48,000 views by students in the last six months, either live or on demand. We also trialled a Virtual Work Insights Day in February "Prepare for Take Off" in which nearly 20 students explored working in security and retail at the airport and engaged in a range of fun and challenging tasks as well as meeting professionals in those roles.

Gatwick's high standards of Health, Safety and Environment (HSE) have been recognised by Royal Society for the Prevention of Accidents (RoSPA) President's Award, the 10th consecutive award received from RoSPA. The integrated HSE management system has been recommended for continued certification to ISO 14001 (Environmental Management) and ISO 45001 (Occupational Health and Safety).

Gatwick is committed to limiting, and where possible reducing, the impact of aircraft noise on local communities which is reflected in the large amount of engagement that has taken place. For example, Gatwick hosted engagement sessions with aviation and non-aviation stakeholders to progress airspace design options which form part of the airspace change process for airspace modernisation. We have continued to engage through the Noise and Track Monitoring Advisory Group and the Noise Management Board, the latter of which has progressed a first step research study of Fair and Equitable Distribution (FED) to help inform work on the airspace modernisation project.

BUSINESS REVIEW (continued)**SUSTAINABILITY (continued)****Net Zero**

The Net Zero theme includes work relating to Airport Emissions and Aircraft and Surface Access Emissions. To help reduce emissions, engineering is developing a strategic road map to identify key areas of focus. Work has re-started on an energy efficiency programme including completing the Airport's conversion to LED lighting. We are also developing a Carbon Action Plan, which will set out the specific steps required to meet the Decade of Change target of reaching net zero before 2040.

We continue to engage with the Sustainable Aviation's work on decarbonisation and the Jet Zero Council's work on Sustainable Aviation Fuel, and to identify ways of influencing others to reduce carbon. To give airline operators an added incentive to operate the most efficient aircraft in their fleets at Gatwick we introduced a new carbon incentive into the published tariff, effective from 1 April 2022.

Local Environment

The environment theme includes work relating to Water, Zero Waste and Biodiversity. To reduce portable water consumption, we are exploring increasing rainwater harvesting. To help us meet the goal of continuing to improve the quality of water leaving the Airport, we have introduced a trial enabling monitoring of real-time water quality sampling data from rivers.

Progress against Gatwick's Zero Waste ambition has included improving materials segregation at source through a trial of new recycling stations in the North Terminal. We intend to implement changes across the Airport, based on the results. We have rolled out a similar trial with key concessionaires to enhance segregation from food and beverage outlets. Engagement with airlines has also increased to enhance on-board segregation processes to capture recyclable materials in consideration of CAT 1 waste management requirements.

In February, Gatwick was awarded its eighth consecutive Biodiversity Benchmark Award, demonstrating an industry leading approach and ongoing commitment to biodiversity. Further, Gatwick signed a partnership agreement with the Sussex Biodiversity Records Centre to enhance its biodiversity data management and improve its knowledge of biodiversity records in the broader landscape. Gatwick has also continued to expand its award-winning wildflower road verge initiative, with new areas hydroseeded to enhance the biodiversity potential of its greenspaces.

More information on the Decade of Change sustainability policy and performance is available on Gatwick's website: www.gatwickairport.com/sustainability.

TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES

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

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

- Governance - Disclose the organisation's governance around climate-related risks and opportunities

BUSINESS REVIEW (continued)**TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (continued)**

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

Gatwick continues to evolve its business strategy, governance and risk management process to account for climate; our evolving approach under each of these thematic areas is discussed in detailed in the 2021 annual financial statements.

Next Steps

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

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

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

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

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

REPORT OF THE DIRECTORS**BASIS OF PREPARATION**

The attached unaudited condensed interim consolidated financial statements of Gatwick Airport Finance plc, 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 Trust Deed relating to the £450.0 million bond issuance by Gatwick Airport Finance plc as at 7 April 2021 and are considered to fairly represent the financial condition and operations of Gatwick Airport Finance plc and its subsidiaries as at 30 June 2022 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 2021 annual financial statements and in accordance with UK adopted 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 year ended 31 December 2021 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 year ended 31 December 2021 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 2021 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 in respect of a 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 year ended 31 December 2021.

