GATWICK FUNDING LIMITED

Annual Report and Financial Statements
for the year ended 31 December 2023

Company Registration Number: 107376 (Jersey)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2023

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Michael McGhee
Helena Whitaker
Lucy Chadwick
Debra Parsall

SECRETARY

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INDEPENDENT AUDITOR

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for Gatwick Funding Limited ("the Company" or "Issuer") for the year ended 31 December 2023.

As at 31 December 2023, the Company's indirect parent, Ivy Holdco Limited ("IHL"), has four wholly-owned subsidiaries: Gatwick Airport Limited ("Gatwick", "GAL", "the Airport"), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively "the Group" or "the Ivy Holdco Group".

PRINCIPAL ACTIVITIES

The Company is a wholly-owned subsidiary of Gatwick Airport Limited. Gatwick Airport Limited is a wholly-owned subsidiary of Ivy Holdco Limited. The principal activity of Gatwick Funding Limited is to act as the bond issuer for the "Ivy Holdco Group" ("the Group"). The Company is incorporated in Jersey, but is resident in the United Kingdom ("UK") for taxation purposes.

The Company's primary purpose is to raise external funding for the Ivy Holdco Group. This is done through the issuance of external bonds and the use of external interest rate and index-linked derivatives, the terms of which are then replicated in a "back-to-back" relationship with both Gatwick Airport Limited and Ivy Holdco Limited.

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

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

The Company has a share capital of £2.00 (2022: £2.00) comprising two ordinary shares at £1.00 per share. None of the Directors hold any interests in the share capital of the Company.

BOND ISSUANCES

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

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

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

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

No new class A Bonds were issued during the year ended 31 December 2023. During the year ended 31 December 2022 the Group issued no new Class A bonds (scheduled maturity 2030).

During the year ended 31 December 2022 the Group launched a tender offer to purchase some of the outstanding Class A bonds. A total of £462.6 million of nominal debt was purchased at a cost of £350.9 million. At the same time the Borrower loans between Gatwick Funding Limited, Ivy Holdco Limited and Gatwick Airport Limited were reduced by the same nominal amount.

Gatwick Funding Limited has issued £2,637.4 million (2022: £2,637.4 million) of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2023 £m**	As at 31 December 2022 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	150.0	150.0	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	300.0	300.0	GAL
Class A 2.5 per cent.	2030	2032	15 Apr 2021	300.0	300.0	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	350.0	350.0	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	300.0	300.0	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	350.0	350.0	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	300.0	300.0	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	180.1	180.1	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	203.3	203.3	IHL
Class A 2.875 per cent.	2049	2051	5 July 2019	204.0	204.0	GAL
				2,637.4	2,637.4	

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

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

FINANCIAL INSTRUMENTS

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

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

In 2021, following the continued impact of COVID-19 on operating cash flows, the Group entered into an additional £289.0 million of fixed-floating rate swaps to reduce the fixed interest rate burden on the Group for the next 2 years. The fixed rate interest income will offset some of the fixed rate expense on Class A bonds until 2028 and replaced it with SONIA linked debt.

REVIEW FOR THE YEAR

Results

For the year ended 31 December 2023 the Company made a profit after taxation of £2,295 (2022: £2,430). The results for the year are set out in the Income Statement.

Going Concern

As further detailed in note 1 of the financial statements, the Directors have a reasonable expectation that the Company will continue as a going concern and accordingly the financial statements have been prepared on that basis. Given the company’s reliance on cashflows from the Group to meet its liabilities, the uncertainties and actions associated with the Group have been included in note 1.

FUTURE DEVELOPMENTS

The Directors do not expect changes in the Company’s activities as a financing company within the Ivy Holdco Group in the 12 months following the approval of these financial statements.

KEY PERFORMANCE INDICATORS

Given the nature of the Company, the Directors are of the opinion that analysis using key performance indicators ("KPIs") is not necessary for an understanding of the development, performance or position of the Company.

RISK MANAGEMENT

The Company actively manages all identified corporate risks. Details of the risk management policies of Gatwick Airport Limited, the Company's parent, are detailed in the financial statements of Ivy Holdco Limited for the year ended 31 December 2023.

The principal corporate risks of the Company are treasury related financial risks.

