Gatwick Airport Finance plc

(*incorporated with limited liability in England and Wales with registered number 06894065*)

£450,000,000 4.375 per cent. Senior Secured Notes due 2026

Issue Price: 100 per cent.

Gatwick Airport Finance plc, a public limited company incorporated under the laws of England and Wales (the "**Issuer**"), will issue £450,000,000 4.375 per cent. Senior Secured Notes due 2026 (the "**Notes**").

The Notes will be general secured senior obligations of the Issuer. The Notes will be secured by first priority fixed and floating security interests over substantially all of the assets of the Issuer and first priority security interests in the share capital of the Issuer.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 7 April 2026. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the United Kingdom. The Notes may also be redeemed at the option of the Issuer, in whole but not in part, at any time at a specified redemption price, which at all times is at least equal to 100 per cent. of the principal amount thereof plus accrued and unpaid interest, if any, to but excluding the redemption date (and, if the redemption occurs at any time prior to 7 April 2023, the Applicable Redemption Premium). In addition, if a Change of Control occurs at any time, then the Issuer must make an offer to each Noteholder to purchase such holder's Notes, at a purchase price in cash in an amount equal to 101 per cent. of the principal amount thereof plus accrued and unpaid interest, if any, to the Change of Control Purchase Date. See "*Terms and Conditions of the Notes—Redemption and Purchase*".

The Notes bear interest from, and including, 7 April 2021 at the rate of 4.375 per cent. per annum, payable semi-annually in arrear on 7 April and 7 October in each year commencing on 7 October 2021.

Payments on the Notes will be made in pounds sterling without deduction for or on account of taxes imposed or levied by the United Kingdom to the extent described under "*Terms and Conditions of the Notes—Taxation*".

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**Prospectus Regulation**") as a prospectus issued in compliance with the Prospectus Regulation for the purpose of giving information with regard to the issue of the Notes. The FCA has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus nor as an endorsement of the quality of any Notes. Investors should make their own assessment as to the suitability of investing in such Notes. For the avoidance of doubt, the Issuer has no obligation to supplement this Prospectus after the end of the offer or admission to trading of the Notes. Applications have been made for the Notes to be admitted to listing on the Official List of the FCA and to trading on the Main Market of the London Stock Exchange plc (the "**London Stock Exchange**").

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended, the "**Securities Act**"). The Notes are being offered outside the United States by the Joint Bookrunners (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in registered form and in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. The Notes will be in the form of a global certificate (the "**Global Certificate**"), without interest coupons attached, which will be registered in the name of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") on or around 7 April 2021 (the "**Issue Date**"). See "*Summary of Provisions Relating to the Notes in Global Form*".

The Notes are expected to be rated Ba3 (negative outlook) by Moody's Investors Service Limited ("**Moody's**") and BB- (negative outlook) by Fitch Ratings Limited ("**Fitch**").

Each of Moody's and Fitch is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK CRA Regulation**"). Each of Moody's and Fitch appears on the latest update of the list of registered credit rating agencies (on the date of this Prospectus) on the FCA's Financial Services Register. The ratings Moody's and Fitch have given to the Notes are endorsed by Moody's Investors Service Limited and Fitch Ratings Ireland Limited, respectively, each of which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**").

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Please see "*Risk Factors*" below to read about certain factors you should consider before buying any Notes.

Joint Global Co-ordinators and Joint Bookrunners

Barclays	**NatWest Markets**	**Santander Corporate & Investment Banking**

Passive Joint Bookrunners

Crédit Agricole CIB	**Lloyds Bank Corporate Markets**	**National Australia Bank Limited**

This Prospectus is dated 6 April 2021.

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and this Prospectus makes no omission likely to affect its import.

The Issuer has confirmed to the Joint Bookrunners named under "*Subscription and Sale*" below (the "**Joint Bookrunners**") that the information in this Prospectus is true, accurate and complete in all material respects and is not misleading in any material respect; any opinions and intentions expressed in this Prospectus on the part of the Issuer are honestly held and made after due and careful consideration of all relevant circumstances and based on reasonable assumptions and are not misleading in any material respect; this Prospectus does not omit to state any fact necessary to make such information, opinions or intentions (in such context) not misleading in any material respect.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Joint Bookrunners.

Neither the Joint Bookrunners nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus or any responsibility for the acts or omissions of the Issuer or any other person (other than the relevant Joint Bookrunner) in connection with the issue and offering of the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any member of the Group, the Joint Bookrunners, the Trustee or the Security Agent or any of their respective affiliates that any recipient of this Prospectus should purchase any of the Notes.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and the Subsidiary Group Companies and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Notes should consult independent professional advisers.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other advisor. It should be remembered that the price of securities and the income from them can go down as well as up.

The Notes may not be a suitable investment for all investors.

The investment activities or certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent Notes are legal investments for it, Notes can be used as security for indebtedness and other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal and/or financial advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- has access to, knowledge of and appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

In addition, the market value of the Notes may fluctuate for a number of reasons including due to prevailing market conditions, current interest rates and the perceived creditworthiness of the Issuer and the Subsidiary Group Companies. Any perceived threat of insolvency or other financial difficulties of the Group or a less favourable outlook of the airport industry in the UK could result in a downgrade of ratings and/or a decline in the market value of the Notes.

In this Prospectus, words denoting the singular number only shall include the plural number also and *vice versa*.

In this Prospectus, unless otherwise specified, references to "**£**" or "**pounds sterling**" are to the lawful currency of the United Kingdom, references to the "**Group**" are to Gatwick Airport Finance plc and its subsidiaries, references to the "**Senior Borrower Group**" are to Ivy Holdco Limited and its subsidiaries (including Gatwick Airport Limited, the operator of the Airport), references to "**GAL**" are to Gatwick Airport Limited, references to "**Intermediate HoldCo**" are to Ivy Super Holdco Limited, currently the direct parent of Ivy Holdco Limited and references to "**PR Regulation**" are to Commission Delegated Regulation (EU) 2019/980 as it forms part of domestic law by virtue of the EUWA.

This Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Issuer and/or the Subsidiary Group Companies to differ materially from the information presented herein. When used in this Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Issuer, the Subsidiary Group Companies and their management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only on the date hereof. Except as required by applicable laws or regulations, neither the Issuer nor the Subsidiary Group Companies undertake any obligations publicly to release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The Notes have not been approved or disapproved by the Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Financial information in this Prospectus that is referred to as for the "year ended 31 December 2019" has been prepared by combining information from the audited financial statements for the nine months ended 31 December 2019 with the unaudited and unpublished management accounts for the three months ended 31 March 2019.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU**

MiFID II"); or (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MiFID II product governance/Professional investors and eligible counterparties only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

In connection with the issue of the Notes, Barclays Bank PLC (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

Any individual intending to invest in any investment described in this document should consult his or her professional adviser and ensure that he or she fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this overview.

THE ISSUER AND THE GROUP

Gatwick occupies a key strategic location in the South East of the UK, one of the busiest centres for air transport in the world. Gatwick, operating from two terminals, is a leading airport by seat capacity for low-cost carriers, the UK's second busiest by passenger traffic (as defined by 2019 traffic) (Source: Civil Aviation Authority ("**CAA**")), the ninth largest in Europe based on passenger numbers (Source: ACI Europe, Airport Traffic Report 2019, excluding Moscow), and handled a 26% share of the London market (Source: CAA, 2019 Airport Data). Gatwick occupies a unique position within this premium market and is located around 30 miles from central London with multiple fast direct rail links into the capital and 15 million people live within 60 minutes of Gatwick.

In the year to 31 December 2019, 46.6 million passengers passed through Gatwick. In the year to 31 December 2020, traffic has been significantly impacted by the Covid-19 pandemic, and 10.2 million passengers passed through Gatwick.

Of Gatwick's passenger traffic for the year to 31 December 2019, 90.6% was travelling directly from origin to final destination ("**O&D**") (Source: CAA, 2019 Airport Data). O&D traffic is expected to recover faster than transit and transfer traffic involving multiple legs. Additionally, in the year to 31 December 2019, 80.7% of Gatwick's passenger traffic was short haul and 85% of passengers were travelling from Gatwick for leisure (Source: CAA, 2019 Airport Data); short haul and leisure are expected to recover faster than long haul and business destination traffic. In the year to 31 December 2019, the top two carriers at Gatwick were easyJet (41% of passenger traffic) and British Airways (17% of passenger traffic).

For the year ended 31 December 2019 (unaudited), the Group generated revenue of £853.5 million and for the year ended 31 December 2020, the Group generated revenue of £217.0 million. For the year ended 31 December 2019 (unaudited), the Group's EBITDA was £472.7 million, its Senior Net Debt to EBITDA was 6.2 times and its EBITDA margin was 55.4%. For the year ended 31 December 2020, the Group's EBITDA was negative £25.1 million and given the negative EBITDA the Senior Net Debt to EBITDA and EBITDA margins do not produce meaningful results.

Aeronautical income is driven by traffic volume, the level of airport charges and the terms of bilateral contracts with airlines. During the year ended 31 December 2019, aeronautical income was £457.2 million (£89.7 million during the year ended 31 December 2020, as a result of the reduction in passenger volumes caused by the Covid-19 pandemic). The CAA granted a licence to Gatwick under section 15(5) of the Civil Aviation Act 2012 (the "**CA Act 2012**") which came into effect on 1 April 2014. The current regulatory approach for Gatwick is based on the Airport Commitments to airlines (including bilateral contracts negotiated with individual airlines), underpinned by a licence issued by the CAA and supplemented by a monitoring regime. In January 2020 Gatwick issued to its airlines a finalised set of updated and extended Commitments for the period 1 April 2021 to 31 March 2025; these include a simplified gross yield ceiling to give greater certainty on future charges. For the year ended 31 December 2019 (unaudited), the aeronautical income per passenger was £9.82 (£8.82 during the year ended 31 December 2020). Gatwick's favourable economic regulation has allowed it to accelerate the pricing benefit under the updated Commitments and to enter into bilateral agreements that include incentives to support the re-start of services during the Covid-19 pandemic. With the majority of airlines at Gatwick now operating under bilaterally agreed long term contractual agreements, the competitive advantage offered by this regulatory environment is a key element to deliver a fast recovery.

Non-aeronautical income is an important component of the Group's revenue mix and is accounting for 46.4% of revenue in the year ended 31 December 2019 (unaudited) and 58.7% in the year ended 31 December 2020. This income is principally derived from retail concessions and car parking. Retail clients operate in around 159 outlets across the two terminals and Gatwick manages 40,800 car park spaces for public use. In the year ended 31 December 2019 (unaudited), net retail and car parking income per passenger was £5.65. In the year ended 31 December 2020, net retail and car parking income per passenger was £5.72.

To counter the impact of the Covid-19 pandemic on the Group's revenues, the Group acted to reduce operating expenditure, saving over £140 million in the year ended 31 December 2020 (see further "– *Response to Covid-19*" below).

Gatwick is an airport that has received significant investment in recent years, with over £1.4 billion investment in Gatwick's infrastructure during the period from 1 April 2014 to 31 March 2021, including the full redevelopment of Pier 1 and the introduction of a fast bag drop facility in the North Terminal. This is in addition to investment of £1.2 billion over the six years ended 31 March 2014, which included an extension to the North Terminal, a new security search area in the South Terminal, redevelopment of the departure lounges in both terminals, resurfacing of the runway and a new baggage system.

Gatwick has a diversified network of routes serving around 230 destinations worldwide. The top-twenty routes in the year ended 31 December 2019 accounted for only 37.9% of total passenger traffic, with no individual route representing more than 3.4% of the total. This means that Gatwick's revenues are resilient to airline network and route changes, with the airport not reliant on a small number of key routes. Gatwick's 2020 route network has been materially impacted by Covid-19.

The Issuer (Gatwick Airport Finance plc) is an indirect holding company of Gatwick Airport Limited, the owner and operator of Gatwick Airport.

KEY STRENGTHS OF THE GROUP

The Group's credit highlights include:

- *Located in the London market* – Gatwick is based in a densely populated and affluent catchment area in the heart of the UK service economy. Prior to the Covid-19 pandemic, overall runway capacity in the South East of England was limited at peak periods and no additional runway capacity is currently being made available in the South East until late 2020s at the earliest. In 2019, London was the world's largest aviation market by number of passengers (Source: Euromonitor) and was Europe's most visited city by bed nights (Source: European Cities Marketing Benchmark Report 2019 – 2020).
- *Well placed to recover* – Gatwick has high exposure to O&D, leisure and short-haul traffic mainly operated by low cost carriers, with which 70% of its passengers travelled during the year ended 31 December 2019 (Source: Gatwick's management information). For the year ended 31 December 2019, 90.6% of Gatwick's passenger traffic was O&D and 80.7% of Gatwick's passenger traffic was short haul (Source: CAA, 2019 Airport Data), both of which are expected to recover faster from the impact of the Covid-19 pandemic than other forms of traffic. Moreover, due to its premium location and its wealthy catchment area, Gatwick is able to offer low-cost carriers a yield premium when compared with its competitors Luton and Stansted, hence incentivising airlines to concentrate capacity at Gatwick.
- *Historic growth above London market average* – in the ten years prior to the Covid-19 pandemic Gatwick consistently increased its numbers of passenger, revenues and EBITDA and has maintained its share of the London market. From 2010 to 2019 (inclusive) Gatwick's compound annual growth rate ("**CAGR**") in passengers was 4.5% compared to an average CAGR of 3.5% for Heathrow, Luton and Stansted (Source: CAA, Airport Data 2010-2019).
- *Prudent approach to leverage* – the Senior Borrower Group has managed a stable financing repayment profile (it has £2,800 million of Class A Bonds outstanding with a spread of maturities between 2024 and 2051) and has taken action during the Covid-19 pandemic to enhance its liquidity and engage with bondholders to deal with the impact of Covid-19 on its financial ratios. The Senior Borrower Group has also retained investment grade ratings for its secured financing (as at the date of this Prospectus, BBB (negative outlook) from S&P, BBB+ (negative outlook) from Fitch and Baa2 (negative outlook) from Moody's).
- *Favourable economic regulation* – Gatwick has recently updated its Airline Commitments Framework with a duration to 2025 which builds on the 2014-2021 Airline Commitments in providing for bilateral contracts to be negotiated with airlines which allows Gatwick to tailor its pricing and contractual relationships with individual airlines and respond flexibly to market changes or airline needs. Gatwick had a net aeronautical income per passenger of £9.82 for the year ended 31 December 2019 which, in the opinion of Gatwick's management, is significantly more competitive than Heathrow. With the majority of airlines at Gatwick now operating under bilaterally agreed long term contractual agreements, the competitive advantage offered by this regulatory environment is a key element to deliver a fast recovery.

- *Strong management team supported by highly experienced, long term shareholders* – a dynamic and strong executive management team is in place to drive the shareholders' operational philosophy through the business. The management team has a track record of developing Gatwick over many years to achieve record passenger numbers and EBITDA in the year ended 31 December 2019, repositioning the business during 2020 following the outbreak of Covid-19 and putting in place a commercial and operational restart plan. The management team provides airport and infrastructure industry expertise at a senior level and is led by Stewart Wingate who has been CEO of Gatwick for the last 11 years and prior to that held senior roles at Glasgow and Budapest airports. Gatwick also benefits from having VINCI and GIP as two supportive shareholders, each with long term experience investing in airports across the world such as Lisbon, Kansai, London City and Edinburgh.

For further information see "*Business of the Issuer and Gatwick Airport – Strengths*".

COMMERCIAL STRATEGY

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

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

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

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

Sustainability Strategy

Gatwick's sustainability approach is built into its governance framework and is led by the Executive Management Board. Gatwick's aim is to ensure that the right systems are in place to set strategy and policies, determine and deliver appropriate plans and to manage the business safely and responsibly.

In 2010, Gatwick published its "Decade of Change" strategy, which set out ten specific strategic goals over the ten years to 2020 and Gatwick met or exceeded all of these goals by the end of 2019. Building on this success, Gatwick will shortly publish its "Second Decade of Change" sustainability goals for the period 2021-2030 to seek continued reductions in environmental impacts while generating economic and societal benefits.

Throughout 2020, Gatwick maintained its noise, air quality, water quality and biodiversity monitoring programmes, comprehensive stakeholder engagement and core elements of the sustainability action plan.

This included the following:

- Signed the UK Sustainable Aviation coalition's commitment to achieve net zero aircraft emissions by 2050;
- Joined the Government's Jet Zero Council delivery group on sustainable aviation fuels;
- Maintained Airport Carbon Accreditation at "carbon neutral" level continuously throughout 2020; and

- Continued to reuse and recycle airport waste, with 61% of Airport operational waste reused or recycled, and the remainder sent offsite for energy recovery.

Gatwick continues to build and maintain strong relationships with stakeholders including the UK government, airlines, business partners, passengers and employees. Working closely with these stakeholders ensures that the Airport can influence and shape future policy and decisions that may affect Gatwick and the aviation industry, and also to identify joint working opportunities to promote best practice.

Driving Transformational Change

Significant progress has been made to improving the infrastructure of Gatwick and its operations over the last 10 years, including:

- the completion of the North Terminal extension, the North and South Terminal forecourts, the refurbishment of Pier 2 and the new shuttle system linking North and South Terminals;
- the redevelopment of the North Terminal including a new arrivals area, the creation of Europe's largest self-service bag-drop area, the reconfiguration and refurbishment of Pier 5;
- new baggage systems in North and South Terminals and the redevelopment of Pier 1;
- an innovative new security area consolidating all security lanes into one area in both the South and North Terminals;
- extensive investment in the retail offering across both the North and South Terminals, including World Duty Free walkthrough stores and redevelopment of the International Departure Lounge in both the North and South Terminals;
- increased airport efficiencies to increase declared peak aircraft traffic movements from 50 in 2009 to 55 in 2014, enabling daily aircraft movements of up to 950 per day;
- consistently high performance against the Core Service Standards (described in "*Regulatory Risks – Core Service Standards*" below) with greater than 95% of metrics being met; and
- innovative check-in and security processes have been trialled and intensified route marketing discussions with airline customers are producing results.

This decade of investment has resulted in operational efficiencies for Gatwick which helps to underpin its aero price proposition, which in the view of Gatwick's management is competitive.

Response to Covid-19

The Covid-19 pandemic has had an unprecedented adverse impact on the global aviation industry, with significantly reduced levels of traffic and passengers and substantial cuts in capacity by airlines during 2020 with this forecast to continue in the coming months.

Until the end of February 2020, the impact at Gatwick had been restricted to a limited number of services to and from the Far East. The response of the Italian government resulted in a notable shift in traffic away from Italy during the last week of February 2020. As other European governments had imposed travel restrictions, daily passenger numbers declined throughout March. Major carriers such as easyJet, BA, TUI and Norwegian started to ground fleets serving Gatwick. The Airport remained open throughout April, May and June 2020, servicing repatriation, freight, positioning and maintenance flights alongside a small number of scheduled services.

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

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

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

- The Group acted to reduce operating expenditure, saving over £140 million in the year ended 31 December 2020:
  - Contractual and resourcing adjustments have been agreed with suppliers to decrease their costs;
  - Discretionary expenditure has been halted;
  - The operational footprint of the Airport was reduced on a staged basis through March. Starting with night closure and the shutdown of 2 out of 6 piers, operations were then limited to a single pier in South Terminal within an 8-hour window (2pm to 10pm). Operations then switched to North Terminal only from 15 June 2020, as easyJet restarted their operations. As at the date of this Prospectus South Terminal remains closed and the Airport continues to vary the operational footprint in the North Terminal to meet the changing demand;
  - The overall headcount of the Group was reduced from 3,261 in March 2020 to 1,768 at 31 December 2020, through the termination of fixed term contracts and redundancy programmes; and
  - The Group utilised the UK government's furlough scheme and job retention scheme throughout 2020 and 2021 to protect as many jobs as possible as passenger levels meant many of the retained employees had no work.
- A review of the Group's capital investment programme has resulted in the deferral of over £380 million from the investment originally planned in 2020 and 2021. Over half of the projects already in delivery have been stopped, with only operationally critical projects continuing or those that are near to completion. Further opportunities have been identified to reduce capital investment and associated cash outflow, if required.

In addition to the actions to reduce cash outgoings, the Group has taken steps to increase the availability of cash and committed funding available. On 3 April 2020, GAL entered into a new £300 million term loan (due for repayment in October 2021, extendable for an additional six months at Gatwick's option such that it would not fall due for repayment until April 2022). Gatwick is exploring options to refinance its £300 million term loan, including potential capital markets issuances. As at 31 December 2020, the Senior Borrower Group held cash of £293.1 million and its £300 million Revolving Credit Facility was fully drawn. The Senior Borrower Group also has access to a committed £150 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months and a £5 million committed overdraft facility. The Senior Borrower Group does not, as at the date of this Prospectus, currently expect to utilise the Liquidity Facility. GAL was approved to draw up to £300 million under the Bank of England Covid Corporate Financing Facility ("**CCFF**") scheme. On 19 March 2021 GAL issued £275 million pursuant to the CCFF, which matures in March 2022. GAL had £175 million of CCFF commercial paper in issue as at 31 December 2020 and the 19 March 2021 issuance reflects an incremental increase in outstanding CCFF commercial paper of £100 million.

The scale and duration of the Covid-19 pandemic is unprecedented in nature and the relationship to previous downturn events remains uncertain. Air transport associations, such as the International Air Transport Association ("**IATA**"), are predicting that air travel will return to 2019 levels by 2024, which is a five year recovery period. They are also predicting that the propensity to travel will return at different rates for different segments; domestic will rebound faster than short-haul which will rebound faster than long-haul and leisure travel will rebound faster than business travel. It is likely therefore that the airline and passenger mix at Gatwick Airport will change in comparison to 2019 levels with some uncertainty as to how this mix will develop over time. Gatwick has relatively low exposure to the business travel segment. It is also well placed to adapt and evolve to this changing mix for the following reasons:

- *Flexible infrastructure*: Gatwick's infrastructure can adjust to a higher proportion of short-haul aircraft (or smaller long range aircraft operating long-haul) than during 2019 in the mid-term. As an example, Gatwick has a high proportion of stands that are Multi Choice Apron, which means they can be used for a combination of small and large aircraft;
- *Multi-Service Proposition*: Gatwick tailors its service proposition to the requirements of all carrier types from full service to ultra-low cost; and

- *Highly efficient operation*: technological improvements in the pipeline for security, boarding and aircraft sequencing mean Gatwick will build back in a more productive and efficient manner. Driving this efficiency, along with the sustainable cost savings implemented because of Covid-19, helps to underpin its aero price proposition, which in the view of Gatwick's management is competitive.

EVOLUTION OF THE REGULATORY FRAMEWORK

Economic Regulation under the Civil Aviation Act 2012

The CA Act 2012 received Royal Assent in December 2012 and included reforms that modernised the system of economic regulation of airports in the UK. The CA Act 2012 introduced a Market Power Test for the economic regulation of UK airports with an economic licensing regime for dominant airports (and dominant airport areas) where operators are determined by the CAA to have substantial market power and where competition law would provide insufficient protection against the risk of an abuse of that power, **provided that** the benefits of intervention through licensing are likely to outweigh the adverse effects (see "*Airport Regulation – The Current Regulatory Framework*"). The CA Act 2012 gives the CAA greater flexibility to align the regulatory requirements that it imposes with the market and competitive position at the relevant airport.