On behalf of the Board

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

Marten Soderbom
Director

17 August 2022

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2022

	Note	Unaudited six months ended 30 June 2022	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
		£m	£m	£m
Revenue	3	291.5	42.3	192.7
Other Operating Income		-	-	0.1
Operating costs	4	(225.2)	(179.6)	(394.1)
Operating profit/(loss)		66.3	(137.3)	(201.3)
<i>Analysed as:</i>				
Operating profit/(loss) before exceptional items		66.3	(137.2)	(201.2)
Operating costs - exceptional	5	-	(0.1)	(0.1)
Investment property revaluation	11	60.5	31.5	54.7
Loss on disposal of fixed assets	6	-	(0.1)	(0.8)
Financing				
Fair value loss on derivative financial instruments		(21.0)	(70.7)	(149.8)
Finance income	7	21.9	40.9	63.7
Finance costs	8	(85.7)	(81.2)	(167.2)
Profit/(loss) before tax		42.0	(216.9)	(400.7)
Income tax (charge)/credit	9	(10.0)	(37.9)	3.6
Profit/(loss) for the period		32.0	(254.8)	(397.1)

The notes on pages 25 to 42 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 2022

	Unaudited six months ended 30 June 2022 £m	Unaudited six months ended 30 June 2021 £m	Audited year ended 31 December 2021 £m
Profit/(Loss) for the period	32.0	(254.8)	(397.1)
Other comprehensive income			
Items that will not be reclassified to the consolidated income statement			
Actuarial gain on retirement benefit obligations	44.9	53.1	76.9
Tax charge	(11.2)	(8.5)	(14.6)
Other comprehensive income/(loss) for the period	33.7	44.6	62.3
Total comprehensive income/(loss) for the period	65.7	(210.2)	(334.8)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2022

	Share capital £m	Retained earnings £m	Total £m
Balance at 1 January 2021 (audited)	5.2	(459.3)	(454.1)
Loss for the period	-	(254.8)	(254.8)
Other comprehensive income	-	44.6	44.6
Share based payments	-	0.5	0.5
Balance at 30 June 2021 (unaudited)	5.2	(669.0)	(663.8)
Balance at 1 January 2022 (audited)	5.2	(793.3)	(788.1)
Profit for the period	-	32.0	32.0
Other comprehensive income	-	33.7	33.7
Share based payments	-	0.3	0.3
Balance at 30 June 2022 (unaudited)	5.2	(727.3)	(722.1)

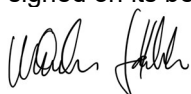
The notes on pages 25 to 42 form an integral part of these unaudited condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Assets				
Non-current assets				
Property, plant and equipment	10	2,134.2	2,257.5	2,177.4
Investment properties	11	1,133.6	1,047.2	1,073.1
Intangible assets	12	19.4	25.8	24.0
Goodwill	12	51.8	51.8	51.8
Lease receivables	14	16.9	16.8	16.8
Retirement benefit asset	17	105.2	14.6	59.7
		3,461.1	3,413.7	3,402.8
Current assets				
Inventories		6.3	6.1	6.0
Trade and other receivables		79.0	46.9	74.4
Corporation tax receivable		39.1	30.2	34.2
Cash and cash equivalents		395.4	696.7	621.4
		519.8	779.9	736.0
Total assets		3,980.9	4,193.6	4,138.8
Liabilities				
Non-current liabilities				
Non-current borrowings	16	(3,796.0)	(3,794.9)	(3,793.5)
Derivative financial instruments	13	(338.4)	(238.2)	(317.4)
Lease liabilities	15	(76.6)	(79.0)	(78.0)
Deferred tax liabilities	18	(305.5)	(316.0)	(284.6)
		(4,516.5)	(4,428.1)	(4,473.5)
Current liabilities				
Current borrowings	16	-	(273.7)	(274.6)
Lease liabilities	15	(3.1)	(2.8)	(3.2)
Trade and other payables	19	(158.9)	(145.4)	(165.8)
Current tax liabilities		(2.8)	(0.6)	(1.0)
Deferred income		(21.7)	(6.8)	(8.8)
		(186.5)	(429.3)	(453.4)
Total liabilities		(4,703.0)	(4,857.4)	(4,926.9)
Net liabilities		(722.1)	(663.8)	(788.1)
Equity				
Share capital		5.2	5.2	5.2
Retained earnings		(727.3)	(669.0)	(793.3)
Total equity		(722.1)	(663.8)	(788.1)