Financial Risk Management

The Company's principal financial instruments comprise external borrowings and derivatives, which are then distributed to Gatwick Airport Limited and Ivy Holdco Limited under terms and conditions which mirror those of the external instruments, leaving no net cash flow or market value exposure to the Company.

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

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

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

(a) Cash Flow Interest Rate Risk

The Ivy Holdco Group maintains a mix of fixed and floating rate debt. As at 31 December 2023, fixed rate debt after hedging with derivatives represented 90.6% (2022: 88.5%) of the Ivy Holdco Group's total external nominal debt.

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

(b) Funding and Liquidity Risk

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

The Group had net cash inflows from operating activities of £563.7 million for the year ended 31 December 2023 (2022: £535.2 million). As at 31 December 2023, cash at bank was £259.9 million (2022: £34.0 million), undrawn headroom under bank revolving facilities was £300.0 million (2022: £240.0 million) and undrawn headroom under the liquidity facility was £150.0 million (2022: £150.0 million).

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

(c) Credit Risk

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

CORPORATE GOVERNANCE

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

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

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

EMPLOYEES

The Company has no employees (2022: nil). All employees of the Ivy Holdco Group are employed by Gatwick Airport Limited. Details of the employee policies of Gatwick Airport Limited are included in the financial statements of Ivy Holdco Limited for the year ended 31 December 2023.

DIVIDENDS

No dividends were declared or paid during the year (2022: £nil).

BOARD OF DIRECTORS

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

Michael McGhee
Helena Whitaker
Lucy Chadwick
Debra Parsall (appointed 20 March 2023)
Cliff Pearce (resigned 20 March 2023)
William Woodburn (resigned 1 November 2023)

DIRECTORS' INDEMNITY

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

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

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

Company law requires the directors to prepare financial statements for each financial year. Under the that law they are required to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Jersey) Law 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

Directors' confirmations

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

- the company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

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

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

On behalf of the Board

Helena Whitaker
Director
18 March 2024

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

1 OUR OPINION IS UNMODIFIED

We have audited the financial statements of Gatwick Funding Limited (the "Company") for the year ended 31 December 2023, which comprise the Income statement, Statement of Changes in Equity, Statement of Financial Position, Cash Flow statement and the related notes, including the accounting policies in note 2.

In our opinion, the financial statements:

- give a true and fair view, in accordance with UK-adopted international accounting standards, of the state of the company's affairs as at 31 December 2023, and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law, 1991.

Basis for opinion

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

2 KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of significance were as follows

Valuation of Derivatives
(£385.9m (2022: £367.2m)

The risk – Subjective estimate

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

Our response – Our procedures included;

- We have engaged our valuation specialists to recalculate 100% of the year end derivative valuations and the credit risk adjustment using independently sourced market data;
- For 100% of the derivative portfolio, we have agreed the year end swap valuations to third-party mark to market confirmations; and
- Considered the adequacy of the company's disclosures in respect of Derivatives using disclosure checklists.

3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the financial statements as a whole was set at £30.8m, determined with reference to a benchmark of total assets, of which it represents approximately 1% (2022: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the company was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £23.1m (2022: £23.3m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the those charged with governance any corrected or uncorrected identified misstatements exceeding £0.76m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 GOING CONCERN

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the note 1 to the financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

5 FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the company's policies and procedures to prevent and detect fraud that apply to this company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included entries posted to unusual account combinations with specific high risk terms in their description.
- Assessing whether the judgements made in accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a bond issuer, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. *Context of the ability of the audit to detect fraud or breaches of law or regulation.*

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATIONIN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

7 WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

We have nothing to report in these respects.

8 RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 6 , the directors are responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

9 THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Julie Wheeldon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Global House
Crawley
RH10 1DQ
20 March 2024

INCOME STATEMENT
For the year ended 31 December 2023

	Note	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Operating costs	4	**(0.3)**	**(0.4)**
Operating loss		**(0.3)**	**(0.4)**
Financing			
Interest receivable and similar income	5	**137.6**	**161.2**
Interest payable and similar charges	6	**(137.3)**	**(160.8)**
Fair value loss on derivative financial instruments	7	**(18.7)**	**(49.8)**
Fair value gain on derivative financial instruments with other group undertakings	8	**18.7**	**49.8**
Profit before tax		**-**	-
Income tax charge	9	**-**	-
Profit for the year		**-**	-

The notes on pages 15 to 30 form an integral part of the financial statements of Gatwick Funding Limited (company registration number 107376).