On 1 April 2014, when the economic regulatory framework under the CA Act 2012 and GAL's new licence came into force, the requirement for GAL to prepare and publish separate regulatory accounts, which applied under the regulatory regime of the Airports Act 1986, fell away. As a result, the concept of "Regulatory RAB" for the purpose of the Senior Finance Documents, which is derived from the RAB figure set out in those regulatory accounts, ceased to exist and is no longer used by GAL as the basis for its financial covenant reporting under the Common Terms Agreement.

In accordance with the terms of the Senior Finance Documents, GAL now determines RAB for the purpose of calculating its financial ratios on the basis of "Transfer RAB" being, as at any date, the aggregate of the product of: (a) the sum of the Relevant EBITDA for the previous three consecutive periods of twelve months preceding such date as determined by reference to the financial statements for such twelve months divided by three; and (b) the Relevant Multiple (which is equal to 11.1). Adjustments were made to the calculation of Transfer RAB to mitigate the impact of Covid-19, see further "*Financial covenants and waiver*".

GAL's licence and updated and extended Airline Commitments

The Commitments made for the period 1 April 2021 to 31 March 2025 build on the success of the Commitments in place for the period 1 April 2014 to 31 March 2021. 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 passengers and airlines and will remain financially incentivised to do so. Informed by consultation and passenger research, many of the existing service standards have been updated, and new standards for wifi connectivity, Special Assistance service and Flight Information Screen system availability have been added.

- *Investment*: Gatwick will continue to consult annually on a five year capital investment plan, 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.

- *Price*: Gatwick will limit the maximum annual rate of increase in its gross yield to the Retail Prices Index ("**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 airlines about the maximum level of future charges.

- *Operational initiatives*: To increase the focus of Gatwick, its airlines, ground handlers and air traffic control provider on delivering resilient and punctual services, Gatwick will set itself formal targets for average on time departure punctuality to be at least 70% in the summer season and 75% in the winter season. Gatwick will invest in a portfolio of operational initiatives and financial incentives for airlines and/or their ground handlers, with the aim of enabling airlines to achieve these punctuality targets. Gatwick will consult with airlines annually on the proposed on-time departure programme; and

- *Capacity Growth*: Gatwick commits to seek to increase the resilient capacity of its airfield infrastructure, and to continue for the present to bear the cost of developing these plans, securing necessary political and planning approvals, and implementing the project. This includes potential projects to maximise the use of the existing main runway and to bring into routine use the standby runway. Gatwick is not adjusting its price commitment in response to the additional capital expenditure which Gatwick may incur in this period in preparation for obtaining the development consent order required to bring the northern runway into routine use, or in implementing the resulting infrastructure projects.

Gatwick furthermore decided to accelerate the pricing benefit inherent in these Commitments to be effective retrospectively from 1 January 2020, bringing pricing benefits to airlines sooner.

In October 2020 the CAA, the economic regulator, published a consultation on its policy towards the regulation of Gatwick Airport. The consultation outlined broad support for Gatwick's finalised extended commitments. In February 2021 the CAA gave formal notice (CAP2103) under section 22(2) of the CA Act 2012 of its proposal to modify GAL's licence to accept GAL's proposed new commitments as the basis of its economic regulation of GAL for the four year period from 2021/22 to 2024/25.

Licensing

GAL's licence also includes a financial resilience condition, under which GAL is required to act in a manner calculated to secure that it has available to it sufficient resources including financial, management and staff resources, to enable it to provide airport operation services at the airport. There is also an obligation for GAL to pre-notify the CAA of certain changes to the Senior Finance Documents. In addition, the CAA also sets out a process for monitoring GAL's performance under the Airline Commitments.

The CA Act 2012 also introduced a new general duty for the CAA to carry out its functions in a manner which furthers the interests of users of existing and future air transport services regarding the range, availability, continuity, cost and quality of airport operation services, where appropriate by doing so in a manner which will promote competition in the provision of airport operation services. In carrying out its general duty, the CAA is required, among other things, to have regard to "the need to secure that each holder of a licence is able to finance its provision of airport operation services in the area for which the licence is granted".

In relation to licence provisions designed to ensure financial resilience at licensed airports, the CA Act 2012 provides for derogations to be given for pre-existing financing arrangements. The CAA is precluded from removing or amending these derogations without first determining: (i) that there has been a material change in circumstances since the derogation was granted; and (ii) the benefits of removing the derogation are likely to outweigh any adverse effects to passengers.

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. This licensing requirement is not affected by the CA Act 2012.

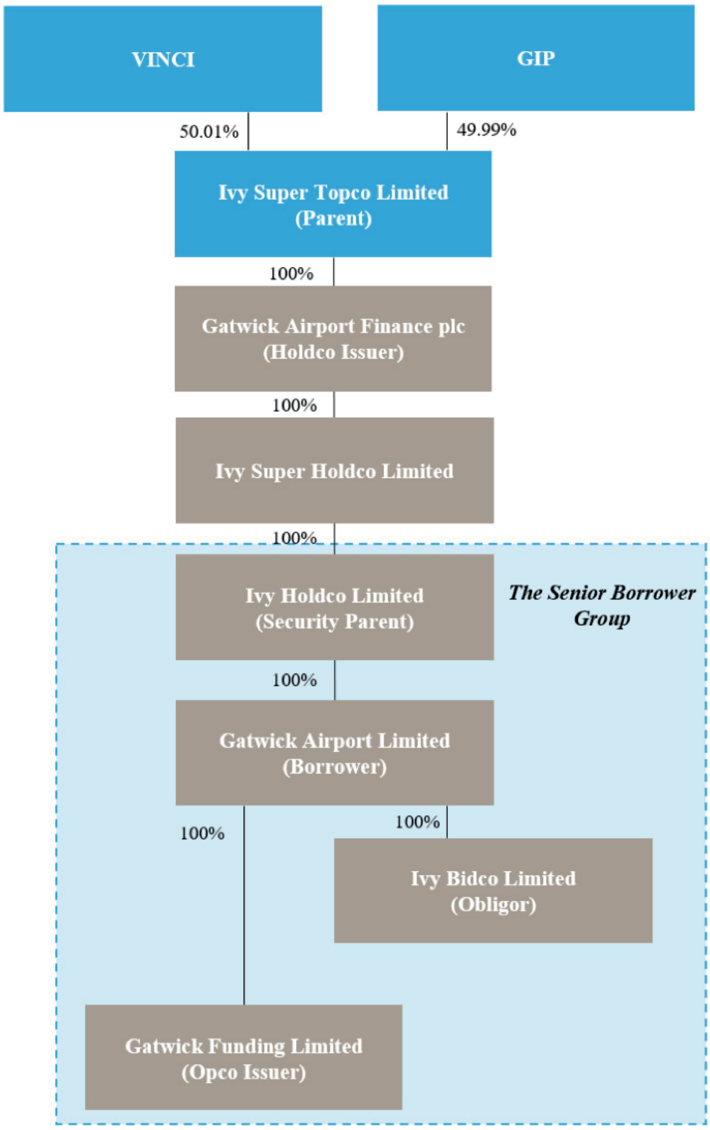
GATWICK'S SHAREHOLDERS

Between 2009 and 2019, Gatwick was wholly owned by funds managed by GIP, a US$71 billion independent, specialist infrastructure fund. Gatwick is GIP's largest asset under management across all of its funds. Gatwick benefits from a large team of GIP personnel working within the business.

Following an acquisition by VINCI, which completed on 13 May 2019, Gatwick is 50.01% owned by VINCI Airports, a leading worldwide airport operator with a network of 45 airports in 12 countries. VINCI agreed to pay £2.9 billion for its stake in the holding company of Gatwick on 27 December 2018 (implying an equity value of £5.8 billion). VINCI Airports is a long term investor and operator of airports with a large portfolio of airports that have operational and commercial synergies with Gatwick. VINCI has fully integrated Gatwick in the VINCI Airports network.

The remaining 49.99% remains owned by funds managed by GIP, including a separate fund managed on behalf of the CalPERS, which holds an approximately 9.99% interest in Gatwick. VINCI and the GIP-managed funds have entered into a shareholders' agreement governing Ivy Super Topco Limited (the "**Parent**"), under which VINCI and the GIP-managed funds (in aggregate) each have the right to appoint five directors to the boards of the Parent and Gatwick Airport Limited.

The simplified chart below shows the current ownership structure:

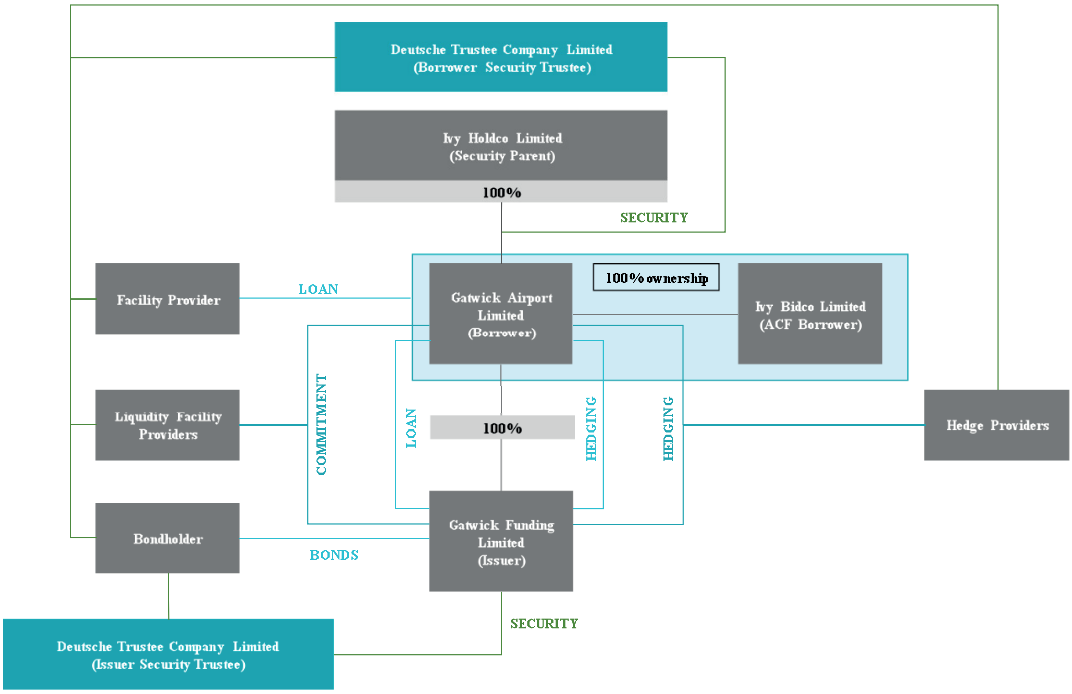


FINANCING OF THE GROUP

The Group maintains a diversified multi-product funding platform, which currently incorporates bond and bank debt. As at 31 December 2020, the Group had consolidated non-current borrowings of £3,354.4 million, which is all within the Senior Borrower Group.

Senior Borrower Group Financing

Gatwick Funding Limited, a subsidiary of GAL, has established a £5,000,000,000 Multicurrency programme for the issuance of bonds to raise debt in the bond markets to fund, among other things the future on-going capital expenditure programme of GAL. The capital structure also incorporates revolving bank facilities, medium term bank debt, bonds, and associated risk management hedging. A simplified structure of the Senior Borrower Group's financing arrangements is set out below.



As at the date of this Prospectus, the Senior Borrower Group's non-current borrowings comprise £2,800 million in Class A bond debt, a £300 million Term Loan Facility and a £300 million fully drawn Revolving Credit Facility. In addition, as at the date of this Prospectus, the Senior Borrower Group has issued £275 million of commercial paper through the Bank of England. The Senior Borrower Group had £175 million of CCFF commercial paper in issue as at 31 December 2020 and has increased its outstanding CCFF commercial paper by an incremental £100 million during the first quarter of 2021.

Liquidity

The Group has managed its liquidity with long term debt maturities and the earliest Class A bond matures in 2024. The Revolving Credit Facility has been extended to 2025 and the Term Loan Facility is extendable (at the option of GAL) to April 2022. To ensure the Group had sufficient liquidity to deal with the ongoing Covid-19 pandemic in March 2020 it drew the full amount of its Revolving Credit Facility and in April 2020 negotiated its Term Loan Facility. In August 2020, GAL received approval to draw up to £300 million under the Bank of England CCFF. As at the date of this Prospectus, the Group also has a £5 million overdraft and £150 million Liquidity Facility (for debt service) that remain available should they be required.

Financial covenants and waiver

The Senior Borrower Group's financing arrangements are subject to compliance with financial covenants, including the Senior 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 (which is calculated by reference to net debt compared with a defined multiple of average EBITDA from the last three years). Both covenants are subject to bi-annual tests at 30 June and 31 December.

To mitigate the impact of the Covid-19 global pandemic, in September 2020, GAL entered into an amendment and waiver agreement to provide a number of short term waivers, approvals and amendments in respect of the Senior Finance Documents to ensure the business is well positioned to recover.

Among other things, Gatwick agreed:

- a waiver of any Default in respect of the financial ratios which may arise in respect of the Calculation Dates falling on 31 December 2020 and 30 June 2021;
- an amendment to the calculation of Transfer RAB for the Calculation Dates from (but excluding) June 2021 to (and including) June 2023, such that the amount to be included in the calculation as Relevant EBITDA for each calendar quarter in the period of 12 months commencing on 1 April 2020 is replaced with an average of the respective quarterly Relevant EBITDA in 2017, 2018 and 2019;

- the waiver of certain other technical Defaults which may arise from actions taken by any Governmental Agency relating directly to the COVID-19 pandemic and which result in a full or partial closure of, or a full or partial suspension of operations at, Gatwick Airport, although currently no such Defaults are expected;
- approval pursuant to paragraph (a)(iv) of the definition of "Permitted Financial Indebtedness" in the MDA to permit issuance of up to £300,000,000 of unsecured commercial paper under the CCFF programme (which is not included within the calculation of the Senior RAR, and shall not constitute Borrower Secured Liabilities or benefit from the security created pursuant to the Security Documents); and
- a waiver of certain consequences of the occurrence of a Trigger Event.

Furthermore, given the implementation of the above waivers, approvals and amendments, GAL has undertaken to provide the Borrower Secured Creditors and the GFL Secured Creditors (by publication on the Designated Website) a quarterly information package in respect of quarter end dates from 30 September 2020 to 30 June 2021 inclusive, to include traffic updates, financial ratios and six month liquidity forecasts.

If any six month liquidity forecast shows that Available Cash minus Required Expenditure (each as defined in the STID Proposal) is less than £225,000,000, GAL will be required to provide a remedial plan outlining how it intends to address the issue, and monthly updates to both the plan and the liquidity forecast until the issue is resolved. If Available Cash minus Required Expenditure is less than £150,000,000, any failure to provide the remedial plan or undertake the actions set out in such plan within the time periods specified in the plan will result in a Loan Event of Default.

Finally, GAL agreed that further restrictions on Restricted Payments will apply, such that no Restricted Payments may be made prior to the Calculation Date falling on 31 December 2021, and any Restricted Payments made in the period prior to the next Calculation Date falling after 30 June 2023 will be subject to a tighter Senior RAR test (0.60 for Calculation Dates up to and including June 2022, and thereafter 0.65, on an adjusted basis), meeting the current Senior RAR threshold of 0.70 on an unadjusted basis, and a six month liquidity test, and may not be made if amounts are outstanding in respect of any CCFF Debt.

TRANSACTION OVERVIEW

The purpose of the issuance of the Notes is to further improve GAL's liquidity position and reduce leverage at the Senior Borrower Group.

On a consolidated basis, the issuance of the Notes is intended to minimally affect the leverage of the Group (as the proceeds are expected to be retained as cash or to fund debt obligations). This is in line with Gatwick's management and shareholders' aim to maintain a prudent financial policy for both the Senior Borrower Group and the Issuer.

THE NOTES

The overview below describes the principal terms of the Notes and is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus and, in particular, the "Terms and Conditions of the Notes". Potential purchasers of the Notes are urged to read this Prospectus in its entirety. Terms used in this overview and not otherwise defined have the meanings given to them in the Terms and Conditions of the Notes.

Issuer:	Gatwick Airport Finance plc
Parent:	Ivy Super Topco Limited
Notes to be issued:	£450,000,000 4.375 per cent. Senior Secured Notes due 2026
Joint Global Co-ordinators and Joint Bookrunners:	Banco Santander, S.A., Barclays Bank PLC and NatWest Markets Plc
Passive Joint Bookrunners:	Crédit Agricole Corporate and Investment Bank, Lloyds Bank Corporate Markets plc and National Australia Bank Limited (ABN 12 004 044 937)
Trustee:	Deutsche Trustee Company Limited
Security Agent:	Deutsche Trustee Company Limited
Principal Paying Agent:	Deutsche Bank AG, London Branch
Registrar:	Deutsche Bank Luxembourg S.A.
Issue Price:	100 per cent. of the principal amount of the Notes.
Issue Date:	Expected to be on or about 7 April 2021.
Maturity Date:	7 April 2026.
Use of Proceeds:	The net proceeds of the issue of the Notes will be applied by the Issuer for its general corporate purposes. See "*Use and Estimated Net Amount of Proceeds*".
Interest:	The Notes bear interest from, and including, 7 April 2021 at the rate of 4.375 per cent. per annum, payable semi-annually in arrear on 7 April and 7 October in each year commencing on 7 October 2021.
Ranking:	The Notes are direct, unconditional, unsubordinated and secured obligations of the Issuer, and will be structurally subordinated to all existing and future indebtedness of the Senior Borrower Group, including the borrower loan agreements between Gatwick Airport Limited and Gatwick Funding Limited in respect of the outstanding bonds of Gatwick Funding Limited.
Security:	The obligations of the Issuer under the Notes and the Trust Deed will be secured by: (a) on a first-priority basis, charges over all of the share capital of the Issuer held by the Parent and the Parent's rights under any loans made by it to the Issuer; and (b) on a first-priority basis, charges over substantially all the tangible and intangible assets of the Issuer, including the Issuer's holding of shares in the share capital of Ivy Super Holdco Limited (the "**Transaction Security**").
Form and Denomination:	The Notes will be issued in registered form in denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. The Notes will be in the form of a Global Certificate, without interest coupons attached, which will be registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg on or around

	the Issue Date. See "*Summary of Provisions Relating to the Notes in Global Form*".
Tax Redemption:	In the event of certain tax changes, the Issuer may redeem the Notes in whole, but not in part, at any time at an amount equal to their principal amount, together with unpaid interest accrued to (but excluding) the date fixed for redemption, as more fully provided in Condition 7 (*Redemption and Purchase – Optional Redemption – Redemption Upon Changes in Withholding Taxes*).
Optional Redemption:	The Issuer may, at its option, redeem the Notes in whole or in part at any time at a specified redemption price plus accrued and unpaid interest, if any, to but excluding the redemption date (and, if the redemption occurs at any time prior to 7 April 2023, the Applicable Redemption Premium) as described under Condition 7 (*Redemption and Purchase – Optional Redemption – Optional Redemption*).
Change of Control:	If a Change of Control occurs at any time, then the Issuer must make a Change of Control Offer to each Noteholder to purchase such holder's Notes, at a purchase price in cash in an amount equal to 101 per cent. of the principal amount thereof plus accrued and unpaid interest, if any, to the Change of Control Purchase Date, as described in Condition 7 (*Redemption and Purchase – Purchase of Notes Upon a Change of Control*).
Additional Amounts:	All payments by or on behalf of the Issuer under or with respect to the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future Tax imposed or levied on such payments by or within the United Kingdom or by or within any department, political subdivision or governmental authority of or in the United Kingdom having power to tax, unless the Issuer is required to withhold or deduct Taxes by law. In that event, the Issuer will pay additional amounts as may be necessary to ensure that the net amount received by each Noteholder after such withholding or deduction (including any withholding or deduction in respect of any additional amounts) will not be less than the amount the Noteholder, as the case may be, would have received if such Taxes had not been withheld or deducted. See further Condition 10 (*Taxation*).
Events of Default:	Events of Default under the Notes include: non-payment of principal, premium or interest under the Notes; breach of the covenants and other terms contained in the Conditions; insolvency events relating to the Issuer or the Subsidiary Group Companies; suspension of payments by the Issuer or the Subsidiary Group Companies; certain insolvency events; impairment of the Transaction Security; enforcement of execution proceedings; and cross-default, in each case, subject to the provisions described in Condition 11 (*Events of Default*). Further, an Event of Default under the Notes will occur if at any time prior to 7 April 2024, an event of default occurs pursuant to paragraph 2 (*Breach of Financial Covenant*) of Schedule 4 (*Loan Events of Default*) to the Common Terms Agreement and is not waived or remedied within 30 days of the relevant Calculation Date in accordance with the Common Terms Agreement.
Certain Covenants:	Subject to certain cure rights, the Notes will require Group RAR not to exceed 0.95 in respect of each Calculation Date occurring after the third anniversary of the Issue Date. The Notes also contain covenants that will limit, among other things, the ability of the Issuer and, in certain cases, the Subsidiary Group Companies to:

- incur Financial Indebtedness;
- pay dividends, redeem share capital, pay management, advisory or other fees to shareholders of the Issuer, make payments in respect of certain subordinated debt or make certain other restricted payments;
- enter into certain transactions with Affiliates;
- make certain loans or give certain guarantees;
- create or permit to exist certain Security or Quasi-Security;
- transfer, lease or sell certain assets;
- restrict subsidiaries of the Issuer to pay dividends or make other payments to the Issuer; and
- merge or consolidate with other entities.

Each of these covenants is subject to significant exceptions and qualifications.

The Notes also require the Issuer to deposit an amount equal to £70,000,000 (which is equal to all amounts of interest due in respect of the Notes during the period up to and including the Interest Payment Date falling on 7 October 2024) into the Debt Service Reserve Account. Amounts may only be withdrawn from the Debt Service Reserve Account in order to make payments of interest on the Notes.

See Condition 4 (*Covenants*) and the related definitions.

Intercreditor Arrangements: The Issuer has entered into an intercreditor agreement (the "**Intercreditor Agreement**") with, among others, the Security Agent and the Trustee. The Intercreditor Agreement provides that the debt held by the secured creditors that are secured by the Transaction Security, including the holders of the Notes, will rank *pari passu* without any preference between any class of such secured debt. The Intercreditor Agreement also sets out, among other things, the circumstances under which the security documents may be enforced by the Security Agent on behalf of secured creditors, the application of enforcement proceeds (which expressly provides that the credit balance of the Debt Service Reserve Account will be paid to and for the benefit of the holders of the Notes) and the circumstances under which the Transaction Security may be shared on a *pari passu* basis with additional third-party creditors. See "*Description of Indebtedness – Intercreditor Agreement*".

Modification, Waiver and Substitution The Trustee may, without the consent of holders of the Notes, agree to: (i) any modification of (subject to certain exceptions), or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Trust Deed or the Agency Agreement; or (ii) the substitution in place of the Issuer as principal debtor under the Notes, in each case in the circumstances and subject to the conditions described in Conditions 16 (*Meetings of Noteholders, Modification, Waiver and Authorisation)* and 14 *(Substitution*).