The notes on pages 25 to 42 form an integral part of these unaudited condensed interim consolidated financial statements.

These condensed interim consolidated financial statements of Gatwick Airport Finance plc (Company registration number: 06894065) were approved by the Board of Directors on 17 August 2022 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 2022

	Unaudited six months ended 30 June 2022 £m	Unaudited six months ended 30 June 2021 £m	Audited year ended 31 December 2021 £m
Cash flows from operating activities			
Profit/(Loss) before tax	42.0	(216.9)	(400.7)
<i>Adjustments for:</i>			
Investment property revaluation	(60.5)	(31.5)	(54.7)
Loss on disposal of fixed assets	-	0.1	0.8
Fair value loss on financial instruments	21.0	70.7	149.8
Finance income	(21.9)	(40.9)	(63.7)
Finance costs	85.7	81.2	167.2
Depreciation and amortisation	81.9	86.9	174.7
(Increase)/decrease in inventories, trade and other receivables	(24.4)	10.6	2.3
Increase in trade and other payables	38.6	18.4	11.6
Defined benefit pension contributions	-	-	(21.5)
Cash generated from/(used in) operations	162.4	(21.4)	(34.2)
Corporation tax paid	(5.2)	-	-
Net cash from operating activities	157.2	(21.4)	(34.2)
Cash flows from investing activities			
Interest received	0.7	0.2	0.4
Purchase of fixed assets	(22.9)	(15.2)	(28.7)
Net cash from investing activities	(22.2)	(15.0)	(28.3)
Cash flows from financing activities			
Interest paid	(84.6)	(70.6)	(115.1)
Payment of lease liabilities and interest	(1.4)	(1.4)	(3.5)
Repayment of other external borrowings ^(a)	(275.0)	(300.0)	(300.0)
Increase in fixed rate secured Bonds ^(a)	-	836.8	834.2
Payment of inflation accretion	-	(25.4)	(25.4)
Net cash from financing activities	(361.0)	439.4	390.2
Net (decrease)/increase in cash and cash equivalents	(226.0)	403.0	327.7
Cash and cash equivalents at the beginning of the period	621.4	293.7	293.7
Cash and cash equivalents at the end of the period	395.4	696.7	621.4

(a) Repayment of other external borrowings and increase in fixed rate secured bonds were presented net in the prior period.

The notes on pages 25 to 42 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 2022**1. BASIS OF PREPARATION**

Gatwick Airport Finance plc (“the Company”) is a public company, limited by shares, and is registered and incorporated in England, United Kingdom.

These financial statements are the condensed interim consolidated financial statements of Gatwick Airport Finance plc and its subsidiaries (“the Group”) for the six months ended 30 June 2022. The comparative periods are the six months ended 30 June 2021 and the year ended 31 December 2021; comparatives for the year ended 31 December 2021 are extracted from the audited consolidated financial statements for the year ended 31 December 2021. 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 2021 except for the estimations of income tax (see note 9) which are prepared in accordance with International Financial Reporting Standards (“IFRS”) in conformity with the requirements of the Companies Act 2006.

A number of amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021.

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 as well as ongoing political and economic situations on the cash flow and liquidity of the Group over the next 12 months, and the corresponding impact on the covenants associated with the Group’s financing arrangements.