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

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Share Capital £m	**Retained Earnings £m**	**Total £m**
Balance at 1 January 2022	**-**	**-**	-
Profit for the year	**-**	**-**	-
Balance at 31 December 2022	**-**	**-**	**-**
Profit for the year	**-**	**-**	**-**
Balance at 31 December 2023	**-**	**-**	**-**

The notes on pages 15 to 30 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Note	**31 December 2023 £m**	31 December 2022 £m
Assets			
Non-current assets			
Amounts owed by group undertakings - interest bearing	10	**2,451.1**	2,598.0
Derivative financial instruments	14	**385.9**	367.2
		2,837.0	2,965.2
Current assets			
Trade and other receivables [(a)]	11	**97.1**	99.8
Amounts owed by group undertakings - interest bearing	10	**149.8**	-
		246.9	99.8
Total assets		**3,083.9**	3,065.0
Liabilities			
Non-current liabilities			
Borrowings	13	**(2,451.1)**	(2,598.0)
Derivative financial instruments	14	**(385.9)**	(367.2)
		(2,837.0)	(2,965.2)
Current liabilities			
Trade and other payables [(a)]	12	**(97.1)**	(99.8)
Borrowings	13	**(149.8)**	-
		(246.9)	(99.8)
Total liabilities		**(3,083.9)**	(3,065.0)
Net assets		**-**	-
Equity			
Share capital	16	**-**	-
Retained earnings		**-**	-
Total equity		**-**	-

(a) **See note 2 for explanation of a presentational restatement of the comparatives.**

The Company has called up share capital of £2.00 (2022: £2.00) representing 2 ordinary shares at £1.00 per share.

The financial statements on pages 12 to 30 were approved by the Board of Directors on 18 March 2024 and signed on its behalf by:

Helena Whitaker
Director

Michael McGhee
Director

CASH FLOW STATEMENT
For the year ended 31 December 2023

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Cash flows from operating activities		
Profit before tax	**-**	-
Adjustments for:		
Finance income	**(137.6)**	(161.2)
Finance costs	**137.3**	160.8
Decrease/(increase) in trade and other receivables	**2.7**	(1.4)
(Decrease)/increase in trade and other payables	**(2.7)**	1.4
Cash from operating activities	**(0.3)**	(0.4)
Interest received	**194.2**	144.1
Interest paid	**(193.9)**	(143.7)
Net cash from operating activities	**-**	-
Net increase in cash and cash equivalents	**-**	**-**
Cash and cash equivalents at the beginning of the year	**-**	**-**
Cash and cash equivalents at the end of the year	**-**	**-**

The notes on pages 15 to 30 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

1. BASIS OF PREPARATION

Gatwick Funding Limited (“the Company”) is a private company, limited by shares, and is registered and incorporated in Jersey. The registered number is 107376 and the registered address is 44 Esplanade, St Helier, Jersey, JE4 9WG.

These are the financial statements for the year ended 31 December 2023. The comparative period is the year ended 31 December 2022. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments in accordance with the Companies (Jersey) Law 1991 and UK-adopted International Accounting Standards

The Company is a wholly owned subsidiary of Gatwick Airport Limited and forms part of the Ivy Holdco Group as defined in the Directors’ Report. Given the Company’s reliance on cash flows from the Group to meet its liabilities, the uncertainties and actions associated with the Group have been included below.

Changes in accounting policies

The following accounting standards have been adopted by the Group to comply with amendments to UK-adopted IFRS. Their adoption has not had a material effect on the financial statements:

- Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)

There are no new accounting standards that are not yet effective that are expected to have a material impact on the financial statements.

Going concern

The Directors have prepared the financial statements on a going concern basis. 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 13. In assessing the going concern position of the Group, the Directors have considered the potential impact of 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. 2022 was the start of the recovery, which has continued at pace in 2023. The actions taken since the start of the pandemic have put the Group in a strong position. However, given the ongoing economic situation, short-term uncertainty remains in the passenger forecasts.