Rating: The Notes are expected to be rated Ba3 (negative outlook) by Moody's and BB- (negative outlook) by Fitch.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA

	Regulation unless: (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation; or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or: (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation; or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.
Governing Law:	The Notes, the Trust Deed and the Agency Agreement will be governed by English law.
Listing and Trading:	Applications have been made for the Notes to be admitted to listing on the Official List of the FCA and to trading on the Main Market of the London Stock Exchange.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes may be sold in other jurisdictions (including the UK, the EEA and Japan) only in compliance with applicable laws and regulations. See "*Subscription and Sale*".
Risk Factors:	Investing in the Notes involves risks. See "*Risk Factors*".
ISIN:	XS2329602135
Common Code:	232960213
Financial Information:	See "*Summary Financial Information*", "*Financial Information and Results of Operations*" and "*Financial Information and Auditor's Reports*".

SUMMARY FINANCIAL INFORMATION

The tables below present consolidated income statement, consolidated statement of financial position and consolidated cash flow data for the Group for and as at the years ended 31 December 2020 and 2019. The information below should be read together with the consolidated financial statements and the notes to those statements.

Consolidated Income Statement Data

In the year to 31 December 2020, the Group's revenue decreased as a result of the Covid-19 pandemic which caused a 78.2% decrease in passenger volume, impacting all revenue streams.

	Year ended 31 December 2020	Year ended 31 December 2019 (unaudited)
	(£ million)	
Total revenue	217.0	853.5
EBITDA	(25.1)	472.7
Operating profit/(loss)	(248.1)	275.0
Analysed as:		
Operating profit before exceptional items	(205.5)	293.4
Operating costs – exceptional	(42.6)	(18.4)
Profit/(loss) before tax	(542.1)	173.9
Profit/(loss) for the period	(481.7)	106.6

Consolidated Statement of Financial Position Data

	As at 31 December 2020	As at 31 December 2019
	(£ million)	
Assets		
Non-current assets	3,416.4	3,664.6
Current assets	388.0	79.8
Total assets	**3,804.4**	**3,744.4**
Liabilities		
Non-current liabilities	(3,914.9)	(3,466.3)
Current liabilities	(343.6)	(224.2)
Total liabilities	**(4,258.5)**	**(3,690.5)**
Net assets/(liabilities)	**(454.1)**	**53.9**

Consolidated Cash Flow Data

	Year ended 31 December 2020	Year ended 31 December 2019 (unaudited)
	(£ million)	
Loss/(profit) before tax	(542.1)	173.9
Adjustments for:		
Investment property revaluation	159.7	(47.4)
Loss on disposal of fixed assets	0.9	1.7
Fair value loss on financial instruments	0.6	(8.2)
Finance income	(20.4)	(21.1)
Finance costs	153.2	176.3
Depreciation and amortisation	180.4	179
Increase/(decrease) in inventories, trade and other receivables	(6.3)	3.9
Increase/(decrease) in trade and other payables	(27.4)	26.6
Defined benefit pension contributions	(20.4)	(15.1)
Other non-cash movements	(0.3)	0.1
Cash generated from operations	**(122.1)**	**469.9**
Corporation tax paid	(0.5)	(42.7)
Net cash from operating activities	**(122.6)**	**427.2**
Interest received	0.7	1.3
Purchase of fixed assets	(108.2)	(252.1)
Sale of tangible fixed assets	0.1	0.1
Net cash from investing activities	**(107.4)**	**(250.7)**
Interest paid	(134.5)	(120.5)
Payment of lease liabilities	(1.0)	0.4
Increase in external borrowings	470.2	292.3
Increase/(decrease) in revolving credit facility	215.0	45.0
Payment of inflation accretion	(36.6)	–
Equity dividends paid	–	(400.0)
Net cash from financing activities	**513.1**	**(182.8)**
Net increase in cash and cash equivalents	283.1	(6.3)
Cash and cash equivalents at the beginning of the period	10.6	16.9
Cash and cash equivalents at the end of the period	**293.7**	**10.6**

Senior Borrower Group debt and gearing statistics

	As at/for year ended 31 December 2020	As at/for year ended 31 December 2019 (unaudited)
	(£ million)	
Cash flow (per Senior Finance Documents covenant)	(158.1)	346.1
Total interest (net) on Senior Debt (*£ million*)	122.8	109.8
Senior ICR (***multiple***)	**(1.29)**	**3.15**
Senior Net Debt (per Senior Finance Documents covenant) (*£ million*)	3,132	2,931
RAB (*£ million*)	3,317	4,902
Senior RAR (***multiple***)	**0.94**	**0.60**
Senior Net Debt to EBITDA (***multiple***)	**-**[(1)]	**6.20**

Note:

(1) Senior Net Debt to EBITDA is not provided for the year ended 31 December 2020 as EBITDA is a negative number and therefore the resulting figure is not meaningful.

Senior RAR for the year ended 31 December 2020 taking account of the downstream by the Issuer of £370.0 million in cash from the proceeds of the issuance of the notes (see "*Use and Estimated Net Amount of Proceeds*") to the Senior Borrower Group as if it had happened as at 31 December 2020 would have been 0.83.

For further information on alternative performance measures see "*Financial Information and Results of Operations – Ratios*". Note the Senior RAR specified above has been calculated without the agreed adjustments applicable for the period from (and excluding) 30 June 2021 to (and including) 30 June 2023 as further described in "*Description of Indebtedness – Description of Senior Indebtedness – 22 September 2020 Amendments*".

Group debt and gearing statistics

	Year ended 31 December 2020	**Year ended 31 December 2019 (unaudited)**
Group Net Debt (*£ million*)	3,307	2,931
Group RAR (*multiple*)	1.00	0.60

Group RAR for the year ended 31 December 2020 taking account of the proceeds of the issuance of the Notes of £445.0 million and the nominal liability of £450.0 million (see "*Use and Estimated Net Amount of Proceeds*") would have been 1.00.

For further information on alternative performance measures see "*Financial Information and Results of Operations – Ratios*".

Key operating statistics

	Year ended 31 December 2020	**Year ended 31 December 2019 (unaudited)**
Number of passengers (*million*)	10.2	46.6
Aeronautical income per passenger	£8.82	£9.82
Net retail income per passenger	£4.66	£4.19
Ratio of short haul to long haul passengers *(%)*	81.4 short | 18.6 long	80.7 short | 19.3 long
Air Transport Movements ("ATMs")	76,364	280,656
Seats per ATM	192.4	192.2
Load factors (*%*)	69.2	86.3

Revenue split by category

	Year ended 31 December 2020		**Year ended 31 December 2019 (unaudited)**	
	(£ million)	*Per Passenger (£)*	*(£ million)*	*Per Passenger (£)*
Aeronautical income	89.7	8.82	457.2	9.82
Retail income	49.8	4.66	199.5	4.19
Car parking income	17.7	1.06	87.2	1.46
Property income	30.6	3.00	33.3	0.71
Operational facilities and utilities income	12.7	–	34.5	–
Other income	16.5	–	41.8	–
Total revenue	**217.0**	**–**	**853.5**	**–**
Other non-trading income	–	–	3.9	–
Total income	**217.0**	**–**	**857.8**	**–**

RISK FACTORS

The following sets out certain aspects of the documentation and the activities of the Issuer and the Group of which prospective Noteholders should be aware. The occurrence of any of the events described below could have a material adverse impact on the business, financial condition or results of operations of the Issuer and the Group and could lead to, among other things, Events of Default, consequences under Senior Borrower Group financing and/or non-payment of amounts under the Notes.

This section of the Prospectus describes all material risks that are known to the Issuer and the Group as at the date of this Prospectus. This section of the Prospectus is not intended to be exhaustive and prospective Noteholders should read the detailed information set out elsewhere in this document prior to making any investment decision. Further, prospective Noteholders should take their own legal, financial, accounting, tax and other relevant advice as to the structure and viability of an investment in the Notes. Noteholders may lose the value of their entire investment in certain circumstances.

In addition, while the various structural elements described in this document are intended to lessen some of the risks discussed below for holders of the Notes, there can be no assurance that these measures will ensure that the Noteholders receive payment of interest or repayment of principal from the Issuer in respect of such Notes on a timely basis or at all.

Terms used but not defined have the meanings given to them in "Terms and Conditions of the Notes".

I. COMMERCIAL RISKS

Covid-19

Recovery from the Covid-19 crisis could be hindered by various political, economic, and regulatory factors outside of the Group's control. The Group has mitigated the impacts of the unprecedented Covid-19 crisis to the extent possible, taking drastic actions including, among others, contractual and resourcing adjustments with suppliers, halting discretionary expenditure, reducing the operational footprint of Gatwick, implementing pay reductions, a programme of compulsory and voluntary redundancies and cutting the capital expenditure programme (see further "*Business of the Issuer and Gatwick Airport – Response to Covid-19*").

However, at present, any predictions as to how and when air traffic and the wider economy will start to recover are uncertain. There is a range of factors outside the Group's control that could affect the recovery despite the Group's best efforts to mitigate the Covid-19 crisis, working alongside the UK government, airlines and industry organisations.

The most significant of these factors include the following:

- passenger confidence in, and demand for, travelling could be significantly affected not only by concerns over health and safety risks but also uncertainties in the government-imposed travel restrictions in the UK and across the world, and the risk of further lockdowns being implemented at very short notice;
- key international markets for the UK are subject to quarantine policies or travel bans imposed by the UK government (and governments in destination locations), at least for the short term and including the key European destinations Gatwick serves, with the UK government's quarantine exemption list being subject to change or withdrawal with no significant advance warning which further undermines passenger confidence in travelling;
- government policies such as social distancing and potential policies such as vaccine passports, testing or other border measures could impact the ability of Gatwick to operate and the revenues of its concessionaires;
- a significant proportion of Gatwick's costs are fixed and therefore during periods of reduced demand that sustain for some time (such as the ongoing Covid-19 pandemic), it can take time and cost to bring Gatwick's operating leverage down to an appropriate level;
- key recovery initiatives across aviation industry, including reciprocal health screening, testing and vaccine passports, require significant government support as well as common international standards, which could take a considerable period to develop and may, in and of themselves, deter passengers from flying;

- the risk of Covid-19 infection and/or quarantine requirements could impact the ability of key Airport functions to operate, such as air traffic control or the fire service;
- the Group's ability to bring back non-aeronautical revenue following the Covid-19 crisis, in particular, through retail concession fees, is compromised as a result of a number of existing retailers having either gone into administration or being in significant financial distress and consumers' shopping habits may move further in favour of online shopping;
- Covid-19 has changed the way that Gatwick operates as the overall headcount of the Group was reduced from 3,261 in March 2020 to 1,768 as at 31 December 2020 and third party suppliers that the Group relies on, such as ground handlers, have also reduced their headcount. As a result of these changes, Gatwick may not be able to adequately staff up to meet any future peaks in passengers returning which could negatively affect passenger experience;
- as at the date of this Prospectus, the rule, pursuant to Council Regulation (EEC) No 95/93 as it forms part of the domestic law of the UK by virtue of the EUWA, that airlines must use at least 80% of their slots or risk losing them to a competitor has been suspended and, if this suspension lasts beyond the short-term, slots at Gatwick may be trapped by certain airlines that are not using them which could have a detrimental effect on Gatwick's passenger numbers and its revenues;
- as a result of the Covid-19 pandemic there is significant excess capacity at Gatwick and other London airports, which may continue in the short term and could therefore have a temporary impact on market share as competitors reduce pricing in order to fill their excess capacity;
- the continuance of "working from home" even after government restrictions cease could result in a decrease in business passengers using Gatwick and create voids in its real estate portfolio;
- recovery efforts could be undermined as a result of further structural damage to airline capacity including failure of airlines;
- credit rating downgrades if the Group cannot implement sufficient mitigating actions to the satisfaction of the relevant rating agencies; and
- Covid-19 could cause a general economic slowdown (see further "*Macro-economic factors*" below).

As disclosed in note 1 to the audited consolidated financial statements of the Issuer for the year ended 31 December 2020 set out on pages F-15 to F-16 of this Prospectus, the impact of Covid-19 creates considerable uncertainty for the aviation industry. There are a number of severe but plausible downside scenarios, particularly if severe government restrictions impacting travel were to extend into the summer of 2021, and there remains a risk to the Senior Borrower Group's covenant ratios. Whilst the Group has a number of options to mitigate or remedy any potential covenant breaches and refinance its term loan (due for repayment in October 2021, extendable for an additional six months at the Group's option such that it would not fall due for repayment until April 2022), there remains the existence of a material uncertainty which may cast significant doubt about the Group's ability to adopt a going concern basis of preparation for the financial statements. An emphasis of matter in relation to this material uncertainty was included within the audit opinion on the audited consolidated financial statements of the Issuer for the year ended 31 December 2020.

Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations, which in turn may have an adverse effect on the ability of the Issuer to fulfil its obligations under the Notes.

Macro-economic factors

Changing economic circumstances may affect demand for travel. Leisure travel, which is a key market for Gatwick, is a discretionary consumer expense. During periods of economic slowdown (including potentially following the Covid-19 crisis), customers may reduce or stop their spending on travel, impacting passenger numbers and the propensity of passengers to spend in the shops, thereby impacting income for the Group. In addition, economic conditions may impact Gatwick's operating costs, pension plan contributions and the costs and availability of capital and of the services of suppliers which are required by Gatwick.

Economic circumstances may also affect the Group's retail income. Like leisure travel, passengers' retail spending at Gatwick is discretionary and poor economic conditions may result in travellers choosing to curtail such spending.

Car parking income may be affected by a change in the passenger mix in circumstances where outbound leisure travellers from the UK are substituted by inbound passengers who would not generally use car parks, which could affect the Group's income from car parking.

In addition, fluctuations in exchange rates may impact spending by passengers, which may have an adverse effect on the Group's revenues.

Fuel costs typically represent a large percentage of airlines' operating costs. Fuel prices fluctuate widely depending on many factors, including international market conditions, geopolitical events and exchange rates. If fuel prices increase significantly above current levels, airlines may seek to pass on increases in fuel prices to their customers by increasing their fares, which may have a materially adverse impact on passenger numbers and air transport movements.

In addition, any further changes which the UK government may introduce to air passenger duty and the system of taxing the aviation industry, other travel taxes or other taxes (whether existing or future) such as VAT may also affect the cost of flying, potentially decreasing passenger numbers and therefore the Group's revenues.

Exposure to airlines' actions or financial situations

GAL has negotiated commercial arrangements with certain airlines which incentivise those airlines to maintain and grow passenger numbers, and continues to engage with other airlines under the Airline Commitments framework to agree contract terms (see "*Airport Regulation – The Current Regulatory Framework*"). However, as airlines have no obligations to GAL to deliver a given passenger volume, to provide a minimum volume of flights through Gatwick or to use a particular type of aircraft, there can be no assurance as to the level of GAL's future aeronautical income from any one or more airline operators. Levels of retail income at Gatwick and passenger spend may also be affected by such factors.

In addition, the economic position of some airlines has been historically difficult. Individual airlines may suffer financial difficulties in the future which force them to partly or completely discontinue their flight operations or to merge with others, thereby having to realign their flight operations.

For example, Monarch Airlines ceased trading in October 2017, Thomas Cook ceased trading in November 2019, Norwegian underwent a restructuring during 2020, Virgin Atlantic closed its operations at Gatwick in 2020 and British Airways consolidated its short-haul operations away from Gatwick in 2020. These events could have a temporary detrimental effect on passenger traffic at Gatwick.

Any loss of airline customers or failure to pay by such airline customers could have a material adverse impact on the Group if it is unable to mitigate such loss by the take-up of the vacated slots by other airline customers.

Reliance on major airline customers

Gatwick's biggest five airline customers (easyJet, British Airways, TUI, Norwegian and Vueling) accounted for 80% of total air transport movements and 79% of passengers at Gatwick for the year ended 31 December 2019. Although GAL continues to seek to attract new airlines to operate from Gatwick and to encourage growth from existing operators, GAL has derived, and believes it will continue to derive, a significant portion of its revenue in any given year from a limited number of airlines. Actions taken by airlines (especially by those airlines that have a strong presence at Gatwick) such as decisions to change flight times, ticket prices and flight routes, or a failure by these airlines to appropriately respond to technical defects, failures in IT or data processing which may cause flight delays, damages to facilities, and the cancellation of airport services, could materially affect the financial performance of the Group. Also, financial difficulties experienced by any significant airline customer could lead to a reduction or cessation of flights from Gatwick and could result in a particularly adverse effect on the Group if it is unable to mitigate such loss by the take-up of the vacated slots by other airline customers in a timely manner. There can therefore be no assurance as to the level of the Group's future aeronautical income from any one or more airline operators.

Climate change

Climate change has the potential to affect Gatwick's operations and broader business in a number of ways. In particular, if climate change results in more volatile weather, such as a greater frequency and intensity of storms, this could disrupt Gatwick's operations by reducing handling capacity and ground transport access. Any increase in delayed or cancelled flights would increase disruption costs and reduce revenue, as well as having an adverse effect on Gatwick's reputation, which may have an adverse effect on the ability of the Issuer to fulfil its obligations under the Notes. Customer attitudes to environmental and climate issues may also change and this may lead to a reduced demand for air travel, which may have an adverse effect on the Group's revenues.

Future government regulations to combat climate change may also result in reduced capacity at Gatwick or additional financial penalties for the aviation industry, which may have a material adverse effect on the ability of the Group to operate profitably.

Government policies on "net zero" carbon emissions may continue to be accelerated, which has the potential to render Gatwick's fixed assets redundant if it cannot adapt quickly enough to the changes mandated. Adaptation of existing fixed assets may also be costly and the effectiveness and reliability of new technologies is uncertain and may lead to further costs for Gatwick.

Additionally, Gatwick may be exposed to changing weather conditions as a result of climate change. See "*Event risks – Natural phenomena/adverse weather conditions*".

Event risks

Threats to security and terrorism

The UK government currently assesses the threat to interests within the UK, including aviation, from international terrorism as "Substantial", the second highest threat level. The current threat level to interests within the UK from Northern Ireland-related terrorism is assessed as "Severe" in Northern Ireland, the second highest threat level.

Gatwick has been operating heightened security measures since September 2001 and was required by the UK government to introduce additional security measures following the discovery of terrorist plots in August 2006 and December 2009. The consequences of any future terrorist attack may include cancellation or delay of flights, fewer airlines and passengers using Gatwick, liability for damage or loss and the costs of repairing damage. The implementation of additional security measures at Gatwick in the future, including stricter hand luggage and other carry-on restrictions and reduced shopping time as a result of more rigorous and time-consuming security procedures could lead to additional limitations on airport capacity, overcrowding, increases in operating costs, reduced spend by passengers and delays to passenger movement through Gatwick and fewer passengers using Gatwick.

Epidemic diseases

International outbreaks of infectious diseases, such as the ongoing Covid-19 pandemic, and the resulting actions tabled by the WHO (including travel advisories) and the UK and other governments across the world, have had a significant adverse effect on passenger demand for air travel in the UK. An outbreak of another epidemic disease such as Covid-19 (whether domestic or international) or any WHO or governmental travel advisories (whether relating to UK cities or regions or other cities, regions or countries) could have a material adverse effect on passenger demand for air travel. Any resulting reduction in traffic could have a material adverse effect on GAL and, therefore, the results of operations and financial position of the Group.

Natural phenomena/adverse weather conditions

On 24 December 2013, severe flooding in the vicinity of Gatwick Airport resulted in the failure of electricity distribution to areas of the airfield and North Terminal. During this time train services to and from Gatwick and road networks were also severely affected by the weather. As a result of disruption caused, 72 of the 260 scheduled departures were cancelled which significantly impacted air transport movement and passenger numbers on 24 December 2013. Any future natural phenomena or adverse weather conditions or other event causing prolonged closure of airspace could have a similar or greater adverse impact on air transport movement and passenger numbers, affecting the Group's income.

Cyber attacks

Gatwick could face disruption from cybersecurity threats to its data and systems and/or non-compliance with the Network and Information Systems Regulations 2018 (the "**NIS Regulation**") could result in regulatory action which could have a significant impact on the Group. Gatwick's data and systems may be vulnerable to theft, loss, damage and interruption due to unauthorised access, security breaches, cyber-attacks, computer viruses, power loss, or other disruptive events.

In addition, the CAA has determined that Gatwick is an "operator of essential services" for the purposes of the NIS Regulation and as such Gatwick has to take appropriate and proportionate security measures to manage risks to its network and information systems, and it will be required to notify serious incidents to the Department for

Transport ("**DfT**"). A security breach could have a negative impact on customer confidence in Gatwick's systems and negatively impact Gatwick's reputation. In addition, a failure to comply with the requirements of the NIS Regulation could result in enforcement action being taken against Gatwick, including levying substantial fines. Should a security breach and/or noncompliance with the NIS Regulation occur, this could result in operational disruption, inconvenience to passengers and long-term damage to Gatwick's reputation, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

Loss of personal data

The penalties for the Group failing to comply with the DPA 2018 are recognised as on-going risks to be managed. Failure to comply with the DPA 2018 could result in reputational risks (impacting on Gatwick's relationship with its stakeholders including its regulators) litigation against Gatwick or a fine (maximum fine applicable is the greater of 20 million euros or 4% of annual turnover). Additionally, Gatwick may be subject to claims for material and non-material damage from groups of affected customers and employees. The cost of regulatory or legal action, and any reputational damage suffered as a result of such action, could have a material adverse effect on the Group's business, financial condition and results of operations.

Industrial action

With 1,768 full time equivalent employees as at 31 December 2020, relationships with employees, trade unions and other employee representatives are important to the running of Gatwick. Gatwick also relies on the employees of third party contractors for important services such as baggage handling. Existing labour arrangements and relationships may not prevent a strike or disruption in the future (whether by GAL's employees or by the employees of a third party contractor who provides services to Gatwick), and should these relationships deteriorate, the operation of Gatwick could be adversely affected, leading to a loss of revenue and increased costs associated with industrial disputes.

Key personnel

The Group's success depends, to a significant extent, on the continued services of its executive management team, which has substantial experience in the airport industry. There is no guarantee that any of the executive management team will remain employed by or seconded to the Group. The unexpected departure or loss of the services of one or more members of the executive management team could have an adverse effect on Gatwick's operations and/or the Group's financial condition or results of operations and there can be no assurance that the Group will be able to attract or retain suitable replacements.

Drone Risk

On 19 December 2018, two drones were reported around the Gatwick Airport perimeter (within the drone exclusion zone) which led to the initial closure of the airport's runway. Drone activity continued intermittently, with 115 sightings being reported between the first sighting on 19 December and the last sighting on 23 December. The multiple drone reports resulted in the need to close the runway for a total of 31 hours, leading to an estimated traffic impact of 164,000 fewer passengers as a result of flight cancellations from the evening of 19 December to 21 December.

The disruption at Gatwick was an unprecedented event, with the response involving support and intervention from the police, the military and the UK government. In response to the incident, Gatwick has taken additional drone risk mitigation measures by acquiring technology which provides confirmation of both the presence and location of drones.

At the time of the disruption, the UK government had already applied regulation to drones, prohibiting them from flying above 400 feet and within one kilometre of the airport's boundary, with registration requirements to be introduced in November 2019. In addition, following the incident at Gatwick, the Secretary of State for Transport introduced new measures, which now gives additional powers to the police when responding to offences by drone users and enlarged the exclusion zone around airports to five kilometres.

In spite of the measures taken by both Gatwick and the UK government, any future drone activity around Gatwick could have a similar or greater adverse impact on air transport movements and passenger numbers, which could negatively affect the Group's income.