In forming this view, the Directors have noted that 2020 and 2021 were an unprecedented period in the aviation sector but that the actions taken since the start of the pandemic have managed the impact and put the Group in a strong position for recovery. Given the current level of COVID-19 cases and possible emergence of new variants, as well as on-going political and economic situations there remains short term uncertainty in the passenger forecasts for 2022 but at a reduced level compared to previous periods since the start of the pandemic.

The Group’s financing arrangements are cross-guaranteed by each company within the Ivy Holdco Group. This results in each company being interdependent on the overall results and cash flows of the Group as a whole. This arrangement is further disclosed within note 16.

The Group took steps to increase the availability of cash and committed funding available during 2020 and 2021. As at 30 June 2022, the Group held cash of £395.4 million and its £300.0 million Revolving Credit Facility was fully drawn. The Group also has access to a committed £150.0 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months. The Group does not currently expect to utilise the Liquidity Facility. The Group’s forecasts demonstrate that the Group continues to have liquidity headroom for at least the next 12 months.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022**1. BASIS OF PREPARATION (continued)****Going concern (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.

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

The Senior RAR at the 30 June 2022 calculation date, which is covered by the covenant waiver, breached the trigger level. The calculation of Senior RAR is subject to an amended definition of Transfer RAB at each calculation date from (and excluding) 30 June 2022 to (and including) 30 June 2024, preventing any forecast default.

Due to the unprecedented uncertainty and the impact of COVID-19, previous reporting periods have included a material uncertainty in relation to going concern. The removal of restrictions impacting international travel, both in the UK and in Gatwick's core markets, has resulted in a strong recovery in the first half of 2022. The Group's most recent forecast shows expected passenger numbers in 2022 of circa 70% compared to 2019 and stronger performance compared to previous forecasts.

The Directors have considered this in addition to a number of severe but plausible downside scenarios, including the introduction of new travel restrictions and the impact of ongoing economic and political situations. The Directors consider that the Group can maintain sufficient liquidity over a period of at least 12 months from the date of the approval of the financial statements. Considering the covenant waiver and the amendment of terms described above, the Group anticipates compliance with all covenant tests at the relevant calculation dates over a period of at least 12 months from the date of the approval of the financial statements. Accordingly the Directors have a reasonable expectation that the Group will continue as a going concern, and the financial statements have been prepared on that basis.

2. GENERAL INFORMATION

The financial information set out herein does not constitute the Group's statutory financial statements for the year ended 31 December 2021 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.

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).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

3. REVENUE (continued)

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 2022 £m	Unaudited six months ended 30 June 2021 £m	Audited year ended 31 December 2021 £m
Airport and other traffic charges	142.2	12.7	85.6
Retail	62.7	7.7	38.6
- Duty and tax-free	21.0	1.7	12.7
- Specialist shops	12.8	0.8	7.3
- Catering	16.6	3.0	10.2
- Bureau de change	5.8	1.1	3.9
- Other retail	6.5	1.1	4.5
Car parking	38.8	1.6	18.0
Property income	15.0	12.9	25.9
Operational facilities and utilities income	14.5	2.9	10.5
Other	18.3	4.5	14.1
	291.5	42.3	192.7

4. OPERATING COSTS

	Unaudited six months ended 30 June 2022 £m	Unaudited six months ended 30 June 2021 £m	Audited year ended 31 December 2021 £m
Wages and salaries	46.2	27.0	65.9
Social security costs	5.7	4.6	8.9
Pension costs	2.5	3.0	6.9
Share based payments	0.5	0.5	0.9
Other staff related costs	2.3	1.1	2.2
Staff costs	57.2	36.2	84.8
Retail expenditure	0.6	0.1	0.4
Car parking expenditure	7.3	2.0	6.7
Depreciation and amortisation	81.9	86.9	174.7
Maintenance and IT expenditure	17.6	14.6	30.4
Rent and rates	15.4	16.0	32.1
Utility costs	13.7	7.4	17.7
Police costs	6.4	6.6	11.8
General expenses	17.7	2.5	20.8
Aerodrome navigation service costs	7.4	7.2	14.6
Exceptional costs	-	0.1	0.1
	225.2	179.6	394.1

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

4. OPERATING COSTS (continued)

Wages and salaries for the six months ended 30 June 2022 are presented net of £nil grant income relating to the UK Government's Coronavirus Job Retention Scheme (30 June 2021: £12.5 million, 31 December 2021: £16.0 million).