As at 31 December 2023, the Group held cash of £284.2 million and the £300.0 million Revolving Credit Facility was undrawn. To provide additional liquidity following the purchase of some of the outstanding Class A bonds, in February 2023 the Group entered into a new Revolving Credit Facility under an Authorised Credit facility of £100.0 million with a termination date of 23 August 2024 with an option to extend to 23 February 2025. The Group also has access to a committed £150.0 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months. 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.

During 2021, the Group was granted covenant waivers and an amendment of certain terms under the financing documents from Qualifying Borrower Secured Creditors. This includes: a) that any default relating to Senior ICR and Senior RAR levels are waived in respect of the calculation dates falling on December 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, 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 FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

In the year ended 31 December 2023, passenger numbers increased by over 24%, from 32.8 million in 2022 to 40.9 million, reaching over 88% of 2019 levels. This bounce back was a result of strong demand from passengers and airlines putting significant capacity back into the market. The Group's most recent forecast shows expected passenger numbers in 2024 of circa 94% 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 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 amendment of certain terms under the financing documents 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 Company financial statements have been prepared on that basis.

The financial statements were approved by the Directors on 18 March 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(b) Trade and Other Receivables

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

Prior year restatement

In the prior year the periodic interest settlements on the pay and receive legs of the swaps were presented gross in accrued interest payable and accrued interest receivable respectively. To reflect the net settlements of these legs, these amounts are now shown net in accrued interest receivable. The comparative balance sheet presented accrued interest receivable of £31.6m and accrued interest payable of £102.8m. £17.3m of the total accrued interest payable related to swaps and has been updated to a net accrued interest receivable of £14.3m. As there is a "back-to-back" agreement with Gatwick Airport Limited, there is a corresponding impact reflected within accrued interest receivable and payable from/to other group undertakings.

(c) Current and Deferred Taxation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

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

(d) Trade and Other Payables

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

(e) Provisions

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

(f) Share Capital

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

(g) Dividend Distribution

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

(h) Cash

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

(i) Financial Instruments

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

Financial Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

1. Impairment of financial assets

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

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

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

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

Financial Liabilities

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

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

1. Borrowings

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

2. Debt issue costs and arrangement fees

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

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

3. Derivative financial instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

(a) Fair Value of Derivative Financial Instruments

The fair value of derivative financial instruments is determined by using valuation techniques. These techniques require judgement and make assumptions that are mainly based on market conditions existing at each reporting date. The valuation technique used is a discounted cash flow methodology. The Company holds a mixture of fixed and floating index-linked external debt and derivative financial instruments, the terms of which are mirrored by "back-to-back" agreements with Gatwick Airport Limited and Ivy Holdco Limited. As a result of the "back-to-back" agreements, the Company has no residual exposure to market risk.

4. OPERATING COSTS

Operating costs

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

Operating costs include audit fees of £13,000 (2022: £5,000). No other fees are payable to the Company's auditor.

Employee information

The Company has no employees (2022: nil). All employees of the Ivy Holdco Group are employed by Gatwick Airport Limited, the Company's parent. Gatwick Airport Limited incurs all staff costs for the Ivy Holdco Group.

Directors' remuneration

During the year a fee of £16,360 (2022: £7,765) was paid to Intertrust Management Limited, a related party, for the provision of corporate administration services, including the provision of director services by Helena Whitaker, Debra Parsall and Cliff Pearce.

No other Directors of the Company or any key management personnel were remunerated during the year or the prior year for services to the Company (2022: £nil).

The aggregate of Company contributions paid in respect of money purchase schemes during the year was £nil (2022: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

No directors are members of the Gatwick Airport Limited defined benefit pension scheme (2022: £nil).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Interest receivable from other group undertakings [a]	**117.9**	141.7
Net interest receivable on derivative financial instruments	**-**	19.5
Net interest receivable on derivative financial instruments with other group undertakings [b]	**19.7**	-
	137.6	161.2

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

(b) This amount relates to interest receivable on derivative financial instruments with Gatwick Airport Limited under the Borrower Loan Agreement, the terms of which are "back-to-back" with those of the derivative financial instruments the Company has entered into to economically hedge debt.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Interest payable on external borrowings – Class A Bonds	**117.6**	141.3
Net interest payable on derivative financial instruments	**19.7**	-
Net interest payable on derivative financial instruments with other group undertakings [a]	**-**	19.5
	137.3	160.8