Risks relating to the UK leaving the European Union

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

The UK is no longer part of the EU's aviation institutions, including the European Union Aviation Safety Agency, however the trade agreement emphasises the aim of close cooperation in this area based on mutual recognition of licences. Other regulatory impacts are largely limited by European legislation becoming UK legislation as part of the EUWA. This means there are no immediate changes to rules and regulations governing areas such as slots, airport charges, ground handling or the rights of passengers with reduced mobility.

There is a possibility that the UK will experience lower economic growth, which may have a negative impact on airport traffic. Similarly, currency movements may affect the cost of travel and in turn the demand for air travel. A weakening pound may also affect the input costs of airlines, which could impact the future of more marginal routes.

Potential restrictions on the free flow of labour between the UK and EU, as well as welfare changes for EU citizens in the UK, may also put pressure on the supply of aviation and airport-related staff.

The realisation of any of the above risks could have a material adverse effect on the business, financial condition and results of the Issuer and the Group.

Business interruption

Gatwick is exposed to the risk of accidents, including aircraft crashes. These accidents could result in injury or loss of human life, damage to airport infrastructure and short or long term closure of Gatwick's facilities and may have an impact on passenger traffic levels.

In addition, Gatwick may suffer business interruption or disruption from a number of other events out of its control such as wars, riots, pandemics, political action, blockades, fire or technical problems. Any interruptions or disruptions in the services that Gatwick provides could have a material adverse impact on the Group.

As Gatwick operates from a single site, any disruption to the efficient operation of Gatwick could have a material adverse impact on the Group. In particular, damage resulting from any of the above events may take considerable time to repair. The direct effect of such events and a prolonged period before rectification could have a material adverse impact on the Group.

Concessionaires

In a situation where passengers are spending less in the shops at Gatwick, concessionaires may seek to renegotiate minimum guarantee payments to GAL under concession agreements (for example if tax free shopping was to be removed this may impact passenger propensity to spend if GAL is unable to agree tax free equivalent pricing with concessionaires). If contract negotiations, amendments or documentation are not satisfactorily resolved or if concessionaire contracts are not renewed or are terminated, if there is reduced competitiveness of the airport retail offering or retail tenant failures or if GAL is not able to replace lost turnover with new contracts in a timely manner, this could have a material adverse effect on the Group.

Reliance on suppliers

GAL is an operating company and has entered into and will continue to enter into contracts with third parties under which it has given or will give representations, covenants and indemnities as part of the transactions to which the contracts relate. Gatwick sources goods and services required for the operation of Gatwick from third party suppliers, including air traffic control services, border control, maintenance, and utilities. In certain cases, Gatwick may only be able to access goods and services from a limited number of suppliers and the transition to new suppliers of such goods and services may take significant amounts of time and require significant resources. A failure, refusal or inability (whether due to insolvency or otherwise) of a supplier to provide goods or services, which is beyond Gatwick's control, could have a material adverse effect on the Group.

Airlines source goods and services required for their operation at Gatwick from third party suppliers, including ground handlers. A failure, refusal or inability (whether due to insolvency or otherwise) of a supplier to provide goods or services to airlines, which is beyond Gatwick's control, and/or the transition by airlines to new suppliers of such goods and services could lead to a temporary reduction or cessation of certain flights from Gatwick and could result in a temporary reduction in aeronautical revenues of the Group.

Competition risks

Gatwick's market share may be adversely affected by competition from other UK airports.

In September 2012, the UK government set up the Airports Commission, which was tasked with identifying and recommending to the UK government options for airport capacity and connectivity. On 1 July 2015, the Airports Commission issued its final report recommending to the UK government that an additional runway to the northwest of Heathrow be built subject to a number of conditions. The Commission also said that a new runway south of the existing northern runway at Gatwick was a credible, deliverable and financeable option. On 25 October 2016, the UK government announced that its preferred scheme for adding new runway capacity in the South East of England was through a Northwest Runway at Heathrow Airport and on 26 June 2018 this was formalised with the designation of the proposal as a national policy statement ("**NPS**"). The NPS was subsequently challenged in the courts but on 16 December 2020 the Supreme Court dismissed the challenge, concluding that the NPS was valid.

However, at least for the rest of this decade, London's airports will be relying on their existing physical capacity to meet expected increasing demand. As capacity becomes constrained, another airport which is granted permission to build a further runway in the future may gain a competitive advantage over Gatwick, which could have an adverse effect on the Group.

Covid-19 has also had an impact on capacity at Gatwick and other London airports and could have a temporary impact on market share as competitors reduce pricing in order to fill their excess capacity. See further "*Covid-19*" above.

Gatwick's business may also be adversely affected by the development of efficient and viable alternative means of transport to air travel, including improvement of existing surface transport systems, the introduction of new transport links or technology, as well as the increased use of communications technology.

Substantially shorter journey times for some types of rail travel are becoming possible through advances in high-speed rail transport which, in addition to enlarging the catchment areas of other UK airports, could result in air travel becoming less attractive compared to other means of transport, particularly for domestic and European routes. This could result in a decline in the volume of short- haul passenger and freight transport for Gatwick.

Car parking income may be adversely affected by competition from off-airport car park operators and valet parking providers as well as from increased use of alternative forms of transport.

Insurance

The Group benefits from insurance cover to protect against key insurable risks including terrorism and business interruption. Cover may not be adequate to cover lost income, reinstatement costs, increased expenses or other liabilities. Moreover, there can be no assurance that, if insurance cover is cancelled or not renewed, replacement cover will be available at commercially reasonable rates or at all. Gatwick has been unable to obtain pandemic business interruption insurance due to many insurers withdrawing coverage of pandemic business interruption policies and the remaining policies on the market being at prohibitive cost.

The Group may not have, or may cease to have, insurance cover if the loss is not covered under, or is excluded from, an insurance policy including by virtue of a deductible applying, exhaustion of applicable cover limits or a policy operating as an excess policy or if the relevant insurer successfully avails itself of defences available to it, such as breach of disclosure duties, breach of policy condition or misrepresentation.

Insurance cover for the Group is currently, and may in the future be, provided by a combination of insurance market entities. Any of these insurers could cease to offer current insurance cover, become insolvent or lose their licences or authorisations.

Pensions

GAL may be required to make further contributions to its defined benefit plan if the value of the pension fund assets is not sufficient to cover potential obligations. GAL provides retirement benefits for its employees through a defined benefit plan and a defined contribution pension scheme. GAL's funding obligations under the defined benefit plan are dependent upon movements in the value of the plan assets and assumptions regarding key metrics, such as price and salary inflation and mortality rates. Changes in the plan's investment strategy may also impact on GAL's funding obligations.

In addition, the Pensions Regulator has powers, the exercise of which could require other members of the Group, including the Issuer as a connected person to GAL, to make additional contributions or put in place other financial support. Any increase in contributions or other forms of financial support could have a materially adverse impact on the Group's cash flows and returns.

Planning and construction

GAL's capital investment programme includes major construction projects at Gatwick and is subject to a number of risks. Difficulties in obtaining any requisite permits, consents, including environmental consents, licences, planning permissions, compulsory purchase orders or easements could adversely affect the design or increase the cost of the capital investment projects or delay or prevent the completion of a project or the commencement of its commercial operation. GAL may face higher than expected construction costs and delays and possible shortages of equipment, materials and labour due to the number of major construction projects in the London area. GAL may also suffer business interruption from construction incidents.

The commencement of commercial operation of a newly constructed facility may also give rise to start-up problems, such as the breakdown or failure of equipment or processes or lack of readiness of operators, closure of facilities and disruptions of operations. GAL's construction contracts may contain restricted remedies or limitations on liability such that any such sums claimed or amounts paid may be insufficient to cover the financial impact of breach of contract. The ability of consultants and contractors to meet their financial or other liabilities cannot be assured and they may not be adequately insured.

The failure of GAL to recognise, plan for and manage the extent of the impact of construction projects on Gatwick could result in projects overrunning budgets, operational disruptions, unsatisfactory facilities at Gatwick, safety and security performance deficiencies and higher than expected operating costs. Any of these could affect Gatwick's day-to-day operations.

II. REGULATORY RISKS

CAA regulation – price caps and factors which may affect pricing

Period until 31 March 2021

In January 2014, the CAA published its Decision and Notice for the regulation of Gatwick from 1 April 2014, proposing to incorporate GAL's Airline Commitments within a licence. This was confirmed in the CAA's Notice granting a licence to Gatwick on 13 February 2014. GAL's Airline Commitments are now in place for a period of seven years from 1 April 2014 and limit price increases over that period to RPI+0%, when any discounts included in contracts with airlines are taken into account. Price increases excluding the effect of any discounts are limited to RPI+1% over the period. In addition, GAL's Airline Commitments include minimum service quality standards, minimum annual capital investment of £100 million, minimum standards of consultation with airline and passenger groups and dispute resolution procedures.

In the CAA's Notice granting a licence to Gatwick, the CAA sets out, amongst other things, its view of the "fair price" in the five years from 1 April 2014 of RPI-1.6% per year using a single till RAB calculation. However, as the CAA has decided to incorporate GAL's Airline Commitments within Gatwick's licence, the "fair price" is not included in Gatwick's licence and is for monitoring purposes only. Specifically, the CAA has stated that it intends to monitor GAL's pricing and other behaviours on an annual basis and the "fair price" analysis will be used as a benchmark. The CAA undertook a focused review of Airline Commitments in the second half of 2016 to assess whether they are operating in the passenger interest. This review was concluded in December 2016 and the CAA concluded that no changes were necessary to the regulatory framework or the specifics of the Licence (see "*Airport Regulation*").

Period from 1 April 2021 to 31 March 2025

In December 2018, GAL set out proposals to update and extend the Commitments for the period from April 2021 to March 2025. Following extensive consultation with passenger representatives and airlines, and informed by the latest passenger research, GAL published for consultation an updated set of proposed commitments in October 2019, and in January 2020 it published its Finalised Commitments for the period from 1 April 2021 to 31 March 2025.

In its finalised Commitments GAL set out a simplified price commitment. This simplified Commitment sets a limit on the "gross yield", or the notional aeronautical revenue before any commercial agreements have been considered. The Commitment is that the maximum average annual rate of increase in gross yield would at the most increase by RPI + 0%, referencing the achieved 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. This new, simplified gross yield ceiling will give greater certainty to passengers and airlines about the maximum level of future charges.

GAL also accelerated the pricing benefit inherent in these Commitments to take effect retrospectively from 1 January 2020, bringing pricing benefits to airlines sooner. This benefit was delivered to airlines operating under the airport tariff through the issuance of appropriate credit notes (for the period from 1 January to 31 March 2020) and adjustments to the published airport tariff (for the period from 1 April 2020 to 31 March 2021).

In October 2020 the CAA, the economic regulator, published a consultation on its policy towards the regulation of Gatwick Airport. The consultation outlined broad support for Gatwick's finalised extended commitments. In February 2021 the CAA gave formal notice (CAP2103) under section 22(2) of the CA Act 2012 of its proposal to modify GAL's licence to accept GAL's proposed new commitments as the basis of its economic regulation of GAL for the four year period from 2021/22 to 2024/25.

General

In carrying out its general duty, the CAA is required, among other things, to have regard to "the need to secure that each holder of a licence is able to finance its provision of airport operation services in the area for which the licence is granted". However, there can be no assurance that any future licence conditions set by the CAA will be sufficient to allow GAL to operate at a profit; nor that the methodology of the review process at subsequent reviews would not have a material adverse effect on the income of GAL; nor that the CAA will permit the recovery of forecast operational expenditure which cannot be avoided. Additionally, there can be no assurance that any future modifications to the licence by the CAA, while subject to appeal by GAL to the Competition and Markets Authority (the "**CMA**"), the successor body to the Competition Commission and Office of Fair Trading (the "**OFT**") to the Competition Commission by GAL, will not adversely affect the ability of GAL to finance its business at reasonable rates and thus have an adverse impact on its ability to meet its payment obligations under its financings and its ability to declare a dividend in order that the Issuer can be able to make payments under the Notes.

Enforcement action by the CAA

The CA Act 2012 provides for CAA enforcement of licence conditions, meaning that the CAA has the power to serve contravention notices, enforcement orders and urgent enforcement orders on GAL. Where the CAA serves an enforcement or urgent enforcement order on an operator, that operator will be under a duty to comply with the terms of that order. The CAA may take action, including seeking injunctive relief, in order to ensure that an operator does not breach its duty to comply with an enforcement order.

In addition, failure to comply with licence conditions, information notices or enforcement orders or competition law could result in penalties for offending operators of up to 10% of revenue at the relevant airport. Penalties may be imposed on a daily basis or as a fixed amount. GAL would have a right of appeal to the Competition Appeal Tribunal (the "**CAT**") against any enforcement orders or penalties that the CAA might seek to impose under these provisions.

The CA Act 2012 also provides the CAA with certain competition powers, held concurrently with the CMA. This allows the CAA to enforce competition law, conduct market studies, and make market investigation references to the CMA.

Legal challenges to determinations by the CAA and judicial review

Certain of the CAA's decisions are subject to specific rights of appeal. The CA Act 2012 introduced a system of appeals relating to licence decisions of the CAA. In relation to the operator and market power determinations, the CAT will have the power to hear appeals. Appeals may be brought by the relevant operator, and any other person whose interests are materially affected by the determination. For new licence conditions (and licence modifications), the CMA has authority to hear appeals.

Appeals on licence conditions may be brought by the relevant operator, or airlines whose interests are materially affected by the decision.

In the event an appeal was successful, the CAA could be required to remake its decision or, in certain circumstances, the CAT or the CMA could substitute their decision for that of the CAA.

Where no specific rights of appeal exist, the CAA's decisions are subject to judicial review. The role of the court in judicial review proceedings is not to remake the decision being challenged, or to assess the merits of that decision. The court will review a decision only on grounds of illegality, irrationality, procedural unfairness or breach of legitimate expectations. The remedies available under judicial review include the quashing of a decision, the making of a declaration, a prohibiting or a mandatory order and the recovery of damages.

This means, for example, that successful judicial review proceedings by an airline against a CAA decision could result in a quashing of the decision and a requirement for the CAA to remake the decision.

Core Service Standards

GAL's Airline Commitments include minimum service quality standards (known as Gatwick's Core Service Standards or "**CSS**"). This sets defined service standards for a range of passenger facilities, such as piers, lifts, escalators and moving walkways, as well as for airfield congestion and security queuing times. To the extent that GAL does not meet the defined standards, it is required to provide rebates to airlines on the per-passenger charges, which could amount to up to 7% of annual airport charges.

Revocation of licence

Gatwick's licence sets out the circumstances in which the licence may be revoked by the CAA. Those circumstances include if GAL (the "**Licensee**") requests or otherwise agrees in writing with the CAA that the licence should be revoked; if GAL ceases to be the operator of all of the Airport Area (as described in the licence); if the Airport Area ceases to be a dominant area; if Gatwick ceases to be a dominant airport; if GAL fails to comply with an enforcement order (given under section 33 of the CA Act 2012), an urgent enforcement order (given under section 35 which has been confirmed under section 36 of the CA Act 2012), or to pay any penalty (imposed under sections 39, 40, 51 or 52 of the CA Act 2012) by the due date for any such payment (subject to certain conditions under the licence). Before the CAA is able to revoke CAA's licence, the effect of section 48 of the CA Act 2012 is to require the CAA to notify GAL that it intends to revoke the licence (including giving its reasons) and give GAL an opportunity to make representations. A decision to revoke a licence can be appealed to the CAT in accordance with Schedule 4 of the CA Act 2012.

If Gatwick continues to meet the Market Power Test in section 6 of the CA Act 2012 (and is therefore required to have a licence under the CA Act 2012), GAL will not be permitted to levy charges in respect of airport operation services in the event that its licence is revoked. The revocation of GAL's licence could therefore have a material adverse impact on the Group's revenues, and consequently the Issuer's ability to meet it payment obligations under the Notes.

Environmental and health and safety considerations

GAL's business is affected by a wide variety of EU and UK environmental, health and safety and planning laws and requirements. Gatwick's existing operations may be impacted by a number of environmental and planning factors, including those involving: aircraft movements; air quality (including emissions standards); noise, soil and water pollution arising from airport operations; discharges and surface water drainage; land and groundwater contamination; flooding; asbestos in premises and exposure to asbestos; waste handling, management and disposal; climate change; and energy use and efficiency.

Compliance with present or future environmental, health and safety and planning requirements may be costly and time-consuming and may interfere with Gatwick's existing activities and operations. Any such costs and other constraints which may exist in the future may have a material adverse effect on Gatwick's operations or its financial condition.

Section 30 of the Airports Act

Section 30 of the Airports Act gives the Secretary of State the power to give directions to airport operators in the interests of national security. The directions can require airport operators to take, or refrain from taking, particular action specified in the direction. This provision allows the Secretary of State to give directions for airport closure in times of extreme international tension or in the interests of national security. This presents a risk for Gatwick due to the potential loss of control over the operational functions at Gatwick. It also presents the risk of a loss of revenue without compensation. There is no predictability or certainty as to the occurrence of events which may trigger a direction under Section 30 of the Airports Act. Section 30 is unaffected by the provisions of the CA Act 2012.

Other changes to the regulatory environment

Income and/or operations at Gatwick could be adversely affected by changes in policies regarding route licensing, the "use it or lose it" rule (under which airlines are required to fly 80% of their slots or sacrifice them to other airlines), security and safety, immigration and border controls, airport development, environmental policy, tax, air passenger duty (including recent and planned increases) and the provision of airport capacity.

III. FINANCING RISKS

Leverage Risks

Financing risk

The Group will need to raise further debt from time to time in order, among other things, to:

(a) finance future capital investment; and

(b) enable it/the Senior Borrower Group to refinance bonds and other debt.

There can be no assurance that the Group will be able to raise future finance on terms that are economically viable or at all. For instance, events in the credit markets in 2007 and 2008 significantly restricted the supply of credit.

Leverage

The secured nature of the borrowings and the covenant structure put in place under the Senior Borrower Group's financings allows GAL to raise debt of up to 70%, and in certain cases 72.5%, of RAB which is a higher ratio than can usually be raised under an unsecured capital structure. Debt at higher levels of leverage could have a material adverse impact on the Issuer's ability to meet its payment obligations under the Notes.

A significant portion of the Senior Borrower Group's cash flow from operations is dedicated to debt payments

Due to the secured nature of its borrowings and the structure that applies to them, the Senior Borrower Group has been able to raise more debt than would typically be the case for an unsecured borrower. As a result, a greater portion of the Senior Borrower Group's cash flow from operations is dedicated to payments on its debt obligations, thus reducing its flexibility to deal with significant financial under performance (e.g. as a result of Covid-19). This may increase the Senior Borrower Group's vulnerability to any economic downturn in its business or to adverse industry conditions, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations and also on the ability of the parent of the Senior Borrower Group to declare a dividend in order that the Issuer can make payments in respect of the Notes.

Unavailability of Liquidity Facilities in the future could restrict the Group's ability to incur additional indebtedness

The Senior Borrower Group has Liquidity Facilities available to cover certain shortfalls in interest and other payments in respect of certain of their financial indebtedness. If the Senior Borrower Group were unable to extend or replace its Liquidity Facilities when they expire, the Senior Borrower Group would not be permitted to issue additional bonds and the Issuer and/or the Senior Borrower Group may not be able to incur any additional Senior Debt, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Hedging Risks

While the Senior Borrower Group operates a hedging programme in accordance with their respective hedging policies, the Issuer and the Senior Borrower Group are not required to fully or perfectly hedge their present or future interest rate or inflation exposure and may not in practice do so. The Issuer and the Senior Borrower Group are subject to the creditworthiness of, and in certain circumstances early termination of the hedging arrangements by, hedge counterparties.

IV. LEGAL RISKS

Insolvency Considerations

Appointment of Administrative Receiver

The Insolvency Act 1986 allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, it should be applicable to the floating charge created by the Issuer in favour of the Security Agent. However, as this issue is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of the Issuer, it would be subject to administration if they were to become insolvent.

Recharacterisation of fixed security interest

There is a possibility that a court could find that certain fixed security interests expressed to be created by the Transaction Security Documents instead take effect as floating charges. Whether the fixed security interests will be upheld will depend, among other things, on whether the Security Agent has the requisite degree of control over the relevant assets and exercises that control in practice. If the fixed security interests are recharacterised as floating security interests, certain claims, including (to the extent the Issuer has any employees) certain employee claims in respect of contributions to pension schemes and wages and the costs and expenses of an administration and/or a liquidation, may have priority over the rights of the Security Agent to the proceeds of enforcement.

Change of law

It is possible that changes in law or regulations, or their interpretation or application (see, for example, "*– Regulatory Risks – Legal challenges to determinations by the CAA and judicial review*" above), after the date of the Prospectus may result in the transaction as originally structured no longer having the effect anticipated.

Tax Risks

Change of tax law and practice

The statements in relation to taxation set out in this Prospectus are based on current law and the practice of the relevant authorities in force or applied at the date of this Prospectus. Any changes in such law or practice might have an adverse effect on the financial position of the Issuer or the Group.

Potential secondary tax liabilities of the members of the Senior Borrower Group and the Issuer

Where a company fails to discharge certain tax liabilities due and payable by it within a specified time period, UK tax law imposes, in certain circumstances (including where that company has been sold so that it becomes controlled by another person), secondary liability for those overdue taxes on other companies that are or have been members of the same group of companies, or are or have been under common control, for tax purposes with the company that has not discharged its tax liabilities.

The Issuer has undertaken in the Tax Deed that no steps have been or will be taken by it or any member of the Senior Borrower Group which could be expected to give rise to a secondary liability for Gatwick Funding Limited or GAL. If any secondary tax liabilities arise in Gatwick Funding Limited or GAL (whether in respect of a primary tax liability of a member of the Senior Borrower Group or of another company with which Gatwick Funding Limited or GAL is or has been grouped or is under common control for UK tax purposes), and those secondary tax liabilities are not discharged by the Issuer or any other member of the Senior Borrower Group, and are of significant amounts, the Issuer could be adversely affected.

Withholding tax in respect of the Notes

All payments under the Notes can be made without deduction or withholding for or on account of any UK tax **provided that** they are and continue to be included in the Official List and admitted to trading on the London Stock Exchange (see "*Tax Considerations*" below).

If, as a result of a change in tax law, any withholding or deduction for or on account of any UK tax is required to be made, the Issuer will have the option (but not the obligation) of redeeming all (but not some only) outstanding Notes in full at their principal amount, together with interest accrued to but excluding the date of redemption. For the avoidance of doubt, none of the Trustee, Noteholders will have the right to require the Issuer to redeem the Notes in these circumstances.

V. ISSUER AND NOTE CONSIDERATIONS

Notes obligations of Issuer only

None of the Notes will be obligations of, nor will they be guaranteed by, any company in the Group (other than the Issuer). Furthermore, no person other than the Issuer will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

The Issuer depends on subsidiaries for payments

The Issuer is a holding company with no material assets other than the shares of its subsidiary, Ivy Super Holdco Limited. All of the Issuer's revenue is generated by the Senior Borrower Group. Accordingly, almost all of the Issuer's cash flow is generated by the Senior Borrower Group. Therefore, the Issuer's ability to make payments on its indebtedness and to fund its other obligations is dependent not only on the ability of its subsidiaries to generate cash, but also on the ability of its subsidiaries to distribute cash to it in the form of dividends, fees, interest, loans or otherwise.