General expenses are presented net of government grants relating to AGOSS of £4.0 million (31 December 2021: £12.0 million, 30 June 2021: £8.0 million)

5. OPERATING COSTS - EXCEPTIONAL

	Unaudited six months ended 30 June 2022 £m	Unaudited six months ended 30 June 2021 £m	Audited year ended 31 December 2021 £m
Reorganisation costs ^(a)	-	0.1	0.1
	-	0.1	0.1

(a) Reorganisation costs relate to the reorganisation of the business following the impact of COVID-19 which took place predominantly during 2020.

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 2022 £m	Unaudited six months ended 30 June 2021 £m	Audited year ended 31 December 2021 £m
Loss on disposal of fixed assets	-	0.1	0.8

7. FINANCE INCOME

	Unaudited six months ended 30 June 2022 £m	Unaudited six months ended 30 June 2021 £m	Audited year ended 31 December 2021 £m
Interest receivable on bank deposits	0.2	-	-
Interest receivable on derivative financial instruments ^(a)	21.3	40.6	63.2
Lease income	0.4	0.3	0.5
	21.9	40.9	63.7

(a) 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 notional value of the Group's swaps.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

8. FINANCE COSTS

	Unaudited six months ended 30 June 2022 £m	Unaudited six months ended 30 June 2021 £m	Audited year ended 31 December 2021 £m
Interest on fixed rate bonds	75.2	67.7	144.0
Interest on bank borrowings	2.3	4.0	6.1
Interest payable on derivative financial instruments	3.3	2.7	6.2
Amortisation of debt costs	2.5	2.9	3.8
Non-utilisation fees on bank facilities	0.5	0.5	0.7
Lease expense	6.3	5.8	11.8
Net (return)/charge on pension scheme	(0.5)	0.3	0.5
Capitalised borrowings costs	(3.9)	(2.7)	(5.9)
	85.7	81.2	167.2

9. INCOME TAX

The tax charge for the six months ended 30 June 2022 is based on an estimated effective annual tax rate of 23.8% (30 June 2021: -17.5%, 31 December 2021: 0.9%). An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

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 2022

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 2022 (audited)	1,614.0	571.9	188.1	741.6	202.6	3,318.2
Additions at cost	-	-	-	-	30.2	30.2
Interest capitalised	-	-	-	-	3.9	3.9
Transfers to completed assets (including to intangible assets)	1.7	11.8	-	4.0	(17.8)	(0.3)
Disposals	-	-	-	(0.3)	-	(0.3)
30 June 2022 (unaudited)	1,615.7	583.7	188.1	745.3	218.9	3,351.7
Depreciation						
1 January 2022 (audited)	(569.3)	(232.5)	(42.3)	(296.7)	-	(1,140.8)
Charge for the period	(36.5)	(15.8)	(4.1)	(20.6)	-	(77.0)
Disposals	-	-	-	0.3	-	0.3
30 June 2022 (unaudited)	(605.8)	(248.3)	(46.4)	(317.0)	-	(1,217.5)
Net book value						
30 June 2022 (unaudited)	1,009.9	335.4	141.7	428.3	218.9	2,134.2
30 June 2021 (unaudited)	1,086.6	365.0	147.2	454.1	204.6	2,257.5
31 December 2021 (audited)	1,044.7	339.4	145.8	444.9	202.6	2,177.4

Security

As part of the financing agreements outlined in note 16, 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.