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

7. FAIR VALUE MOVEMENT ON DERIVATIVE FINANCIAL INSTRUMENTS

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Fair value (loss)/gain on variable rate to index-linked derivative financial instruments [a]	**(7.1)**	8.0
Fair value loss on fixed rate to index-linked derivative financial instruments [a]	**(30.8)**	(21.9)
Fair value gain/(loss) on fixed rate to variable-linked derivative financial instruments [a]	**19.2**	(35.9)
	(18.7)	(49.8)

(a) These amounts relate to the £685.0 million (2022: £685.0 million) of derivative financial instruments (together (“the Swaps”) that the Company entered into in 2011, 2014 and 2022 to economically hedge debt instruments and inflation-linked revenue in the Ivy Holdco Group. The Company has entered into agreements with Gatwick Airport Limited, under the Borrower Loan Agreement, for swaps with terms that are “back-to-back” with those entered into by the Company (refer to note 8).

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

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Fair value gain/(loss) on variable rate to index-linked derivative financial instruments with other group undertakings [a]	**7.1**	(8.0)
Fair value gain on fixed rate to index-linked derivative financial instruments with other group undertakings [a]	**30.8**	21.9
Fair value (loss)/gain on fixed rate to variable-linked derivative financial instruments with other group undertakings [a]	**(19.2)**	35.9
	18.7	49.8

(a) These amounts relate to the £685.0 million (2022: £685.0 million) of derivative financial instruments that the Company entered into in 2011, 2014 and 2022 with Gatwick Airport Limited, under the Borrower Loan Agreement, with terms that are “back-to-back” with those entered into by the Company (refer to note 7).

9. INCOME TAX CHARGE

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

For the year ended 31 December 2023, the profit subject to corporation tax was £3,000 (2022: £3,000) with an associated tax charge of £705 (2022: £570). No deferred tax arose during the year ended 31 December 2023 or the year ended 31 December 2022.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed guidance released in March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. The United Kingdom substantively enacted the tax legislation related to the top-up tax on 20 June 2023 in the Finance Act and the legislation is effective in the UK for periods commencing on or after 1 January 2024. In addition, amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules' were endorsed by the UK Endorsement Board on 19 July 2023 and the exception from recognition and disclosures of deferred taxes in this regard as required by IAS 12.4A has been taken. The legislation is not expected to have a material impact on the financial statements.

10. AMOUNTS OWED BY GROUP UNDERTAKINGS – INTEREST BEARING

	31 December 2023 £m	31 December 2022 £m
Amounts owed by group undertakings - interest bearing	**2,600.9**	**2,598.0**

Further detail provided in note 15.

11. TRADE AND OTHER RECEIVABLES

	31 December 2023 £m	31 December 2022 £m
Accrued interest receivable from other group undertakings [a, b]	**85.4**	85.5
Accrued interest receivable [a]	**11.7**	14.3
	97.1	99.8

(a) See note 2 for explanation of a presentational restatement of the comparatives.

(b) These amounts relate to interest receivable on the interest rate and index-linked derivatives with Gatwick Airport Limited and interest accrued on the balance of the loan receivable from Gatwick Airport Limited under the Borrower Loan Agreement, and the loan balance receivable from Ivy Holdco Limited under the additional Borrower Loan Agreement. The advances under the Borrower Loan Agreements are secured and issued on the same terms as the Class A Bonds issued by the Company.

12. TRADE AND OTHER PAYABLES

	31 December 2023 £m	31 December 2022 £m
Accrued interest payable [a]	**85.4**	85.5
Accrued interest payable to other group undertakings [a, b]	**11.7**	14.3
	97.1	99.8

(a) See note 2 for explanation of a presentational restatement of the comparatives.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