However, the Issuer's subsidiaries face various restrictions in their ability to distribute cash to the Issuer. The Senior Borrower Group must satisfy certain restricted payment covenants and other conditions before it may make distributions to the Issuer. As at the date of this Prospectus the Senior Borrower Group is currently unable to make distributions to the Issuer as a result of such restrictions and there can be no assurance that the Senior Borrower Group will in future comply with such restrictions and be able make distributions to the Issuer. Business performance and local accounting and tax rules may limit the amount of retained earnings, which is in many cases the basis of dividend payments.

The Notes are subordinated to liabilities of the Issuer's subsidiaries

The Issuer's subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to any debt incurred by the Issuer or to make any funds available whether by dividends, fees, loans or other payments. Any right of the Issuer to receive any assets of any of its subsidiaries upon liquidation, dissolution, winding up, receivership, reorganisation, assignment for the benefit of creditors, marshalling of assets and liabilities or any bankruptcy, insolvency or similar proceedings (and the consequent right of the holders of the Issuer's indebtedness to participate in the distribution of, or to realise proceeds from, those assets) will be effectively subordinated to the claims of any such subsidiary's creditors (including trade creditors and holders of debt issued by such subsidiary). Accordingly, the Notes will be effectively subordinated to all liabilities of the Issuer's subsidiaries. As at 31 December 2020, the Senior Borrower Group had non-current borrowings of £3,354.4 million and current borrowings of £174.4 million. The terms and conditions of the Notes do not prohibit the Issuer's subsidiaries (other than Intermediate HoldCo) from incurring additional indebtedness.

To the extent that the Issuer is recognised as a creditor of any of its subsidiaries, its claims will still be subordinated to any security interest in or other lien on the assets of such subsidiaries and to any of their debt or other obligations. If share security under the Senior Finance Documents is enforced, the Issuer may no longer be an indirect shareholder of GAL as Ivy Holdco Limited has granted share security as part of the Senior Finance Documents over shares in its direct subsidiary, GAL. If the secured creditors in respect of the Senior Finance Documents elect to enforce their rights thereunder, then such security over the shares in GAL may be enforced and such enforcement may result in a sale of GAL and, subsequently, the Issuer no longer being an indirect shareholder of GAL. As a result, the Issuer would not be entitled to receive any dividends from GAL, which may impact its ability to generate the funds necessary to meet its obligations under the Notes.

In addition, it should be noted that unsecured creditors of GAL, such as trade creditors and suppliers, while subordinate to Borrower Secured Creditors, are not bound into the financing structure as they are not parties to the STID and the Common Terms Agreement and so will be able to petition for a winding up or administration of GAL where it fails to pay its unsecured debts as they fall due.

The Issuer may not be able to repurchase Notes on change of control

Upon a Change of Control, the Issuer will be required to offer to repurchase all outstanding Notes at 101 per cent. of their principal amount plus accrued and unpaid interest. The source of funds for any such purchase of the Notes will be the Issuer's available cash or cash generated from GAL's operations or other sources, including borrowings, sales of assets or sales of equity. The Issuer may not be able to satisfy its obligations to repurchase the Notes upon a change of control because it may not have sufficient financial resources to purchase all of the Notes that are tendered upon a change of control.

The interests of the Group's ultimate shareholders may be inconsistent with interests of Noteholders

GIP and VINCI indirectly own all of the shares of the Issuer. As a result, these shareholders have, directly or indirectly, the power, among other things, to affect the Group's legal and capital structure and its day-to-day operations, as well as the ability to elect and change management and to approve other changes to the Group's operations. The interests of the Group's ultimate shareholders could conflict with the interests of investors in the Notes, particularly if the Group encounters financial difficulties or is unable to pay its debts when due. In addition, the Group's ultimate shareholders may, in the future, own businesses that directly compete with the Group in certain respects, or do business with the group.

Security may be insufficient to repay the Notes

If there is an event of default under the Notes, the holders of the Notes will be secured only by the property and assets of the Issuer, which primarily consist of the share capital of Intermediate HoldCo held by the Issuer, and shares in the Issuer held by the Parent. To the extent that the claims of the holders of the Notes and the claims of any other third party creditor that shares in the Transaction Security in accordance with the terms of the Intercreditor Agreement exceed the value of the Transaction Security securing the Notes and other obligations, those claims will rank equally with the claims of the holders of all other existing and future senior unsecured indebtedness ranking *pari passu* with the Notes.

To the extent that other first-priority security interests, pre-existing liens, liens permitted under the terms and conditions of the Notes and other rights encumber the Transaction Security securing the Notes, those parties may have or may exercise rights and remedies with respect to the Transaction Security that could adversely affect the value of the security and the ability of the Security Agent to realise or foreclose on the security.

Payments in relation to the Notes are subject to the Intercreditor Agreement

The Trustee is a party to the intercreditor agreement. Other creditors may become parties to the Intercreditor Agreement in the future and share in the Transaction Security. Among other things, the Intercreditor Agreement governs the enforcement of the security documents, the sharing in any recoveries from such enforcement and the release of the Transaction Security by the Security Agent.

The Intercreditor Agreement provides that the Security Agent will act upon the instructions of the secured creditors representing more than 50 per cent. of the aggregate principal amount outstanding under the Notes and any other *pari passu* liabilities which are entitled to and do vote in relation to a particular matter, subject to minimum quorum requirements being met. In the future, the Notes may represent less than 50 per cent. of such liabilities (including the aggregate principal amount of the Notes themselves) and the holders of the Notes may therefore be bound by instructions given by other secured creditors. The Intercreditor Agreement further provides that, if the Trustee (for itself or on behalf of each of the holders of the Notes) does not respond to a Request (as defined in the Intercreditor Agreement) within 15 business days, the votes of the Trustee/and or the holders of the Notes, as applicable, will not be counted for, amongst other things, the purposes of instructing the Security Agent. These arrangements could be disadvantageous to the holders of the Notes in a number of respects. For example, other creditors not subject to the Intercreditor Agreement could commence enforcement action against the Issuer or its subsidiaries during such consultation period, the Issuer or one or more of its subsidiaries could seek protection under applicable insolvency laws, or the value of certain collateral could otherwise be impaired or reduced.

The Intercreditor Agreement provides that the Security Agent may release certain collateral in connection with sales of assets pursuant to a permitted disposal or enforcement sale and in other circumstances permitted by the Trust Deed (including the Terms and Conditions of the Notes). Therefore, such collateral available to secure the Notes could be reduced in connection with the sales of assets or otherwise, subject to the requirements of the financing documents and the Trust Deed.

The Trust Deed permits the Issuer, in compliance with the covenants in those agreements, to incur additional indebtedness secured by liens on the Transaction Security. The Issuer's ability to incur additional debt in the future secured on the collateral may have the effect of diluting the ratio of the value of such Transaction Security to the aggregate amount of the obligations secured by the Transaction Security.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including

Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. As a result, Noteholders can be bound by the result of a particular matter that they voted against.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to: (i) any modification (except as mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Trust Deed, the Conditions or any other Transaction Document; or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default will not be treated as such; or (iii) the substitution of another company as principal debtor or guarantor under any Notes in place of the Issuer in the circumstances described in Conditions 16 (*Meetings of Noteholders, Modification, Waiver and Authorisation*) and 14 (*Substitution*) of the Terms and Conditions of the Notes.

Monitoring of Compliance with Warranties and Covenants and the Occurrence of Events of Default

The Intercreditor Agreement provides that the Security Agent will be entitled to assume, unless it is otherwise disclosed in any Investor Report or Compliance Certificate or the Security Agent is expressly informed otherwise, that, among other things, no Default or Event of Default has occurred which is continuing. The Security Agent will not itself monitor whether any such event has occurred.

Conflicts of interest generally

Conflicts of interest may arise during the life of the Notes as a result of various factors involving certain transaction parties. For example, such potential conflicts may arise because one or more lenders to the Issuer (or other members of the Group) may also act in other capacities under the Intercreditor Agreement or the Transaction Documents, although the relevant rights and obligations under the Intercreditor Agreement or the Transaction Documents are not contractually conflicting and are independent from one another.

Transaction Security

Although the Security Agent will hold the benefit of the Transaction Security on trust for the Secured Creditors, such security interests will also be held on trust for certain third parties. Certain of the Issuer's obligations to such third parties rank ahead of the Noteholders. Such persons include, among others, the Trustee (in its individual capacity) and the Security Agent (in its individual capacity) in respect of certain amounts owed to them. To the extent that significant amounts are owing to any such persons, the amounts available to Noteholders will be reduced.

Limited liquidity of the Notes; Absence of secondary market for the Notes

There can be no assurance that a secondary market for the Notes will develop, or, if a secondary market does develop for any of the Notes issued after the date of this Prospectus, that it will provide any holder of Notes with liquidity or that any such liquidity will continue for the life of the Notes. Consequently, any purchaser of the Notes must be prepared to hold such Notes for an indefinite period of time or until final redemption or maturity of the Notes.

The liquidity and market value at any time of the Notes are affected by, among other things, the market view of the credit risk of such Notes and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, international political events and the performance and financial condition of the Group.

Optional redemption by the Issuer

The Issuer may elect to redeem the relevant Notes in advance of their scheduled maturity date by giving notice to the Noteholders in accordance with the Terms and Conditions. For example, the Issuer may redeem Notes when its cost of borrowing is lower than the interest rate on the Notes depending on the price the applicable Notes may be redeemed at. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Rating Agency assessments, downgrades and changes to Rating Agency criteria may result in ratings volatility in respect of the Notes

The ratings to be assigned by the Rating Agencies to the Notes reflect only the views of the particular Rating Agency and, in assigning the ratings, each Rating Agency takes into consideration the credit quality of the Issuer and structural features and other aspects of the transaction of which the Notes form part. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in, or unavailability of, information in relation to the Group's underlying business and performance or if, in the Rating Agencies' judgement, other circumstances so warrant. If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced. Future events, including events affecting the Group and/or circumstances relating to the industry in which the Group operates, could have an adverse impact on the ratings of the Notes.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Credit ratings may not reflect all risks relating to the Notes

One or more independent credit rating agencies may assign an unsolicited credit rating to the Notes. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and below and other factors that may affect the value of the Notes. Such a rating may be lower than the rating assigned to the Notes by the Rating Agencies and may impact the market value of the Notes.

In addition, each of the Rating Agencies, or any other rating agency may change its methodologies for rating securities with features similar to the Notes in the future. If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Notes were to be subsequently lowered, this may have a negative impact on the trading price of the Notes.

Furthermore, as a result of the EU CRA Regulation, if the status of a rating agency rating the Notes changes or the rating is not endorsed by a credit rating agency registered under the EU CRA Regulation, European regulated investors may no longer be able to use the rating for regulatory purposes. Similarly, as a result of the UK CRA Regulation, if the status of a rating agency rating the Notes changes or the rating is not endorsed by a credit rating agency registered under the UK CRA Regulation, UK regulated investors may no longer be able to use the rating for regulatory purposes. In both cases, any such change could cause the Notes to be subject to different regulatory treatment. This may result in such UK or European regulated investors, as applicable, selling the Notes, which may impact the value of the Notes and any secondary market trading,

Denominations and trading

The Notes will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000. For so long as the Notes are represented by a Global Certificate, and the rules of Euroclear and Clearstream, Luxembourg so permit, the Notes will be tradeable in the denominations of £100,000 and integral multiples of £1,000 in excess thereof. However, if Individual Note Certificates for the Notes are required to be issued and printed, any Noteholders holding Notes having a denomination which cannot be represented by an Individual Note Certificate in denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 will not be entitled to receive an Individual Note Certificate and would need to purchase a principal amount of Notes such that its holding amounts to the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000.

If Individual Note Certificates are issued, Noteholders should be aware that Notes which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

Book-entry form of Notes

The Notes will initially only be issued in global form and registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg. Interests in the Global Certificate will trade in book-entry form only. The common depositary, or its nominee, will be the sole registered holder of the Global Certificate representing the Notes. Accordingly, owners of book-entry interests must rely on the procedures of Euroclear and Clearstream, Luxembourg, and non-participants in Euroclear or Clearstream, Luxembourg must rely on the procedures of the participant through which they own their interests, to exercise any rights and obligations of a holder of Notes.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. The procedures to be implemented through Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Notes.

Changes in Financial Reporting Standards

Certain provisions of the Conditions contain certain conditions and/or triggers which are based upon an assessment of the financial condition of the Group calculated by reference to the financial statements produced in respect of the companies in the Group. These financial and other covenants are set at levels which are based on the current accounting principles, standards, conventions and practices adopted by the relevant companies.

The Transaction Documents provide for the possibility of adjustments to the basis of calculation of the Financial Ratios to reflect a change in accounting treatment of certain items. In certain circumstances such changes may take effect without a STID Proposal.

It is possible that any future changes in these accounting principles, standards, conventions and practices which are adopted by the companies in the Group may result in significant changes in the reporting of its financial performance. This, in turn, may necessitate that the terms of the conditions and triggers referred to above are renegotiated. Changes in accounting standards may also impact the tax position of the Group and result in increased tax payments which may ultimately have an adverse effect on the ability of the Issuer to make payments due under the Notes.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The following table sets forth the sources and uses of the proceeds from the offering of the Notes. Actual amounts will vary from estimated amounts, depending on several factors, including differences from the Group's estimate of fees and expenses.

Source and Uses of Funds

Source of Funds		**Uses of Funds**	
The Notes..	£450,000,000	Downstream of funds to the Senior Borrower Group to be used for its general corporate purposes	£370,000,000
		Cash at the Issuer (including Debt Service Reserve Account)(1)	£75,000,000
		Fees and expenses in respect of the offering of the Notes	£5,000,000
Total sources..................................	**£450,000,000**	**Total uses**..	**£450,000,000**

Note:

(1) £70,000,000 is to be deposited into the Debt Service Reserve Account.

CAPITALISATION

The following table sets out the current debt structure of the Issuer and the Senior Borrower Group as at 31 December 2020.

	Nominal value as at 31 December 2020
Senior Borrower Group	
Non-current borrowings – Senior Borrower Group (Class A Bonds, Term Loan and Revolving Credit Facility)	3,400.0
Accretion on inflation-linked Treasury Transactions	25.1
Senior Debt	3,425.1
Less: Cash – Senior Borrower Group(1)	(293.1)
Senior Net Debt	**3,132.1**
Current borrowings – CCFF Debt(2)	175.0
Total borrowings	**3,307.0**
Group	
Non-current borrowings – Issuer(3)	–
Cash – Issuer(4)	(0.6)
Group Net Debt	**3,306.4**

Notes:

(1) The intention of the Issuer is to downstream £370 million of the proceeds from the issuance of the Notes to the Senior Borrower Group in the form of cash. See "*Use and Estimated Net Amount of Proceeds*".

(2) On 19 March 2021, the Senior Borrower Group's outstanding CCFF commercial paper was £275 million (a £100 million increase).

(3) The intention of the Issuer is to retain £70 million of the proceeds from the issuance of the Notes in the form of cash. See "*Use and Estimated Net Amount of Proceeds*".

(4) The Notes will constitute a nominal non-current borrowing of £450 million.

For further information on the pro forma impact of the issuance of the Notes on the Issuer's balance sheet please refer to the "*Unaudited Pro Forma Financial Information*" section of this Prospectus and, in particular, "*Pro Forma Statement of Net Assets*" on page 193 of this Prospectus.

BUSINESS OF THE ISSUER AND GATWICK AIRPORT

OVERVIEW

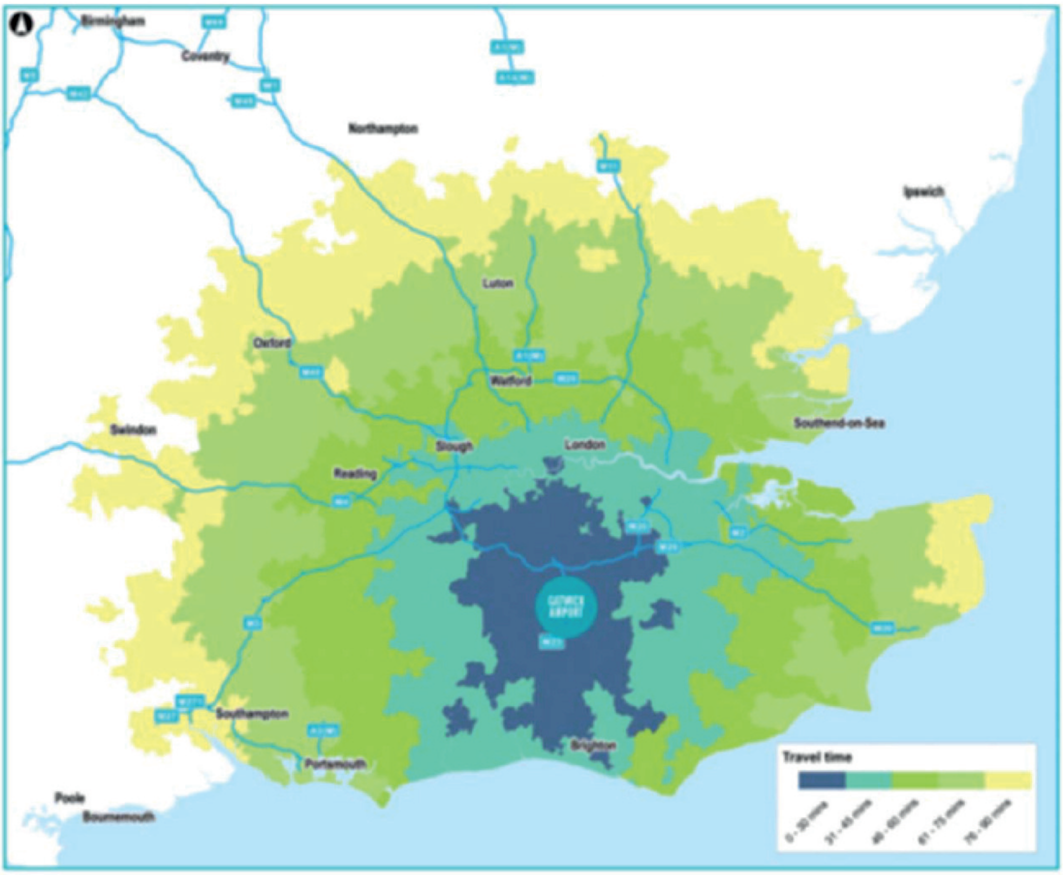
Overview of Gatwick

Gatwick Airport is located around 30 miles south of Central London and 3 miles north of Crawley, West Sussex at Gatwick, West Sussex RH6 0NP.

Gatwick is the UK's second busiest airport (as defined by 2019 traffic) (Source: CAA). For the year ended 31 December 2019, 46.6 million passengers passed through Gatwick, approximately 26% of airline passenger traffic in the Greater London area (Source: CAA, 2019 Airport Data), one of the busiest centres for air transport in the world. In 2019, London was the world's largest aviation market by number of passengers (Source: Euromonitor) and was Europe's most visited city by bed nights (Source: European Cities Marketing Benchmark Report 2019 – 2020). In the year to 31 December 2020, traffic has been significantly impacted by government and passenger responses to the Covid-19 pandemic and 10.2 million passengers passed through Gatwick (Source: CAA, four largest London airports' throughput to the end of December 2020). Gatwick has a high proportion of O&D passengers (90.6% of Gatwick's passenger traffic for the year ended 31 December 2019 was O&D (Source: CAA, 2019 Airport Data)). Additionally, in the year to 31 December 2019, 80.7% of Gatwick's passenger traffic was short haul and 85% of passengers are travelling from Gatwick for leisure (Source: CAA, 2019 Airport Data); short haul and leisure are expected to recover faster than long haul and business destination traffic short haul traffic is also expected to recover faster than long haul traffic. For 2019 it was the ninth largest airport in Europe based on passenger numbers and thirteenth largest airport in the world for international passenger traffic (Source: ACI Europe, Airport Traffic Report 2019, excluding Moscow). Gatwick had 280.7 thousand passenger air transport movements in the year ended 31 December 2019 and 76.4 thousand passenger air transport movements in the year ended 31 December 2020.

A network of over 50 airlines fly from Gatwick offering a unique mix of services including low-cost airlines, full-service carriers and charter flights, as well as serving around 230 destinations. Gatwick is predominantly a point-to point airport, with 73% of Gatwick's passengers accounted for by international short-haul travel (based on 2019 figures).

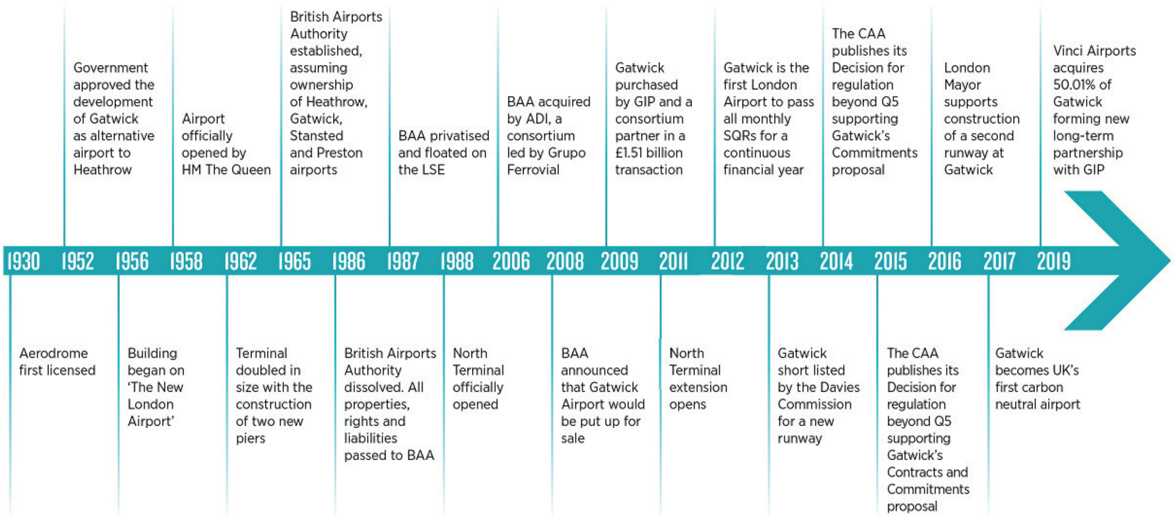
Gatwick provides a wide range of passenger services including passenger handling facilities, shops, bars, restaurants, hotels and over 40,000 public car parking spaces. Gatwick is London's best connected major airport by surface access with 3.2 million people living within 30 minutes. All of London's population and almost 15 million of the UK population live within approximately 60 minutes of Gatwick. Gatwick is easily accessible by motorway and train, taking only 30 minutes from London Victoria station on the Gatwick Express and 28 minutes to London Bridge.



The airport offers passengers 24 hour direct public transport access (by both road and rail) and the highest level of connectivity to London, the wider South-East and many parts of the UK.

Gatwick has maintained a strong focus in recent years on improving operations and the passenger experience. The Group has invested over £2.2 billion over the last 10 years which has provided the improved infrastructure required to generate improvements in the passenger experience.