Capital commitments

Contracted commitments for capital expenditure amount to £41.0 million (31 December 2021: £54.4 million, 30 June 2021: £21.3 million).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

11. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 January 2022 (audited)	1,073.1
Revaluation gain	60.5
30 June 2022 (unaudited)	1,133.6
Net book value	
30 June 2022 (unaudited)	1,133.6
30 June 2021 (unaudited)	1,047.2
31 December 2021 (audited)	1,073.1

The fair value measurement for all of the investment properties has been categorised as a level 3 (31 December 2021: level 3, 30 June 2021: 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.

12. INTANGIBLE ASSETS & GOODWILL

Cost	Other intangible assets £m	Goodwill £m	Total £m
1 January 2022 (audited)	92.5	51.8	144.3
Transfers to completed assets (from assets in the course of construction)	0.3	-	0.3
30 June 2022 (unaudited)	92.8	51.8	144.6
Amortisation			
1 January 2022 (audited)	(68.5)	-	(68.5)
Charge for the period	(4.9)	-	(4.9)
30 June 2022 (unaudited)	(73.4)	-	(73.4)
Net book value			
30 June 2022 (unaudited)	19.4	51.8	71.2
30 June 2021 (unaudited)	25.8	51.8	77.6
31 December 2021 (audited)	24.0	51.8	75.8

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2022		Unaudited 30 June 2021		Audited 31 December 2021	
	Notional £m	Fair value £m	Notional £m	Fair value £m	Notional £m	Fair value £m
Variable rate to index-linked swaps	40.0	26.9	40.0	28.2	40.0	32.4
Fixed rate to index-linked swaps	356.0	244.9	356.0	180.5	356.0	240.5
Fixed rate to floating-linked swaps	289.0	66.6	289.0	29.5	289.0	44.5
	685.0	338.4	685.0	238.2	685.0	317.4

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.

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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

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 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Lease receivables	16.9	16.8	16.8
Trade receivables	39.2	27.4	33.9
Other receivables ^(a)	29.4	8.5	20.9
Cash and cash equivalents	395.4	696.7	621.4
Total financial assets	480.9	749.4	693.0

(a) Other receivables for the comparative period have been restated.

	Unaudited 30 June 2022	Liabilities at fair value through income statement £m	Unaudited 30 June 2021	Other financial liabilities at amortised cost £m	Liabilities at fair value through income statement £m	Audited 31 December 2021	Other financial liabilities at amortised cost £m	Liabilities at fair value through income statement £m
Borrowings	3,796.0	-	4,068.6	-	4,068.1	-	-	
Derivative financial liabilities	-	338.4	-	238.2	-	317.4	-	
Lease liabilities	79.7	-	81.8	-	81.2	-	-	
Trade payables and accruals	62.7	-	54.1	-	45.2	-	-	
Other payables	8.4	-	3.3	-	2.7	-	-	
Capital payables	21.0	-	22.4	-	13.5	-	-	
Total financial liabilities	3,967.8	338.4	4,230.2	238.2	4,210.7	317.4	-	

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

14. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category (continued)

At 30 June 2022, 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 2022, the Group recognised a £21.0 million loss (30 June 2021: £70.7 million loss, 31 December 2021: £149.8 million loss) on financial derivatives through the Income Statement.

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 2022 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 2022 (unaudited)				
Class A Bonds – Principal payments	-	300.0	300.0	2,500.0
Class A Bonds – Interest payments	131.8	131.8	329.6	1,284.1
Derivative financial instruments	(29.6)	(3.2)	182.1	267.5
Revolving credit facility	-	-	300.0	-
Senior Secured Notes – Principal payments	-	-	450.0	-
Senior Secured Notes– Interest payments	19.7	19.7	39.4	-
	121.9	448.3	1,601.1	4,051.6
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
Revolving credit facility	-	-	300.0	-
Senior Secured Notes – Principal payments	-	-	450.0	-
Senior Secured Notes– Interest payments	19.7	19.7	59.0	-
	101.0	122.5	1,833.5	3,920.3
31 December 2021 (audited)				
Class A Bonds – Principal payments	-	-	600.0	2,500.0
Class A Bonds – Interest payments	131.8	131.8	363.8	1,354.3
Derivative financial instruments	(50.8)	9.8	132.1	262.3
Revolving credit facility	-	-	300.0	-
Senior Secured Notes – Principal payments	-	-	450.0	-
Senior Secured Notes – Interest payments	19.7	19.7	49.2	-
	100.7	161.3	1,895.1	4,116.6