13. BORROWINGS

	31 December 2023 £m	31 December 2022 £m
Secured Non-Current borrowings		
Class A Bonds:		
5.250% £150.0 million (2021: £300.0 million) due 2024/26	**149.8**	149.6
6.125% £300.0 million (2021: £300.0 million) due 2026/28	**298.5**	298.0
2.500% £300.0 million (2021: £300.0 million) due 2030/32	**296.4**	296.0
4.625% £350.0 million (2021: £350.0 million) due 2034/36	**345.1**	344.7
5.750% £300.0 million (2021: £300.0 million) due 2037/39	**293.6**	293.2
3.125% £350.0 million (2021: £350.0 million) due 2039/41	**345.2**	344.9
6.500% £300.0 million (2021: £300.0 million) due 2041/43	**297.0**	296.8
2.625% £180.1 million (2021: £300.0 million) due 2046/48	**177.3**	177.2
3.250% £203.3 million (2021: £300.0 million) due 2048/50	**199.6**	199.4
2.875% £204.0 million (2021: £300.0 million) due 2049/51	**198.4**	198.2
Total borrowings (excluding interest payable)	**2,600.9**	2,598.0

All the above borrowings are secured and carried at amortised cost based on their designation as "other financial liabilities at amortised cost". At the balance sheet date, the Company recognised unamortised capitalised coupon discount and debt issuance costs of £36.5 million (2022: £39.4 million).

The maturity dates of the Class A Bonds listed above reflect their scheduled redemption and legal maturity dates respectively. The Bonds are not callable in nature and are expected to be repaid on their scheduled redemption date. However, to meet rating agency requirements the Bonds have a legal maturity that is two years later.

The Company is the Issuer under the Ivy Holdco Limited Group Common Terms Agreement dated 15 February 2011 ("CTA"). The CTA together with a Master Definitions Agreement covers, *inter alia*, the Borrower Loan Agreement, which was entered into on 24 February 2011 and 22 February 2018.
Gatwick Funding Limited has issued £2,637.4 million (2022: £2,637.4 million) of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2023 £m**	As at 31 December 2022 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	**150.0**	**150.0**	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	**300.0**	**300.0**	GAL
Class A 2.5 per cent.	2030	2032	15 Apr 2021	**300.0**	**300.0**	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	**350.0**	**350.0**	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	**300.0**	**300.0**	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	**350.0**	**350.0**	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	**300.0**	**300.0**	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	**180.1**	**180.1**	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	**203.3**	**203.3**	IHL
Class A 2.875 per cent.	2049	2051	5 July 2019	**204.0**	**204.0**	GAL
				2,637.4	**2,637.4**	

As at 31 December 2023, £2,600.9 million (2022: £2,598.0 million) comprises the net amount raised from the issue of Class A Bonds and is stated less other directly attributable fees and accrued amortisation.

For the year ended 31 December 2023, the average interest rate payable on the Group's borrowings was 6.65% p.a. (31 December 2022: 6.57% p.a.).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

In December 2022 Gatwick Airport Limited launched a tender offer to purchase some of the outstanding Class A bonds. This was funded from excess liquidity generated in the Group during 2022 as the impact of the pandemic eased. A total of £462.6 million of nominal debt was purchased at a cost of £350.9 million and subsequently cancelled. At the same time the Borrower loans between Gatwick Funding Limited, Ivy Holdco Limited and Gatwick Airport Limited were reduced by the same nominal amount. The Company recognised a £462.6 million gain from the derecognition of the financial liability and a £462.6 million loss from the derecognition of the financial asset; the net gain/loss recognised by the Company was £nil.

	31 December 2023 Book value £m	31 December 2023 Fair value £m
Fair value of borrowings		
Class A Bonds	**2,600.9**	**2,598.0**

The fair values of listed borrowings are based on quoted prices which is considered a Level 1 fair value measure.

Financial covenants

Under the CTA, the Ivy Holdco Group is required to comply with certain financial and information covenants, which are defined in relation to the financial performance, position and cash flows of the Ivy Holdco Group.

During 2020 and 2021 the Group was granted covenant waivers and an amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors.

This includes:

a) that any Default relating to Senior ICR and Senior RAR levels are waived in respect of the calculation dates falling on December 2020, June 2021, December 2021 and June 2022; and
b) a temporary amendment (until June 2024) to the calculation of the Senior RAR to replace both the April 2020 to March 2021 EBITDA and the April 2021 to March 2022 in such calculation with the average of the 2017, 2018 and 2019 financial year's corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

The following table summarises the Ivy Holdco's Group's financial covenants as at 31 December 2023 under the CTA, and lists the trigger and default levels:

Covenant	31 December 2023	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**3.48**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.45**	> 0.70	> 0.85