A brief history of Gatwick and its expansion:



Gatwick's South Terminal was officially opened by HM The Queen on 9 June 1958, with the North Terminal following 30 years later in 1988. Gatwick has undergone a number of expansion and investment programmes since the change in ownership in December 2009, including the opening of the North Terminal Extension, redevelopment of the International Departures Lounges in both terminals and the installation of the world's largest self-bag drop check-in facility in the North Terminal. Investment has also been made in the North and South Terminal forecourts, the track transit system stations, car parks and piers, to configure the aircraft stands and gate rooms in Pier 5 and to construct a new Pier 1 including a new South Terminal Baggage Factory.

In 2017, Gatwick was officially recognised as a carbon neutral airport through its use of 100% renewable electricity and Gold Standard carbon credits to offset ground fuel emissions. The award, from ACI Europe, means that Gatwick Airport Limited completed Airport Carbon Accreditation at Level 3+ in 2016 for all ground operation emissions that the airport controls – including fuels, electricity and business travel.

Net Zero carbon

Gatwick is committed to achieving net zero carbon by 2050 for its buildings and vehicle fleet and is already halfway there (2018: 50% less than 1990 baseline). This is due to purchasing renewable electricity and a strong focus on energy efficient systems. Gatwick will keep going on this alongside strong focus on public transport and, increasingly, the transition to electric vehicles.

Gatwick is also an active member of Sustainable Aviation whose members, in February 2020, committed the UK aviation industry to achieve net zero carbon emissions by 2050. This is the first national net zero aviation commitment anywhere in the world.

Response to Covid-19

The Covid-19 pandemic has had an unprecedented adverse impact on the global aviation industry, with significantly reduced levels of traffic and passengers and substantial cuts in capacity by airlines during 2020 with this forecast to continue in the coming months.

Until the end of February 2020, the impact at Gatwick had been restricted to a limited number of services to and from the Far East. The response of the Italian government resulted in a notable shift in traffic away from Italy during the last week of February 2020. As other European governments had imposed travel restrictions, daily passenger numbers declined throughout March. Major carriers such as easyJet, BA, TUI and Norwegian started to ground fleets serving Gatwick. The Airport remained open throughout April, May and June 2020, servicing repatriation, freight, positioning and maintenance flights alongside a small number of scheduled services.

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

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

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

- The Group acted to reduce operating expenditure, saving over £140 million in the year ended 31 December 2020:
  - Contractual and resourcing adjustments have been agreed with suppliers to decrease their costs;
  - Discretionary expenditure has been halted;
  - The operational footprint of the Airport was reduced on a staged basis through March. Starting with night closure and the shutdown of 2 out of 6 piers, operations were then limited to a single pier in South Terminal within an 8-hour window (2pm to 10pm). Operations then switched to North Terminal only from 15 June 2020, as easyJet restarted their operations. As at the date of this Prospectus South Terminal remains closed and the Airport continues to vary the operational footprint in the North Terminal to meet the changing demand;

- The overall headcount of the Group was reduced from 3,261 in March 2020 to 1,768 at 31 December 2020, through the termination of fixed term contracts and redundancy programmes; and
- The Group utilised the UK government's furlough scheme and job retention scheme throughout 2020 and 2021 to protect as many jobs as possible as passenger levels meant many of the retained employees had no work.

• A review of the Group's capital investment programme has resulted in the deferral of over £380 million from the investment originally planned in 2020 and 2021. Over half of the projects already in delivery have been stopped, with only operationally critical projects continuing or those that are near to completion. Further opportunities have been identified to reduce capital investment and associated cash outflow, if required.

In addition to the actions to reduce cash outgoings, the Group has taken steps to increase the availability of cash and committed funding available. On 3 April 2020, the Senior Borrower Group entered into a new £300 million term loan (due for repayment in October 2021, extendable for an additional six months at the Senior Borrower Group's option such that it would not fall due for repayment until April 2022). Gatwick is exploring options to refinance its £300 million term loan, including potential capital markets issuances. As at 31 December 2020, the Senior Borrower Group held cash of £293.1 million and its £300 million Revolving Credit Facility was fully drawn. The Senior Borrower Group also has access to a committed £150 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months and a £5 million committed overdraft facility. The Senior Borrower Group does not, as at the date of this Prospectus, currently expect to utilise the Liquidity Facility. GAL was approved to draw up to £300 million under the Bank of England CCFF scheme. On 19 March 2021 GAL issued £275 million pursuant to the CCFF, which matures in March 2022. GAL had £175 million of CCFF commercial paper in issue as at 31 December 2020 and the 19 March 2021 issuance reflects an incremental increase in outstanding CCFF commercial paper of £100 million.

The Senior Borrower Group's financing arrangements are subject to compliance with financial covenants, including the Senior 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 (which is calculated by reference to net debt compared with a defined multiple of average EBITDA from the last three years). Both covenants are subject to bi-annual tests at 30 June and 31 December.

The Senior Borrower Group has been granted a covenant waiver and amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes: (a) that any Default relating to Senior ICR and Senior RAR levels are waived in respect of the calculation dates falling on December 2020 and June 2021; and (b) thereafter, a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace the April 2020 to March 2021 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

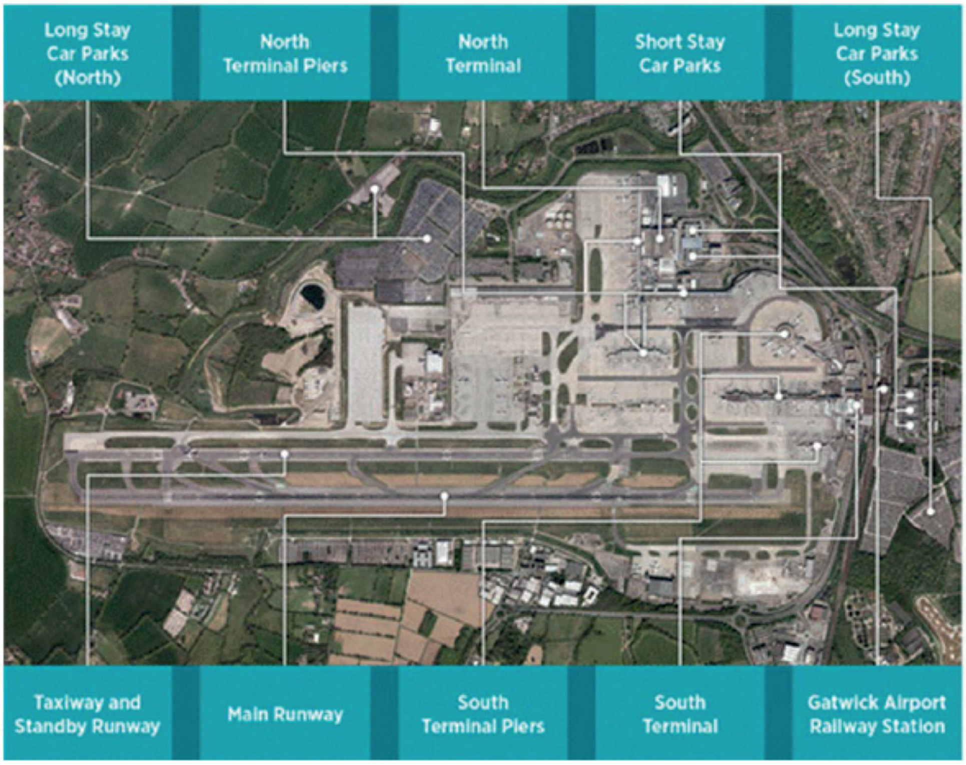
The UK's exit from the EU

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

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

Gatwick infrastructure and traffic

Gatwick has one 3,316 metre-long runway with a total of six piers and 79 pier-served aircraft stands. Gatwick also has 68 remote aircraft parking stands. The location of the terminals, piers and car parks can be seen on the image below.



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. Aviation also provides opportunities – not just allowing people to take a well-earned leisure break, or visit friends and relatives but also promotes trade and investment, tourism and international relations. The Covid-19 pandemic has had a dramatic impact on all sectors – not just transport, with aviation being severely affected and international travel falling dramatically from March 2020 onwards with the imposition of travel restrictions affecting many passengers and airlines.

However, importantly, the UK government has recognised that aviation is essential to the UK's economic recovery as well as wider agendas such as Global Britain, levelling-up and inclusive, sustainable growth. Gatwick has played an active part in working with UK government and supporting the aviation industry's recovery – being an active member of the DfT expert steering group, working with Ministers and officials on financial support measures and providing input on travel corridors and the introduction of testing to reduce and ultimately eliminate the need for quarantine.

There is long standing UK government policy support for aviation. Policy has developed over a number of years and recognises the tangible benefits aviation growth brings in terms of employment, economic confidence, growing tourism, increased trade and business investment. However, it also recognises the need for sustainable growth taking steps to mitigate environmental impacts such as carbon emissions, noise and air quality.

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

In June 2018 the UK government decided to adopt an NPS supporting a third runway at Heathrow (the NPS being recently confirmed as lawful in the courts). However, at the same time UK government also announced policy support for other airports to make best use of existing runways ("Beyond the Horizon – The future of UK aviation. Making best use of existing runways", June 2018). Airport development proposals will be considered under the relevant planning process with proposals to make best use of existing runways judged taking account of all relevant considerations, particularly economic and environmental impacts and proposed mitigations.

In December 2018, the UK government published for consultation policy proposals for a new Aviation Strategy entitled "Aviation 2050 – The future of UK aviation" (Cm9714). The policy measures were designed to develop a long-term Aviation Strategy to 2050 and beyond, aiming to achieve a safe, secure and sustainable aviation sector that meets the needs of consumers and of a global, outward-looking Britain. This consultation closed in June 2019 and although the DfT was due to finalise its strategy during 2020, this work was put on hold due to the Covid-19 pandemic. However, the development of an updated Aviation Strategy is not a process the UK government can undertake on its own and it therefore engages with a wide range of industry groups, passengers and communities to develop a long term plan for sustainable growth. One element of Gatwick's input into policy making is through the preparation of a master plan.

It is best practice to provide regular updates on how Gatwick might develop. On 18 July 2019, Gatwick published its final master plan, which includes:

- using new technology to build capacity and resilience on the main runway;
- bringing the existing standby runway into routine use for departures only alongside the main runway by the mid 2020s;
- recommending planning policy continues to safeguard land for an additional runway.

Taking into account consultation feedback, Gatwick will continue to make best use of its main runway. Gatwick also announced on 18 July 2019 that it will prepare a planning application to bring the standby runway into routine use. This will be through a Development Consent Order – a rigorous statutory planning process that will include public consultation in 2021 to allow local authorities, communities, businesses and partners the opportunity to provide more feedback as the scheme evolves. Additionally, Gatwick is recommending that national and local planning policy continues to safeguard land – as it has been since 2003 – should a new runway be required in the longer-term. As at the date of this Prospectus, Gatwick continues to seek that national and local planning policy safeguards land for an additional runway in the future.

COMMERCIAL STRATEGY

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

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

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

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

Sustainability Strategy

Gatwick's sustainability approach is built into its governance framework and is led by the Executive Management Board. Gatwick's aim is to ensure that the right systems are in place to set strategy and policies, determine and deliver appropriate plans and to manage the business safely and responsibly.

In 2010, Gatwick published its "Decade of Change" strategy, which set out ten specific strategic goals over the ten years to 2020 and Gatwick met or exceeded all of these goals by the end of 2019. Building on this success, Gatwick will shortly publish its "Second Decade of Change" sustainability goals for the period 2021-2030 to seek continued reductions in environmental impacts while generating economic and societal benefits.

Throughout 2020, Gatwick maintained its noise, air quality, water quality and biodiversity monitoring programmes, comprehensive stakeholder engagement and core elements of the sustainability action plan.

This included the following:

- Signed the UK Sustainable Aviation coalition's commitment to achieve net zero aircraft emissions by 2050;
- Joined the Government's Jet Zero Council delivery group on sustainable aviation fuels;
- Maintained Airport Carbon Accreditation at "carbon neutral" level continuously throughout 2020; and
- Continued to reuse and recycle airport waste, with 61% of Airport operational waste reused or recycled, and the remainder sent offsite for energy recovery.

Gatwick continues to build and maintain strong relationships with stakeholders including the UK government, airlines, business partners, passengers and employees. Working closely with these stakeholders ensures that the Airport can influence and shape future policy and decisions that may affect Gatwick and the aviation industry, and also to identify joint working opportunities to promote best practice.

STRENGTHS

Gatwick has a number of key credit strengths. Primarily, Gatwick has a strategically advantageous position in the premium, South East UK air travel market. Gatwick is well positioned to recover from the impact of the Covid-19 pandemic and has shown consistent historic growth prior to the Covid-19 pandemic. The regulatory regime has been modernised in a manner welcomed by GAL and in line with GAL's strategy. The Group has taken a prudent approach to leverage and also benefits from a strong management team supported by highly experienced, long term shareholders.

The South East premium market

Gatwick is located in the South East of the UK – a densely populated, affluent catchment area in the heart of the UK service economy. Air travel in the South East has grown significantly over the last forty-plus years from 17 million passenger journeys in 1968 to over 182 million in 2019 (Source: CAA). In 2017, the DfT projected total traffic growth at UK airports to continue at 1.2-1.5% per annum to reach approximately 410 million by 2050 after considering capacity constraint. Without constraints to airport growth, demand is forecast to rise to 355 million by 2030 (central scenario) and 495 million passengers in 2050 within a range of 478 to 535 million (Source: DfT 2017 paper: UK Aviation Forecasts).

London is a leading global financial centre and the South East of England as a whole accounted for 37.4% of Gross Value Added (Source: Regional Gross Value Added (Income Approach) December 2018). In 2019, the UK ranked tenth in the world for international tourism arrivals and fifth in terms of international tourism receipts (Source: World Tourism Organisation) with a significant portion of the international air traffic coming through the London area. All these factors support significant continued demand for both leisure and business O&D air traffic through Gatwick.

Runway capacity in the South East is limited at peak periods. For at least the majority of the 2020s, London's airports will be relying on their existing physical capacity to meet expected increasing demand.

Gatwick is well placed to recover

Gatwick has predominantly O&D traffic which comprises approximately 90.6% of the passengers using Gatwick (Source: CAA, 2019 Airport Data). Gatwick serves a diverse passenger mix: approximately 55.5% for leisure travel, 26.3% VFR (visiting friends and relatives) and 18.2% business (Source: Gatwick Retail Profiler Survey, April 2018 – March 2019).

Within the South East airports system, Gatwick has a desirable strategic location.

The airport is conveniently situated for transport to London and the South East. The Gatwick Express provides non-stop rail services directly to London Victoria station. Gatwick's railway station is located adjacent to the

South Terminal and provides frequent additional connections to other London terminals. Gatwick is also well-served by national rail links.

Gatwick is also located a short distance from Junction 9 of the M23 motorway, nine miles from London's orbital M25 motorway.

In 2019, the total number of passengers travelling by air through the four largest airports serving the Greater London area was approximately 156 million. In 2019, Gatwick accounted for 26% of this traffic (Source: CAA, 2019 Airport Data).

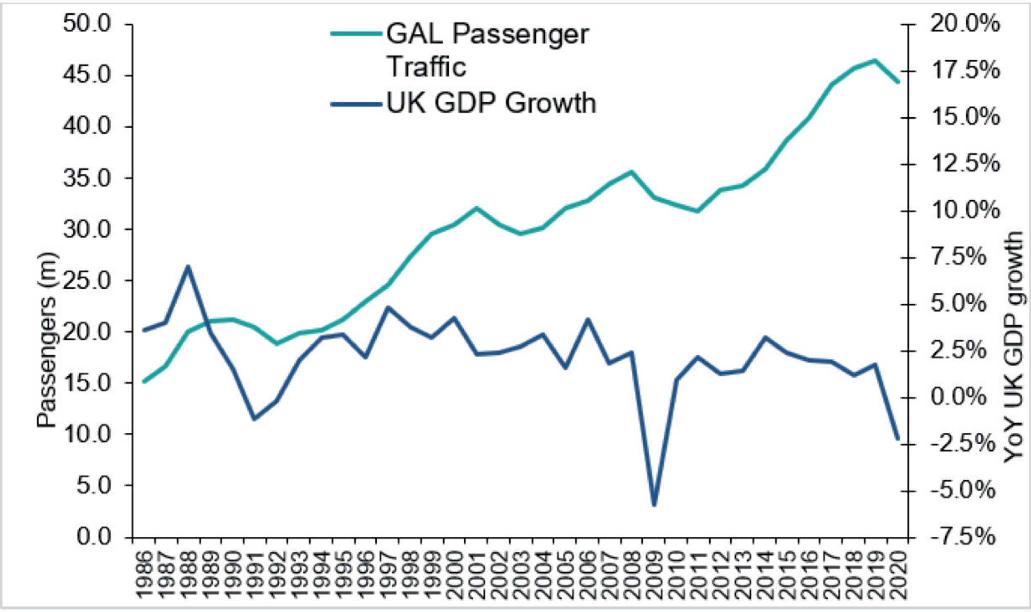
Gatwick is attractive due to the presence of a diverse mix of carriers due to its low aeronautical charges compared with many major European airports (such as London Heathrow), its ease of operations and quick turnaround times, its excellent transport links to central London, and its geographic placement in the large and wealthy catchment area south of London (as illustrated in the chart below).

Gatwick's catchment area

Source: UK Office for National Statistics: Mid-year population estimates 2017: 28 June 2018

Relative resilience to shocks and economic downturns

Through periods of UK GDP decline and exogenous events which have reduced the propensity to travel, Gatwick's performance has remained resilient. The chart below illustrates that over the last 30 years, demand for air travel at Gatwick has tended to return relatively quickly to historic levels following external shocks, suggesting resilience of the level of demand.



Source: GAL passenger traffic: Gatwick Management; UK GDP growth 1985-2020: Office of National Statistics

Note: Passenger traffic data is as at 31 March of the year given; GDP data as at: 31 December

Major events which have had a significant impact on passenger traffic include the terrorist attacks on the United States in 2001 and their aftermath, the Gulf Wars and periods of economic recession. Other events that have had a significant impact on passenger traffic at Gatwick in the last ten years include airline failures and the eruption of Eyjafjallajökull in Iceland in 2010. Recently, the Covid-19 pandemic has had a material impact on passenger traffic as the UK and other governments worldwide restricted travel for non-essential purposes at various times and imposed quarantine and other restrictions on air passengers during 2020 and 2021.

Historically (without including 2020/21 data), passenger traffic has been resilient through such events with an average reduction peak to trough of 9.3% and recovery to prior levels generally taking around 2 to 3 years. The economic downturn after the 2008 global financial crisis witnessed the most significant trough in the last 30 years with the drop from the peak totalling 11.1% and lasting five years. This trough was impacted significantly by the intermittent closure of airspace in the three months to 30 June 2010 following the eruption of Eyjafjallajökull in Iceland.

The period between 1999 and 2021 has seen a significant shift in passenger mix with European low cost traffic growing substantially and taking market share from European charter and legacy carriers. Between 2004 and 2008, Gatwick saw consistently strong growth in passenger numbers primarily as a result of easyJet expanding its activities at Gatwick. The development of the low cost carrier model, primarily led by easyJet, has continued to support passenger growth in recent years.

The scale and duration of the Covid-19 pandemic is unprecedented in nature and the relationship to previous downturn events remains uncertain. Air transport associations, such as IATA, are predicting that air travel will return to 2019 levels by 2024, which is a five year recovery period. They are also predicting that the propensity to travel will return at different rates for different segments; domestic will rebound faster than short-haul which will rebound faster than long-haul and leisure travel will rebound faster than business travel. It is likely therefore that the airline and passenger mix at Gatwick Airport will change in comparison to 2019 levels with some uncertainty as to how this mix will develop over time. Gatwick has relatively low exposure to the business travel segment. It is also well placed to adapt and evolve to this changing mix for the following reasons:

- *Flexible infrastructure*: Gatwick's infrastructure can adjust to a higher proportion of short-haul aircraft (or smaller long range aircraft operating long-haul) than during 2019 in the medium term. As an example, Gatwick has a high proportion of stands that are Multi Choice Apron, which means they can be used for a combination of small and large aircraft;

- *Multi-Service Proposition*: Gatwick tailors its service proposition to the requirements of all carrier types from full service to ultra-low cost; and
- *Highly efficient operation*: technological improvements in the pipeline for security, boarding and aircraft sequencing mean Gatwick will build back in a more productive and efficient manner. Driving this efficiency helps to underpin its aero price proposition, which in the view of Gatwick's management is competitive.

Core Service Standards

In January and February 2020 all of the CSS measures were passed.

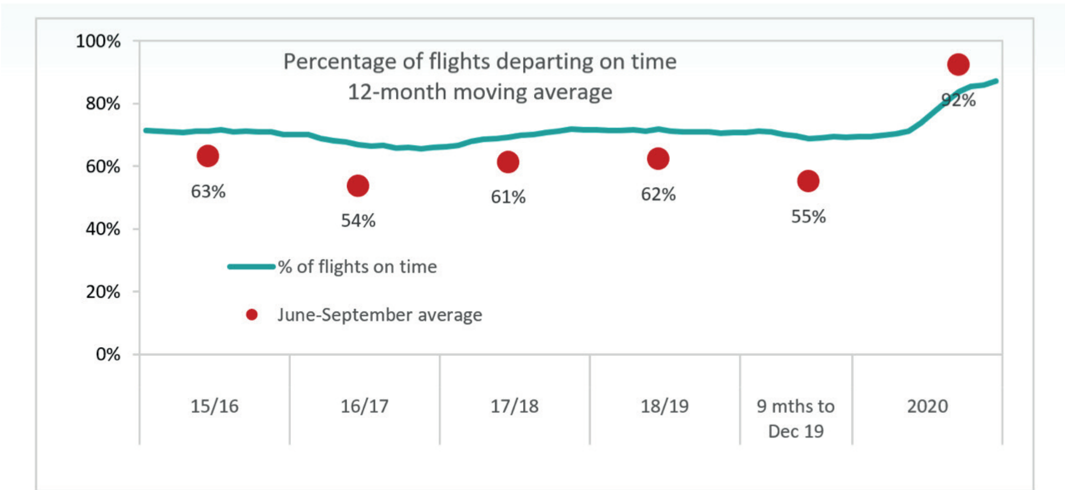
In March 2020, the impact of the Covid-19 pandemic caused a severe downturn in passenger volumes. Gatwick responded by working with our airline partners to dynamically manage the operational footprint of the Airport, eventually consolidating into low-volume operations in a single terminal. As the operation contracted, the CSS measures became impractical and, with the agreement of its airline customers, Gatwick took the decision to suspend the CSS measures. Between August and mid October 2020, as the Airport saw a short increase in passenger numbers and corresponding expansion of the operational footprint of the Airport, a number of the measures covering airfield congestion, pier service, the inter-terminal shuttle and a number of terminal facilities were reinstated. As the second lockdown took effect in early November 2020 and both passenger volumes and the operational footprint shrank again, the shuttle and terminal measures were suspended. Airfield congestion and pier service metrics continued in place. All measures in force were passed and throughout 2020 Gatwick maintained a good level of service for those passengers who travelled.

Gatwick remains committed to safeguarding a good level of service for those passengers who are permitted to fly and consults regularly with its airline customers on the status of each CSS metric. Gatwick's intention is to re-instate all the standards as soon as possible.

Airfield Performance

On-time performance remains a key strategic priority for Gatwick as it seeks to improve the passenger experience and deliver a stable and resilient operation for its airline customers, allowing it to continue to grow its businesses from Gatwick.