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

14. FINANCIAL INSTRUMENTS (continued)

Fair value estimation

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

- Trade receivables
- Trade payables
- Cash and cash equivalents

	30 June 2022	30 June 2022
	Book value	Fair value
	£m	£m
Fair value of borrowings		
Class A Bonds	3,052.3	2,934.0
Senior Secured Notes	444.4	390.8

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

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

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

The fair value of the Group's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 30 June 2022, 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 2021: Level 2 except for Bonds which are valued at Level 1, 31 December 2021: 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 2022

15. LEASES

As a lessee

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

	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Property, plant and equipment owned	1,950.2	2,067.7	1,990.3
Right-of-use assets	184.0	189.8	187.1
	2,134.2	2,257.5	2,177.4

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

Lease liabilities included in the Statement of Financial Position

	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Current	3.1	2.8	3.2
Non-current	76.6	79.0	78.0
Total lease liabilities	79.7	81.8	81.2

Amounts recognised in the Income statement

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Interest on lease liabilities	6.3	5.8	11.8
Depreciation expense on right-of-use assets	2.0	2.5	5.3
	8.3	8.3	17.1

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

16. BORROWINGS

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Fixed rate borrowings	3,496.8	3,495.9	3,494.5
Authorised Credit Facility–Revolving Facility	299.2	299.0	299.0
Bank of England Covid Corporate Financing Facility	-	273.7	274.6
	3,796.0	4,068.6	4,068.1
Maturity Profile:			
Repayable within 1 year	-	273.7	274.6
Repayable between 1 and 2 years	299.0	-	598.1
Repayable between 2 and 5 years	1,041.4	1,339.0	741.4
Repayable in more than 5 years	2,455.6	2,455.9	2,454.0
	3,796.0	4,068.6	4,068.1

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

Financing activities

During the period ended 30 June 2021 the Group issued £300.0 million of new Class A bonds.

There are £300.0 million drawings outstanding on the Revolving Credit Facility at 30 June 2022 (30 June 2021: £300.0 million, 31 December 2021: £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. The CCFF was fully repaid on 17 March 2022.

On 7 April 2021 the Company issued £450.0 million of Senior Secured Notes (due 2026). £370.0 million of the proceeds were utilised to provide additional equity in the Company’s subsidiary, Ivy Super Holdco Limited.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

16. BORROWINGS (continued)

Financing activities (continued)

The Company's subsidiary Gatwick Funding Limited has issued £3,100.0 million (30 June 2021: £3,100.0 million, 31 December 2021: £3,100.0 million) of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £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	300.0	300.0
			3,100.0	3,100.0	3,100.0

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 2022, the average interest rate payable on borrowings was 3.88% (30 June 2021: 2.72%, 31 December 2021: 3.25%).

At 30 June 2022, the Group had no (30 June 2021: £nil, 31 December 2021: £nil) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

Ivy Holdco Group Facility terms

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

Financial covenants under CTA

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

16. BORROWINGS (continued)

Financial covenants under CTA (continued)

The following table summarises the Group's financial covenants as at 30 June 2022 under the CTA, and lists the trigger and default levels as at 30 June 2022, 31 December 2021 and future calculation dates in the absence of any covenant waivers:

Covenant	Unaudited six months ended 30 June 2022	Audited year ended 31 December 2021	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	0.91	(1.49)	<1.50	<1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	0.91	0.81	>0.70	>0.85

Group RAR

The financial covenants set out in paragraph (a) of Condition 4.1 (Financial Covenants) under the Trust Deed relating to the £450 million bond issuance by Gatwick Airport Finance plc as at 7 April 2021 apply in respect of each Calculation Date occurring after the third anniversary of the Issue Date. The Group RAR financial covenant as at 30 June 2022 is set out below:

	Unaudited six months ended 30 June 2022
Group RAR	102%

17. 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 2022 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 net surplus in respect of its defined benefit plan is as follows:

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Present value of plan liabilities	(373.0)	(554.7)	(562.9)
Fair value of plan assets	478.2	569.3	622.6
Surplus	105.2	14.6	59.7

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

18. DEFERRED TAX

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Losses	161.2	121.0	163.5
Fixed assets	(441.0)	(431.4)	(433.6)
Retirement benefit obligations	(26.2)	(3.6)	(14.4)
Short term timing differences	0.5	(2.0)	(0.1)
	(305.5)	(316.0)	(284.6)

19. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2022 £m	Unaudited 30 June 2021 £m	Audited 31 December 2021 £m
Trade payables	12.6	11.4	8.4
Accruals	50.4	42.7	36.8
Capital payables	21.0	22.4	13.5
Amounts owed to group undertakings – interest free	0.1	0.1	0.1
Accrued interest payable	66.4	65.5	104.3
Other payables	8.4	3.3	2.7
	158.9	145.4	165.8

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

20. RECONCILIATION IN NET DEBT

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

	As at 1 January 2022 £m	⁽¹⁾ Cash flow £m	⁽¹⁾ Other non-cash changes £m	⁽¹⁾ As at 30 June 2022 £m
Borrowings	(4,068.1)	275.0	(2.9)	(3,796.0)
Derivative financial liabilities	(317.4)	-	(21.0)	(338.4)
Lease liabilities	(81.2)	1.4	0.1	(79.7)
Total financing liabilities	(4,466.7)	276.4	(23.8)	(4,214.1)
Cash and cash equivalents	621.4	(226.0)	-	395.4
Net debt	(3,845.3)	50.4	(23.8)	(3,818.7)

	As at 1 January 2021 £m	⁽¹⁾ Cash flow £m	⁽¹⁾ Other non-cash changes £m	⁽¹⁾ As at 30 June 2021 £m
Borrowings	(3,528.8)	(536.8)	(3.0)	(4,068.6)
Derivative financial liabilities	(193.0)	25.4	(70.6)	(238.2)
Lease liabilities	(63.7)	1.4	(19.5)	(81.8)
Total financing liabilities	(3,785.5)	(510.0)	(93.1)	(4,388.6)
Cash and cash equivalents	293.7	403.0	-	696.7
Net debt	(3,491.8)	(107.0)	(93.1)	(3,691.9)

	As at 1 January 2021 £m	Cash flow £m	Other non- cash changes £m	As at 31 December 2021 £m
Borrowings	(3,528.8)	(534.2)	(5.1)	(4,068.1)
Derivative financial liabilities	(193.0)	25.4	(149.8)	(317.4)
Lease liabilities	(63.7)	3.5	(21.0)	(81.2)
Total financing liabilities	(3,785.5)	(505.3)	(175.9)	(4,466.7)
Cash and cash equivalents	293.7	327.7	-	621.4
Net debt	(3,491.8)	(177.6)	(175.9)	(3,845.3)

(1) Unaudited

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2022

21. 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 2022 £m	Unaudited six months ended 30 June 2021 £m	Audited year ended 31 December 2021 £m
VINCI Airports SAS ^(a)	(2.3)	(1.0)	(1.7)
Global Infrastructure Partners ^(a)	(1.7)	(1.0)	(1.6)

	Amounts owed from/(due to) related party		
	Unaudited as at 30 June 2021 £m	Unaudited as at 30 June 2021 £m	Audited as at 31 December 2021 £m
VINCI Airports SAS ^(a)	(6.8)	(3.7)	(4.4)
Global Infrastructure Partners ^(a)	(5.6)	(3.2)	(3.8)
Ivy Topco Limited	(0.1)	(0.1)	(0.1)

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

22. 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 2022.