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Notional	Fair value assets	Fair value liabilities	Total
	£m	£m	£m	£m
31 December 2023				
Derivative financial assets				
Variable rate to index-linked swaps with other group undertakings	**40.0**	**31.5**	**-**	**31.5**
Fixed rate to index-linked swaps with other group undertakings	**356.0**	**293.2**	**-**	**293.2**
Fixed rate to floating-linked swaps with other group undertakings	**289.0**	**61.2**	**-**	**61.2**
	685.0	**385.9**	**-**	**385.9**
Derivative financial liabilities				
Variable rate to index-linked swaps	**(40.0)**	**-**	**(31.5)**	**(31.5)**
Fixed rate to index-linked swaps	**(356.0)**	**-**	**(293.2)**	**(293.2)**
Fixed rate to floating-linked swaps	**(289.0)**	**-**	**(61.2)**	**(61.2)**
	(685.0)	**-**	**(385.9)**	**(385.9)**

	Notional	Fair value assets	Fair value liabilities	Total
	£m	£m	£m	£m
31 December 2022				
Derivative financial assets				
Variable rate to index-linked swaps with other group undertakings	40.0	24.4	-	24.4
Fixed rate to index-linked swaps with other group undertakings	356.0	262.4	-	262.4
Fixed rate to floating-linked swaps with other group undertakings	289.0	80.4	-	80.4
	685.0	367.2	-	367.2
Derivative financial liabilities				
Variable rate to index-linked swaps	(40.0)	-	(24.4)	(24.4)
Fixed rate to index-linked swaps	(356.0)	-	(262.4)	(262.4)
Fixed rate to floating-linked swaps	(289.0)	-	(80.4)	(80.4)
	(685.0)	-	(367.2)	(367.2)

The Company did not apply hedge accounting in relation to any of its derivative financial instruments.

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

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

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%. A “back-to-back” agreement replicating the terms of these swaps has been entered into with Gatwick Airport Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

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

The Company has recognised £18.7 million loss in financial derivatives through the income statement for the year ended 31 December 2023 (2022: £49.8 million loss).

The Company has recognised a total cumulative gain of £29.9 million at 31 December 2023 (2022: £50.4 million) to reflect the credit risk on the Company's external swap position.

15. FINANCIAL INSTRUMENTS

The Company is exposed to market risk, credit risk and liquidity risk from its use of financial instruments.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates and inflation indices (such as RPI) will affect the Company's income and expenditure or the value of its holdings of financial instruments. The Company holds a mixture of fixed and floating index-linked external debt and derivative financial instruments, the terms of which are mirrored by "back-to-back" agreements with Gatwick Airport Limited and Ivy Holdco Limited. As a result of the "back-to-back" agreements, the Company has no residual exposure to market risk. Any changes in market interest rates and/or inflation indices would have no net impact on the Company's profit or loss.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet their contractual obligations. Credit risk arises principally from cash at bank and in hand, accrued interest receivable from other group undertakings, derivative financial assets and amounts owed by other group undertakings – interest bearing.

In accordance with IFRS 9 the Company has established a probability of default within the next 12 months ("12-month ECL") on such assets. This probability is calculated using the financial information of the counterparty, taking into account adjustments for current external conditions and reasonable forecasts and an impairment loss has been recorded if material. No impairment loss has been recognised during the year (2022: £nil).

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

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

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

The Company's policy is to have minimal cash at bank and in hand at any one time.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has no net cash flow exposure as the contractual cash flows associated with the Company's external borrowings and derivative financial instruments are mirrored by the contractual cash flows from the "back-to-back" agreements with Gatwick Airport Limited and Ivy Holdco Limited.

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Company's financial liabilities and net settled derivative financial instruments as at 31 December 2023 and 31 December 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
31 December 2023				
Class A Bonds – Principal payments	**150.0**	**-**	**300.0**	**2187.4**
Class A Bonds – Interest payments	**114.8**	**107.0**	**284.1**	**981.6**
Derivative financial instruments	**22.2**	**128.3**	**116.7**	**234.2**
	287.0	**235.3**	**700.8**	**3403.2**
31 December 2022				
Class A Bonds – Principal payments	-	-	450.0	2,187.4
Class A Bonds – Interest payments	114.8	114.8	302.5	1,070.2
Derivative financial instruments	16.7	19.1	213.7	193.8
	131.5	133.9	966.2	3,451.4