The graph below shows the percentage of flights departing no later than 15 minutes after the scheduled time of departure on a rolling 12-month basis.



Source: Gatwick Management

For the year ended 31 December 2019, 69% of departures from Gatwick departed no later than 15 minutes after the scheduled time of departure and for the year ended 31 December 2020, 87% of departures from Gatwick departed no later than 15 minutes after the scheduled time of departure (although the 2020 figures reflect a lower number of air transport movements at Gatwick due to the effects of Covid-19).

A number of factors can influence on-time performance and a range of stakeholders, including Gatwick, air traffic control providers, airlines and ground handlers, have an important role to play. Some of the key challenges Gatwick faces in its normal operating conditions include: (i) a continued increase in the proportion of flights subject to airspace restrictions caused by congestion in en-route airspace corridors and/or restrictions at destination airports; and (ii) pressures in the ground handling market, with some ground handlers continuing to find it challenging to deliver against scheduled turnaround times.

Gatwick takes a proactive role in seeking to support improved on-time performance through: (i) investment in facilities to support the efficient turnaround of aircraft, including airfield and terminal works; (ii) the continuation of financial incentives for airlines and ground handlers to reward the efficient turnaround of aircraft; (iii) engagement with ground handlers to audit resource plans ahead of the summer season; and (iv) a continued strong focus on meeting the Core Service Standards to support a high-quality and efficient operation.

Major airlines operating at Gatwick have also taken significant steps to address on-time performance issues, including through: (i) scheduling adjustments; (ii) end-to-end process reviews of turnaround management; and (iii) innovative and collaborative working with Gatwick and ground handling providers.

Gatwick's strong financial performance reflects its diverse revenue mix

The Group's revenue performance has improved in large parts as a result of increased passenger numbers which were up 29.0% over the five years ended 31 December 2019. In the year ended 31 December 2020, passenger numbers were 10.2 million (a reduction of 78.2% compared with the year ended 31 December 2019) as a result of Covid-19 and the impact it had on Gatwick's operations. EBITDA (pre-exceptional items) has increased by approximately 180% between 1 April 2009 and 31 December 2019 (a CAGR of 12.5%). In the year ended 31 December 2020, EBITDA (pre-exceptional items) was negative £25.1 million, primarily as a result of the effects of Covid-19.

The Group's results for the year ended 31 December 2019 continued to demonstrate strong financial performance. The Group's EBITDA (pre-exceptional items) was a profit of £472.7 million for year ended 31 December 2019.

Aeronautical income (after discounts and marketing support) grew to £457.2 million in the year ended 31 December 2019 (in the year ended 31 December 2020 aeronautical income reduced significantly to £89.7 million, primarily as a result of the effects of Covid-19). Retail income was £199.5 million in the year ended 31 December 2019 (in the year ended 31 December 2020 retail income reduced significantly to £49.8 million, primarily as a result of the effects of Covid-19). Car parking income was £87.2 million in the year ended 31 December 2019 (in the year ended 31 December 2020 car parking income reduced significantly to £17.7 million, primarily as a result of the effects of Covid-19).

For additional information, see "*Financial Information and Results of Operations*". *Diversified income and revenue streams.*

Gatwick benefits from diversified income sources. In addition to income earned from airlines from regulated aeronautical charges, Gatwick also earns income from a variety of sources, including retail, car parking and property.

Revenue breakdown *(£ millions)*	**Year ended 31 December 2020**		**Year ended 31 December 2019 (unaudited)**	
Aeronautical income	89.7	41.3%	457.2	53.6%
Retail income	49.8	22.9%	199.5	23.4%
Car parking income	17.7	8.2%	87.2	10.2%
Property income	30.6	14.1%	33.3	3.9%
Operational facilities and utilities income	12.7	5.9%	34.5	4.0%
Other income	16.5	7.6%	41.8	4.9%
Total revenue	**217.0**	**100%**	**853.5**	**100%**

Aeronautical derived income

Gatwick serves a diversified range of major airlines, employing a variety of business models (e.g. low-cost, scheduled, charter) to serve O&D short-haul leisure and business traffic and long-haul leisure.

Over 50 airlines (serving > 5k passengers per annum) operate out of Gatwick. The largest airlines by passenger numbers at Gatwick for the year ended 31 December 2019 were as follows:

Airline	**Air transport movements (000s)***	**% of Total**	**Passengers (000s)**	**% of Total**
easyJet	122.4	44%	19,043	41%
British Airways	49.8	18%	7,769	17%
Norwegian Air Shuttle	28.1	10%	5,310	11%
TUI	13.6	5%	2,874	6%
Vueling	10.4	4%	1,590	3%
Thomas Cook	6.5	2%	1,388	3%
Ryanair	7.3	3%	1,218	3%
Virgin Atlantic	3.2	1%	1,035	2%
Emirates	2.1	1%	979	2%
Aer Lingus	4.3	2%	563	1%
WestJet	1.9	1%	452	1%
Wizz Air	2.2	1%	419	1%
Other	28.8	10%	3,925	8%
Total	**280.7**	**100%**	**46,565**	**100%**

* *Commercial flight types only.*

Passengers and air transport movements by airline have been provided for the year ended 31 December 2019. 2020 was significantly disrupted by Covid-19 with Gatwick's top four airlines (easyJet, British Airways, Norwegian and TUI) composing 76% of the passenger volumes. During 2021, Norwegian announced the discontinuation of their long haul routes, and Virgin Atlantic announced a temporary consolidation of their operations at Heathrow, with the intention of returning to Gatwick in line with passenger demand.

Gatwick has a diversified network of routes serving around 230 destinations worldwide. The top-twenty routes in the year ended 31 December 2019 accounted for only 37.9% of total passenger traffic, with no individual route representing more than 3.4% of the total. This means that Gatwick's revenues are resilient to airline network and route changes, with the airport not reliant on a small number of key routes. Gatwick's 2020 route network has been materially impacted by Covid-19, and therefore Gatwick has presented its 2019 figures:

Destination	**Number of operators flying there**	**% of total passengers**
BARCELONA	4	3.4%
DUBLIN	2	2.9%
MALAGA	4	2.4%
AMSTERDAM	2	2.4%
MADRID	4	2.2%
DUBAI	1	2.1%
ORLANDO	4	2.1%
ALICANTE	6	1.9%
GENEVA	5	1.8%
PALMA DE MALLORCA	5	1.7%
COPENHAGEN	2	1.7%
ROME (FIUMICINO)	3	1.6%
EDINBURGH	2	1.6%
FARO	4	1.5%
NEW YORK JFK	2	1.5%
TENERIFE	5	1.5%
VENICE	3	1.5%
JERSEY	2	1.5%
MILAN	1	1.4%
GLASGOW	2	1.4%
Other destinations	–	62.1%

Source: Gatwick management

Demand for slots in recent years has remained strong, with various carriers – notably easyJet, British Airways, Vueling and Norwegian Airlines – increasing frequencies and introducing new routes. There has also been more emphasis on the development of long-haul O&D traffic.

Gatwick continued to develop its route network, achieving record traffic figures during the year ended 31 December 2019 of 46.6 million passengers and with a 26% share of the London market (Source: CAA, 2019 Airport Data). In the year to 31 December 2020, traffic has been significantly impacted by the Covid-19 pandemic and 10.2 million passengers passed through Gatwick.

Notable highlights during the year ended 31 December 2020 include:

- Air Baltic's opening its new service to Vilnius.
- easyJet's announcing new services to Aberdeen, Bilbao, Bourgas and Cagliari for 2021.
- New airline Blue Islands commencing services to Jersey.
- Wizz basing their first aircraft at Gatwick from November 2020 flying to various European destinations including Lanzarote and Athens.

Delivering the best passenger experience is a strategic priority for Gatwick. Adhering to a set of stringent passenger satisfaction targets, and through listening and acting upon passenger feedback, are two ways in which service overall at the Airport is monitored.

The CSS are stretching targets for a variety of measures impacting the passenger experience, from security queuing times to the availability of terminal and airfield assets, ensuring that Gatwick is constantly focused on its performance in these key areas. The scheme also incorporates the results of a passenger survey, the QSM, which provides a measure of passenger satisfaction with certain airport services and facilities (cleanliness, wayfinding, flight information, and departure lounge seat availability). If service standards are not met for a number of aspects of the Airport's facilities and services for both passengers and airlines, Gatwick pays rebates of airport charges to airlines.

Gatwick reports its performance against the CSS targets (including QSM) on a monthly basis on its website. Gatwick uses, amongst other measures, total CSS targets passed, overall QSM score, on-time departure performance and inbound baggage, to monitor whether it is delivering the best passenger experience, and this forms part of the Commitments framework under which it operates.

Non-aeronautical derived income

Gatwick has well-established retail in both the North and South Terminals with a total of approximately 27,000 square metres of retail space dedicated to restaurants, bars, specialist shops and duty free and tax free shopping with approximately 60 retail clients operating around 159 retail outlets. Concession revenues generally consist of a turnover percentage subject to minimum guarantees and concession rights are competitively tendered, at inception and on renewal. Typically, fashion retailers hold concessions for 3 years and catering for 5-10 years.

In addition, Gatwick has an extensive car park offering, comprising of 40,800 public spaces (4,900 spaces adjacent to terminals). A project to build decking in the South Terminal Long Stay car park was completed in August 2018 and delivered an increased capacity of 1,100 spaces. Both terminals at Gatwick are also served by car rental concessions.

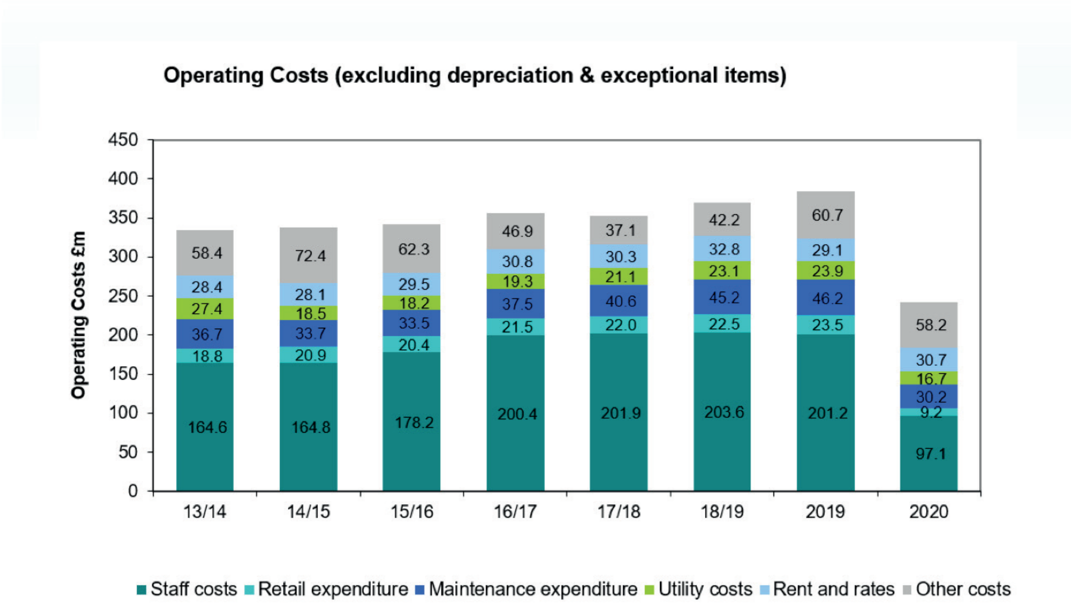
Gatwick also has a real estate portfolio which generates income, with primary tenants being airlines and associated service companies.

Management have implemented a number of initiatives to increase non-aeronautical income, including: dedicating personnel to focus on day-to-day management of concessionaires; implementing dwell time modelling, to guide layout refinements and airline operational protocols; undertaking customer research and segmentation to guide longer term re-positioning of retail brands; and refining the car park offering and online marketing strategy.

A predictable operating cost base

Gatwick has a relatively stable, and predictable, cost base. Most costs at Gatwick have a strong linkage to RPI and/or are contracted on a multi-year basis providing a good degree of certainty and/or visibility.

Operating Costs analysis £'million (excluding depreciation, amortisation and exceptional items):



Source: Gatwick Management Financial results

From March 2020, to deal with the ongoing impact of the Covid-19 pandemic, the Group acted to reduce operating expenditure, saving over £140 million in the year ended 31 December 2020:

- Contractual and resourcing adjustments have been agreed with suppliers to decrease their costs;
- Discretionary expenditure has been halted;
- The operational footprint of the Airport was reduced on a staged basis through March. Starting with night closure and the shutdown of 2 out of 6 piers, operations were then limited to a single pier in South Terminal within an 8-hour window (2pm to 10pm). Operations then switched to North Terminal only from 15 June 2020, as easyJet restarted their operations. As at the date of this Prospectus South Terminal remains closed and the Airport continues to vary the operational footprint in the North Terminal to meet the changing demand;
- The overall headcount of the Group was reduced from 3,261 in March 2020 to 1,768 at 31 December 2020, through the termination of fixed term contracts and redundancy programmes; and
- The Group utilised the UK government's furlough scheme and job retention scheme throughout 2020 and 2021 to protect as many jobs as possible as passenger levels meant many of the retained employees had no work.

GAL recognises three trade unions who represent its employees. Relationships with all three unions have historically been cordial with no instances of industrial action during the past 20 years.

GAL will continue its focus on maintaining strong relationships with full-time union officials, and building solid working relationships with representatives.

Further details on the breakdown of Gatwick's operating costs can be found in the Issuer's financial statements. See "*Financial Information*".

A deliverable Capital Investment Programme

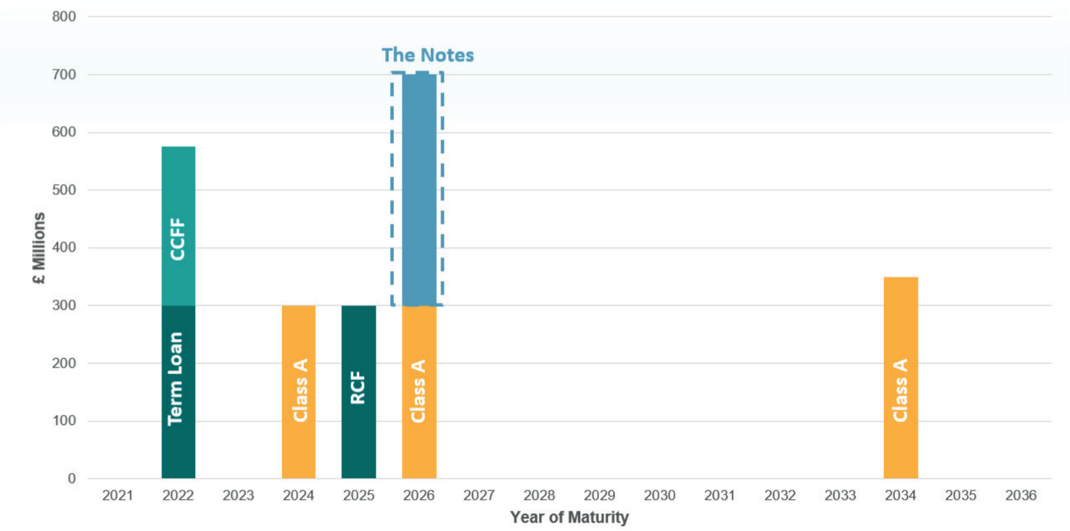
The key strategic objective for Gatwick is to compete to grow and become the airport of the future and a model for sustainable growth. A key enabler in delivering this objective is continued focus on transforming the passenger and airline experience of using Gatwick through both investment in modern infrastructure and improving service standards. This will ensure customers enjoy a superior airport experience relative to competitors, encouraging greater utilisation of Gatwick and supporting its long-term growth ambitions. The key investment drivers for the Airport are as follows:

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

See "*Financial Information and Results of Operations – Capital Investment Programme*" for further information.

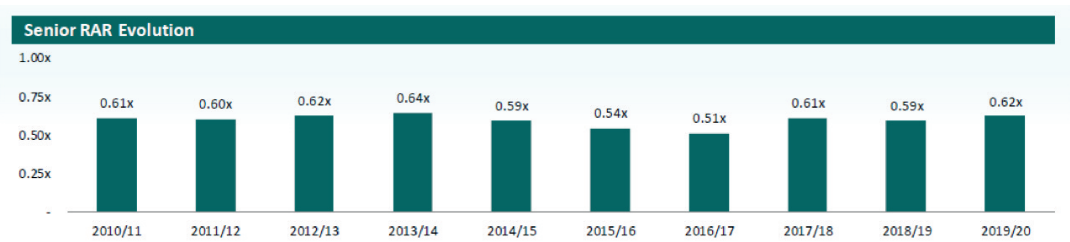
Prudent approach to leverage

The Group's current repayment profile is set out in the chart below.



Source: Gatwick Management Financial results

The Senior RAR as at 31 March for each of the ten years prior to the Covid-19 pandemic is set out in the chart below:



Source: Gatwick Management Financial results

The Senior Borrower Group has also taken action during the Covid-19 pandemic to quickly enhance its liquidity and engage with bondholders to deal with the impact of Covid-19 on its financial ratios. The Group has managed its liquidity with long term debt maturities and the earliest Class A bond matures in 2024. The Revolving Credit Facility has been extended to 2025 and the Term Loan Facility is extendable (at the option of GAL) to April 2022. Gatwick is exploring options to refinance the Term Loan Facility, including potential capital markets issuances. To ensure the Group had sufficient liquidity to deal with the ongoing Covid-19 pandemic in March 2020 it drew the full amount of its Revolving Credit Facility and in April 2020 negotiated its Term Loan Facility. To mitigate the impact of the Covid-19 pandemic on its financial ratios, the Group agreed a covenant waiver and amendment of certain terms under its financing documents. In August 2020, GAL received approval to draw up to £300 million under the Bank of England CCFF. The Group also has a £5 million overdraft and £150 million Liquidity Facility (for debt service) that remain available should they be required. See further "*Description of Indebtedness – Senior Borrower Group Indebtedness*".

The Senior Borrower Group has also retained investment grade ratings for its secured financing (as at the date of this Prospectus, BBB (negative outlook) from S&P, BBB+ (negative outlook) from Fitch and Baa2 (negative outlook) from Moody's).

Favourable economic regulation

The CA Act 2012 replaced the system of economic regulation of airports under the Airports Act with a system that allows the CAA to apply a more flexible approach in terms of how the CAA may choose to regulate.

Under the provisions of CA Act 2012 and for the new regulatory period that commenced 1 April 2014, the CAA has granted licences to airport operators which it determined to meet the Market Power Test of having substantial market power, where competition law would provide insufficient protection against the risk of an abuse of that power and where the benefits of intervention through licensing were likely to outweigh the adverse effects. Airport operators who continue to meet the Market Power Test are only permitted to levy charges in respect of airport operation services where they have been granted a licence by the CAA.

Where the CAA determined that a licence is required, the CA Act 2012 gives the CAA greater flexibility to align the regulatory requirements that it imposes with the market and competitive position at the relevant airport, concentrating more on service quality and performance incentives.

Where a licence is not required, the activities of airports and airport operators remains subject to general competition law and the provisions of the Airport Charges Regulations 2011, which imposes requirements relating to, among other things, pricing transparency. Compliance with both competition law and the Airport Charges Regulations 2011 is monitored by the CAA.

In January 2014 the CAA published its market power determination for Gatwick, finding that Gatwick passes the Market Power Test in the CA Act 2012 and therefore is required to have a licence under the new framework. Also, in February 2014, the CAA published its proposed licence for Gatwick which came into force on 1 April 2014, incorporating Airline Commitments proposed by GAL within a licence. The CA Act 2012 introduced a new general duty for the CAA to carry out its functions in a manner which furthers the interests of users of air transport services regarding the range, availability, continuity, cost and quality of airport operation services, where appropriate by doing so in a manner which will promote competition in the provision of airport operation services. In carrying out its general duty, the CAA is required, among other things, to have regard to "the need to secure that each holder of a licence is able to finance its provision of airport operation services in the area for which the licence is granted".

In relation to licence provisions designed to ensure financial resilience at licensed airports, the CA Act 2012 provides for derogations to be given for pre-existing financing arrangements. The CAA will be precluded from removing or amending these derogations without first determining: (i) that there has been a material change in circumstances since the derogation was granted; and (ii) the benefits of removing the derogation are likely to outweigh the costs to passengers.

The CA Act 2012 also provides for:

- an appeals process associated with the market power determination and wider licence granting and modification system; and
- concurrent competition powers for the CAA (with the CMA, formerly the Competition Commission and OFT prior to 1 April 2014).

The CAA has the powers under CA Act 2012 to impose penalties for breach of licence conditions or breach of an enforcement order issued in relation to a licence condition.

On 1 April 2014, when the economic regulatory framework under the CA Act 2012 and GAL's new licence came into force, the requirement for GAL to prepare and publish separate regulatory accounts, which applied under the regulatory regime of the Airports Act 1986, fell away. As a result, the concept of "Regulatory RAB" for the purpose of the Finance Documents, which is derived from the RAB figure set out in those regulatory accounts, ceased to exist and is no longer used by GAL as the basis for its financial covenant reporting under the Common Terms Agreement.

In accordance with the terms of the Senior Finance Documents, GAL now determines RAB for the purpose of calculating its financial ratios on the basis of "Transfer RAB" being, as at any date, the aggregate of the product of: (a) the sum of the Relevant EBITDA for the previous three consecutive periods of twelve months preceding such date as determined by reference to the financial statements for such twelve months divided by three; and (b) the Relevant Multiple (which is equal to 11.1).

GAL's licence and updated and extended Airline Commitments

The Commitments made for the period 1 April 2021 to 31 March 2025 build on the success of the Commitments in place for the period 1 April 2014 to 31 March 2021. 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 passengers and airlines and will remain financially incentivised to do so. Informed by consultation and passenger research, many of the existing service standards have been updated, and new standards for wifi connectivity, Special Assistance service and Flight Information Screen system availability have been added.
- I*nvestment*: Gatwick will continue to consult annually on a five year capital investment plan, 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.
- *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 airlines about the maximum level of future charges.
- *Operational initiatives*: To increase the focus of Gatwick, its airlines, ground handlers and air traffic control provider on delivering resilient and punctual services, Gatwick will set itself formal targets for average on time departure punctuality to be at least 70% in the summer season and 75% in the winter season. Gatwick will invest in a portfolio of operational initiatives and financial incentives for airlines and/or their ground handlers, with the aim of enabling airlines to achieve these punctuality targets. Gatwick will consult with airlines annually on the proposed on-time departure programme; and
- *Capacity Growth*: Gatwick commits to seek to increase the resilient capacity of its airfield infrastructure, and to continue for the present to bear the cost of developing these plans, securing necessary political and planning approvals, and implementing the project. This includes potential projects to maximise the use of the existing main runway and to bring into routine use the standby runway. Gatwick is not adjusting its price commitment in response to the additional capital expenditure which Gatwick may incur in this period in preparation for obtaining the DCO or in implementing the resulting infrastructure projects.

Gatwick furthermore decided to accelerate the pricing benefit inherent in these Commitments to be effective retrospectively from 1 January 2020, bringing pricing benefits to airlines sooner.