Financial instruments by category

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

Assets	Assets at amortised cost £m	Assets at fair value through profit and loss £m	Total £m
31 December 2023			
Accrued interest receivable	11.7	-	**11.7**
Accrued interest receivable from other group undertakings	85.4	-	**85.4**
Amounts owed by other group undertakings – interest bearing	2,600.9	-	**2,600.9**
Derivative financial assets	-	385.9	**385.9**
Total financial assets	2,698.0	385.9	**3,083.9**
31 December 2022			
Accrued interest receivable	14.3	-	14.3
Accrued interest receivable from other group undertakings	85.5	-	85.5
Amounts owed by other group undertakings – interest bearing	2,598.0	-	2,598.0
Derivative financial assets	-	367.2	367.2
Total financial assets	2,697.8	367.2	3,065.0

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

Liabilities

	Liabilities at fair value through profit and loss £m	Other financial liabilities at amortised cost £m	Total £m
31 December 2023			
Borrowings	-	(2,600.9)	**(2,600.9)**
Accrued interest payable	-	(85.4)	**(85.4)**
Accrued interest payable to other group undertakings	-	(11.7)	**(11.7)**
Derivative financial liabilities	(385.9)	-	**(385.9)**
Total financial liabilities	(385.9)	(2,698.0)	**(3,083.9)**
31 December 2022			
Borrowings	-	(2,598.0)	(2,598.0)
Accrued interest payable	-	(85.5)	(85.5)
Accrued interest payable to other group undertakings	-	(14.3)	(14.3)
Derivative financial liabilities	(367.2)	-	(367.2)
Total financial liabilities	(367.2)	(2,697.8)	(3,065.0)

Fair value estimation

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

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

The fair value of the Company's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 31 December 2023, all of the resulting fair value estimates in the Company are included in Level 2 except for Bonds which are valued at Level 1, consistent with previous years (2022: Level 2 except for Bonds which are valued at Level 1).

16. SHARE CAPITAL

	31 December 2023 £	31 December 2022 £
Called up, allotted and fully paid		
2 ordinary shares at £1.00 each (2022: 2 ordinary shares at £1.00 each)	**2**	2

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

17. RECONCILIATION IN NET DEBT

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

	As at 1 January 2023 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 December 2023 £m**
Borrowings	**(2,598.0)**	**-**	**(2.9)**	**(2,600.9)**
Derivative financial liabilities	**(367.2)**	**-**	**(18.7)**	**(385.9)**
Total financing liabilities	**(2,965.2)**	**-**	**(21.6)**	**(2,986.8)**
	(2,965.2)	**-**	**(21.6)**	**(2,986.8)**

	As at 1 January 2022 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 December 2022 £m**
Borrowings	(3,050.7)	-	452.7	(2,598.0)
Derivative financial liabilities	(317.4)	-	(49.8)	(367.2)
Total financing liabilities	(3,368.1)	-	402.9	(2,965.2)
	(3,368.1)	-	402.9	(2,965.2)

The other non-cash changes in borrowings during 2022 primarily relate to the tender offer to purchase some of the outstanding Class A bonds as described in note 13.

18. RELATED PARTY TRANSACTIONS

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

	Income from related party		Amounts owed from related party	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	**As at 31 December 2023 £m**	As at 31 December 2022 £m
Gatwick Airport Limited	**130.9**	102.6	**2,469.9**	2,831.9
Ivy Holdco Limited	**6.7**	9.6	**204.7**	204.6
	137.6	112.2	**2,674.6**	3,036.5

19. CLAIMS AND CONTINGENT LIABILITIES

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

Other than the above, the Company has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 31 December 2023 (2022: £nil).

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 December 2023 the Company's ultimate parent and ultimate controlling party is VINCI SA, a company incorporated in France.

The Company's results are included in the audited consolidated financial statements of VINCI SA and Ivy Holdco Limited for the year ended 31 December 2023, the largest and smallest groups to consolidate these financial statements. The consolidated financial statements of VINCI SA can be obtained from the Company Secretary, VINCI, 1973, boulevard de La Défense, CS 10268, 92757 Nanterre Cedex, France

The company's immediate parent company is Gatwick Airport Limited, a UK incorporated and domiciled company.