Gatwick had a net aeronautical income per passenger of £9.82 for the year ended 31 December 2019 which, in the opinion of Gatwick's management, is significantly more competitive than Heathrow. With the majority of airlines at Gatwick now operating under bilaterally agreed long term contractual agreements, the competitive advantage offered by this regulatory environment is a key element to deliver a fast recovery.

In October 2020 the CAA, the economic regulator, published a consultation on its policy towards the regulation of Gatwick Airport. The consultation outlined broad support for Gatwick's finalised extended commitments. In February 2021 the CAA gave formal notice (CAP2103) under section 22(2) of the CA Act 2012 of its proposal to modify GAL's licence to accept GAL's proposed new commitments as the basis of its economic regulation of GAL for the four year period from 2021/22 to 2024/25.

Licensing

GAL's licence also includes a financial resilience condition, under which GAL is required to act in a manner calculated to secure that it has available to it sufficient resources including financial, management and staff resources, to enable it to provide airport operation services at the airport. There is also an obligation for GAL to pre-notify the CAA of certain changes to the Senior Finance Documents. In addition, the CAA also sets out a process for monitoring GAL's performance under the Airline Commitments.

The CA Act 2012 also introduced a new general duty for the CAA to carry out its functions in a manner which furthers the interests of users of existing and future air transport services regarding the range, availability, continuity, cost and quality of airport operation services, where appropriate by doing so in a manner which will promote competition in the provision of airport operation services. In carrying out its general duty, the CAA is required, among other things, to have regard to "the need to secure that each holder of a licence is able to finance its provision of airport operation services in the area for which the licence is granted".

In relation to licence provisions designed to ensure financial resilience at licensed airports, the CA Act 2012 provides for derogations to be given for pre-existing financing arrangements. The CAA is precluded from removing or amending these derogations without first determining: (i) that there has been a material change in circumstances since the derogation was granted; and (ii) the benefits of removing the derogation are likely to outweigh any adverse effects to passengers.

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. This licensing requirement is not affected by the CA Act 2012.

An experienced management team

The Group has in place a strong executive management team, which delivers experienced airport, operational, regulatory and financial expertise. A stable operations management team is in place, ensuring continuity as the strategic direction of Gatwick is driven forward.

The management team consists of world-class senior management, with experience gained at a wide range of airports and companies, including BAA, GE, BA, National Express, Edinburgh Airport, Budapest Airport and Stansted Airport, backed up by GIP and VINCI operating executives. The team is led by Stewart Wingate, who has been CEO of Gatwick for the last 11 years and prior to that held senior roles at Glasgow and Budapest airports. For further information on the management team, including their professional biographies, please see "*Employees and pensions – Executive Management*".

In the time that the executive management team has been in place, a number of improvements to the operation of Gatwick have been implemented and projects initiated as summarised in the sections above.

Gatwick's highly experienced, long term shareholders

Between 2009 and 2019, Gatwick was owned by funds managed by Global Infrastructure Partners ("**GIP**"), a US$71 billion independent, specialist infrastructure fund. Gatwick is GIP's largest asset under management across all of its funds. Gatwick benefits from a large team of GIP personnel working within the business.

Following an acquisition by VINCI Airports ("**VINCI**"), which completed on 13 May 2019, Gatwick is 50.01% owned by VINCI, a leading worldwide airport operator with a network of 45 airports in 12 countries. VINCI agreed to pay £2.9 billion for its stake in the holding company of Gatwick on 27 December 2018 (implying an equity value of £5.8 billion). The remaining 49.99% remains owned by funds managed by GIP, including a separate fund managed on behalf of the California Public Employees' Retirement System Fund ("**CalPERS**"), which holds an approximately 9.99% interest in Gatwick. VINCI and the GIP-managed funds have entered into a shareholders' agreement governing the Parent, under which VINCI and the GIP-managed funds (in aggregate) each have the right to appoint five directors to the boards of the Parent and GAL.

The shareholders' strategic direction for Gatwick remains stable. Management's priority is to transform the passenger experience and improve efficiency for the airlines and the airport itself, improving Gatwick's competitiveness in the London airport market.

Gatwick benefits from these supportive shareholders, each with long term experience investing in airports across the world such as Lisbon, Kansai, London City and Edinburgh.

Corporate structure

GAL is the owner and operator of Gatwick.

On 3 December 2009, GAL was acquired from BAA by Ivy Bidco Limited, a UK incorporated company, together with certain car parks which were acquired by Ivy Subco Limited, a wholly owned subsidiary of Ivy Bidco Limited. On 2 March 2011, ownership of GAL was transferred to Ivy Holdco Limited and GAL acquired the car parks from Ivy Subco Limited which was subsequently dissolved on 10 April 2012.

On 31 March 2015, the Group undertook a restructuring whereby the Issuer (at the time known as Ivy Midco Limited), sold 100% of the issued share capital of Ivy Bidco Limited to Ivy Holdco Limited. Following this transaction, GAL acquired 100% of the issued share capital of Ivy Bidco Limited from Ivy Holdco Limited.

On 17 March 2021, the Issuer re-registered as a public limited company and changed its name from Ivy Midco Limited to Gatwick Airport Finance plc.

As at the date of this Prospectus, the Issuer had six wholly-owned subsidiaries: Ivy Super Holdco Limited, Ivy Holdco Limited, GAL, Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited.

The Parent (as the ultimate UK parent of GAL) and its subsidiaries are ultimately indirectly owned through a number of UK and overseas holding companies and limited liability partnerships. See "*Gatwick's highly experienced, long term shareholders*".

RELATED PARTY TRANSACTIONS

The Issuer and members of the Group have entered into, and may from time to time in the future enter into, transactions with certain affiliates of the Group and its shareholders. All such contracts are and will be negotiated on an arms' length basis in line with Board policy.

INSURANCE

GAL's insurance department (supported by an insurance broker and claims handling agent) provides risk management, insurance and claims handling services to Gatwick, arranging both annual and multi-year insurance programmes. The programme is renewable annually on 31 March (save for the environmental insurance policy which expires in December 2024 and the Public Offering of Securities Insurance which expires in February 2023), and includes the following insurance cover for GAL (all subject to relevant limits and deductibles):

- Property damage and business interruption insurance (including terrorism);
- Aviation and public liability insurance;
- Construction all risks insurance (including terrorism);
- Environmental insurance;
- Employers' liability insurance;
- Employment practices insurance;
- Directors' and Officers' insurance;
- Pension Trustee Liability insurance;
- Crime insurance;
- Motor and Personal Accident and Travel insurance; and
- Public Offering of Securities Insurance.

Insurance cover is provided by a combination of insurance market entities.

EMPLOYEES AND PENSIONS

Employees

During the year ended 31 December 2020, the Group had average FTE employees of 2,515 compared to 3,052 during the nine months ended 31 December 2019. Average operational FTE employee numbers decreased from 2,565 to 2,091 during the year, and non-operational FTE employees decreased from 487 to 424. At 31 December 2020 there were 1,768 FTE employees.

Pensions

Following the change in ownership, GAL's employees ceased to be eligible to remain as members of the BAA defined benefit pension scheme. On the date of sale, GAL established a new defined benefit plan (with benefits and contribution rates that replicated those of the BAA defined benefit pension scheme) for those employees who were previously members of the BAA defined benefit pension scheme. Employees were granted the option to transfer to the new scheme; 1,825 members transferred. A bulk transfer of the pension liabilities and the corresponding assets from the BAA defined benefit pension scheme to GAL's new plan was made on 1 June 2010. A commutation payment of £104.7 million was required to be made by GAL to the BAA defined benefit pension scheme to extinguish all GAL's liabilities and obligations under that scheme. This payment was also made on 1 June 2010.

GAL operates two pension schemes:

- a defined contribution scheme of which the majority of employees are members and into which all new employees are enrolled (and have been since 30 June 2008, the date on which the defined benefit scheme was closed to new members by BAA); and
- a defined benefit plan which during 2016/17 was amended following consultation with the 1,196 then active members which resulted in 999 employees transitioning to the defined contribution scheme, 142 employees leaving the business under a special severance scheme and 55 employees remaining active. The amended defined benefit plan had 42 active, 1,247 deferred and 473 retired members as at 30 September 2019. These employees were members (or eligible to become members) of the BAA pension scheme at the time of acquisition.

As at 31 December 2020 the scheme was recorded in the financial statements of the Issuer at a deficit of £38.1 million. See note 24 to the consolidated financial statements of the Issuer for more information on the defined benefit pension plan.

For additional information, see "*Risk Factors – Commercial Risks – Pensions*".

Executive Management

The Executive Committee develops and recommends to the Board, medium and long-term business development strategies for the GAL with particular focus on the GAL's operations. It ensures the delivery of agreed strategies by providing guidance, approvals, governance and monitoring. The members of the Executive Committee are:

Stewart Wingate, Chief Executive Officer (CEO)

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

It should be noted that Stewart Wingate is employed by GIP and seconded to GAL.

Lorenzo Rebel, Interim Chief Financial Officer (CFO)

Lorenzo was appointed as acting Chief Financial Officer (CFO) in November 2020 and had previously been Deputy CFO. He started his career as an external auditor at PwC before joining VINCI in 2009 as a Financial Controller for Eastern Europe. Lorenzo held different positions in finance and internal audit within the VINCI Group before being appointed the CFO of Nantes Atlantique Airport in 2015.

Before joining Gatwick, he was the CFO of the Salvador Bahia Airport in Brazil since 2017. Lorenzo is a graduate in Finance from the Grenoble School of Business (MBA). Lorenzo was appointed Interim Chief Financial Officer on 2 February 2021.

Adrian Witherow, Chief Operating Officer (COO)

Adrian was appointed Chief Operating Officer (COO) in July 2020, with responsibility for overseeing the day-to-day running of the airport and ensuring a return to growth.

He has 20 years' experience across various industries, including operations, process improvement, change management and supply chains. In 2013, Adrian joined GIP. He became Head of Operations at Gatwick and then held the role of COO at Edinburgh Airport.

Adrian has a Professional Diploma in Accounting from Dublin City University and a Masters' Degree in Chemical Engineering from Queen's University of Belfast.

Cedric Laurier, Chief Technical Officer

A graduate of the Ecole Nationale des Ponts et Chaussées and the Institut Français d'Urbanisme, Cédric Laurier began his career in 1996 at the Paris Chamber of Commerce and Industry. He then joined the Networks Deployment Department of Lyonnaise Communications (Suez Group) before joining the VINCI Group's Cofiroute subsidiary in 2003. He worked for 5 years as special advisor and subsequently project manager of the Duplex 86.

He joined Aéroports de Paris in 2008, where he worked for 4 years as Project director for the construction of the S4 satellite of Charles de Gaulle airport before becoming Director of the project management division in 2012. He was appointed as Technical Director of VINCI Airports in 2018 and subsequently appointed Chief Technical Officer of Gatwick Airport in May 2019.

Jonathan Pollard, Chief Commercial Officer (CCO)

Jonathan joined Gatwick's executive team in September 2020. Prior to this, over a three-year period as Chief Commercial Officer at Luton Airport, he helped deliver significant growth in passenger volume, as well as the completion of a significant terminal transformation programme.

He holds a BSc in Air Transport Management from Loughborough University and joined National Express Group as a graduate in 2005, going on to hold several executive roles.

Robert Herga, General Counsel and Company Secretary

Robert was appointed General Counsel and Company Secretary for GAL in March 2010. Robert was General Counsel and Company Secretary at BAA until 2009 having spent 20 years in various roles within the legal department. Prior to that he had undertaken legal roles within British Steel and BT. Immediately before joining Gatwick Robert was General Counsel and Company Secretary at Carpetright plc.

John Higgins, Business Improvement Director

John was appointed to the newly created role of Business Improvement Director in October 2017. He began his career with General Electric as a graduate trainee and held a number of senior roles with the company, including MD of their Industrial Diamond business in Ireland and later running their pipeline business for Europe and Asia.

John joined Gatwick as Head of Airfield in 2012 and led the rollout of our programme to improve runway efficiency. He went on to oversee the development of our baggage strategy and, most recently, has been driving improvements in capital delivery.

John graduated with an honours degree in mechanical engineering and a Masters in Business from University College Dublin.

David Conway, HR Director

David was appointed as HR Director in January 2021 and has over 30-years of experience in the oil & energy, aviation and retail industries for brand leaders including BP, British Airways and Safeway.

He joined Gatwick from BP where he worked for 13.5 years. His last role was HR Vice President for BP's Alaska business which operated the Prudhoe Bay oil field and the trans-Alaska pipeline. David previously worked for British Airways in Operations and HR and started his career with Safeway in Customer Service and Operations.

Bronwen Jones, Development Director

Bronwen Jones was appointed Development Director in October 2017. Bronwen joined BAA in 1989 as a graduate trainee with a degree in business studies from Aston University. In 1995, she moved to Heathrow Airport and worked in a wide variety of operational roles before returning to Gatwick in 2003 as Head of Customer Services. More recently, as Head of Development, Bronwen has played a central role in some of our largest transformational programmes, including self-service bag drop, the North Terminal development programme and the creation of Gatwick Connects.

Tim Norwood, Director of Corporate Affairs, Planning and Sustainability

Tim joined Gatwick as Chief Planning Officer in February 2017 with responsibility for the development of the long term masterplan and subsequently took on the role of Director of Corporate Affairs and Sustainability, creating a combined Directorate. He was previously Chief Planning Officer at EDF Energy with responsibility for securing consent for the Hinkley Point C Project and progressing the planning and environmental assessment work for nuclear new build at Sizewell. Prior to that, Tim held several planning roles in BAA at Heathrow and Stansted. Tim has also worked in local government and consultancy.

Tim is a member of the Royal Town Planning Institute. He has a Masters in Town Planning from the University of Newcastle upon Tyne and a geography degree from the University of London.

Alasdair Scobie, Capital Programmes Director

Alasdair was appointed Capital Programmes Director in November 2019, with responsible for delivery of Gatwick's £1 billion plus five-year Capital Investment Plan. He joined Gatwick in 2014 as Head of Commercial Operations before moving in 2017 to become Head of Capital Investment Delivery (Infrastructure), where he led the delivery of Gatwick's infrastructure focused Capital Investment Programmes across Airfield, Baggage and Piers.

Alasdair began his career serving as an officer in the British Army which took him across the globe in both combat and infrastructure roles. He has an honours degree in Accounting and Finance from the University of Glasgow, and a Masters in Business Administration from the University of Oxford.

Nick Batchelor, IT Director

Nick was appointed IT Director in November 2019. He has worked in mission critical IT environments for nearly 30 years with a specific background in IT Operations, Infrastructure and Enterprise Architecture. Nick has worked in a number of business domains including Financial Services and Manufacturing as well as Transportation with nearly ten years at Network Rail prior to joining Gatwick. In his current role at Gatwick, Nick is responsible for the evolution and performance of IT Business Services and Infrastructure, as well as the delivery of technology projects that form part of Gatwick's Capital Investment Programme.

Nick joined Gatwick in 2012 and has held several roles including Head of IT Infrastructure and Head of IT Operations, where he oversaw significant improvements in IT system availability and security.

Nick has an Honours degree in English Literature from the University of Oxford and a Masters in Computer Science from the University of London.

Rachel Bulford, Retail Director

Rachel was appointed Retail Director in July 2020, having joined Gatwick as Head of Retail in 2016. She is responsible the shops, restaurants, media advertising and foreign exchange across the airport. Her role includes developing and executing Gatwick's retail strategy and delivering projects that add to or reconfigure the retail space.

Rachel began her career at Marks & Spencer as a graduate trainee and went on to hold various roles at the retailer including working in international development in India, Russia and South Korea. She then worked in emerging markets for luxury retailer Burberry before working as a strategy consultant for OC&C and latterly at Homebase.

Rachel graduated from Emmanuel College, Cambridge University and holds a Masters in Business from City, University of London Business School (formerly Cass Business School).

The Board of Directors

The Board of Directors of Gatwick Airport Limited determines the Senior Borrower Group's long-term strategy, to ensure that the Group acts ethically and has the necessary resources to meet its objectives, to monitor performance, and to ensure the Group meets its responsibilities as a leading airport company.

The current directors and secretary of Gatwick Airport Limited are set out below:

Sir David Higgins (Non-executive Chairman)

Sir David Higgins became Chairman of Gatwick Airport on 1 January 2017.

Sir David has been non-executive Chairman of High Speed 2 since March 2014 and has made strong progress in establishing an organisation capable of commencing construction in 2017. As Chief Executive of Network Rail, Sir David initiated a major reform programme focusing on transparency, value for money and accountability.

Sir David also served as Chief Executive of the London 2012 Summer Olympics Delivery Authority, establishing the organisation and negotiating the overall budget with HM Treasury, and led the commercial negotiations for Stratford City, London & Continental Railways, and Westfield. He is a current Director of the Commonwealth Bank of Australia.

Sir David holds a degree in Engineering from Sydney University and a Diploma from the Securities Institute. He is also a Fellow of both the Royal Academy of Engineering and the Institute of Civil Engineers.

Stewart Wingate (Chief Executive Officer)

See above.

Lorenzo Rebel (Interim Chief Financial Officer)

See above.

Michael McGhee (Non-executive Director, GIP representative)

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

David McMillan (Non-executive Director, CalPERS representative)

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

William Woodburn (Non-executive Director, GIP representative)

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

Philip Iley (Non-executive Director, GIP representative)

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

Martin Soderbom (Non-executive Director, GIP representative)

Marten Soderbom is a Principal at GIP and is based in London. Marten focuses on the transport sector at GIP and worked on the recent sale of Gatwick, the sale of London City Airport and the acquisition of NTV Italo Rail. Marten is a member of the Board of Directors of Gatwick Airport Limited.

Prior to joining GIP in 2012, Marten spent 12 years at Credit Suisse, where he was a Director in the Transport team. His experience includes numerous airport, port and rail M&A transactions and privatisations. He also has M&A, capital raising and restructuring experience in other transport sub-sectors including airline, shipping and bus.

Nicolas Notebaert (Non-executive Director, VINCI representative)

Nicolas Notebaert is a member of the VINCI Group Executive Committee and serves as CEO of VINCI Concessions, bringing together global market leaders VINCI Airports, VINCI Highways and VINCI Railways.

Nicolas Notebaert oversees a network of world-class transport infrastructures spanning over 18 countries, including 45 airports, 26 road infrastructures and 4 railway projects.

Nicolas Notebaert joined the VINCI Group in 2002 as Head of Operations for the French road concession Cofiroute, before being appointed Director of Business Development for VINCI Concessions France in 2004. In February 2008, he became Chairman of VINCI Airports and joined VINCI Concessions' Executive Committee. Prior to joining the VINCI Group, he held various positions in the French Ministry of Public Works and served as a cabinet member of the French Minister for Transportation and Infrastructure between 1995 and 2002. He started his career in 1994 as a consultant to the World Bank. Nicolas Notebaert is a graduate of Ecole Polytechnique (X 89) and Ecole Nationale des Ponts et Chaussées (Ponts 94). As President of VINCI Airports, Nicolas Notebaert holds leadership positions in prominent projects throughout the world: board member of Gatwick Airport Limited, Aeroportos de Portugal (ANA) and Kansai Airports (Japan), President of the Board of Nuevo Pudahuel (the consortium operating Santiago's international airport), Chairman of the Board of Cambodia Airports, Chairman of the board of Aerodom (Dominican Republic), President of the Supervisory Board of Aéroports de Lyon, Chairman of the board of Aéroports du Grand Ouest.

Olivier Mathieu (Non-executive Director, VINCI representative)

Olivier Mathieu is an alumnus of the ESSEC business school (MBA). He began his career as an adviser to the Chief Financial Officer of VINCI in 1995. He then became financial controller at G+H Montage (VINCI Group – Germany) in 1998-1999, Chief Financial Officer of Sogea-Satom (Africa branch of VINCI Construction) from 2002 to 2006, and Chief Administrative and Financial Officer of VINCI Construction International Network (Africa, Overseas France, Germany, Central Europe) from 2006 to 2009.

Olivier Mathieu became Chief Financial and Asset Management Officer of VINCI Concessions in September 2009, and he was appointed Executive Vice-President of VINCI Concessions in 2012.

Remi Maumon de Longevialle (Non-executive Director, VINCI representative)

Rémi graduated from Ecole Polytechnique and ENSAE in France and has also a Master of Public Affairs from Sciences-Po Paris. He started his career at PwC where he was a member of the PPP/Project Finance team in Paris for 2 years. He joined VINCI in 2012 as Project Manager in the VINCI Concessions Structured Finance team where he took part in the financing of large infrastructure projects in Europe and Latin America (motorways, railways and stadiums).

In 2014, he joined the Business Development team of VINCI Airports as Project Manager. He was notably in charge of the successful bid, closing and operational take-over of the Kansai airports in Japan from 2015 to 2016. Rémi was then appointed as Project Director for the Middle-East and Central Asia region where he managed several airport acquisition projects before being named Chief Financial Officer of VINCI Airports in 2018.

Pierre-Hugues Schmit (Non-executive Director, VINCI representative)

A graduate of Ecole Polytechnique (Paris) in 2001 and the French National University of Civil Aviation (ENAC in Toulouse) in 2003, Pierre-Hugues has also spent one year in UC Berkeley as graduate student in transportation engineering.

Pierre-Hugues worked at the French CAA for 7 years, 3 of which as the head of the French Airlines Department (2006-2009). From 2010 to 2012, Pierre-Hugues worked as an advisor to the French Transportation Minister. He then joined Aéroports de Paris as deputy director of the Le Bourget division. In 2014, along with three partners he founded La compagnie, a scheduled airline based in Paris delivering pure business class service to New York.

Pierre-Hugues joined VINCI Airports in June 2017 where he supervises the airport business on air service development, extra aeronautical activities and airport operations.

Eric Delobel (Non-executive Director, VINCI representative)

Joining Quille (Bouygues Group) in 1995, he held various positions in the area of project management before moving into real estate development for Bouygues Immobilier, Hammerson, then Foruminvest as Director of programs and development, respectively. After joining VINCI at the end of 2009, he moved to Slovakia at the beginning of 2010 as Chief Executive Officer of the Granvia concession company in charge of the funding, design, construction and operation of the 52km R1-PR1bina expressway, which opened to traffic in October 2011.

He joined VINCI Airports in 2012 as Deputy Managing Director of the future Grand Ouest airport, with responsibility for its implementation and the transfer from Nantes Atlantique. In 2014, Eric Delobel was appointed Managing Director for West Region in France. He is a member of the VINCI Airports Executive Committee. On 4 April 2016, he was appointed Chief Executive Officer of Cambodia Airports, the concession company in charge of operation and development of the 3 international airports of Cambodia. On 1 August 2019, Eric Delobel was appointed Chief Technical Officer of VINCI Airports.

Reference/Disclaimer

All information contained in this Prospectus in respect of total traffic growth at UK airports has been reproduced from information published by the Department of Transport in its paper entitled “DfT 2017 paper: UK Aviation Forecasts”. All information contained in this Prospectus in respect of UK airport passenger volumes has been reproduced from information published by the CAA, Gatwick Management and the Department of Transport. All information contained in this Prospectus in respect of Gatwick’s passenger demographic has been reproduced from information published by Gatwick Management. All information contained in this Prospectus in respect of the UK GDP growth for the years 1985 to 2019 has been reproduced from information published by the Office of National Statistics. The Issuer confirms that all information in this Prospectus in respect of total traffic growth at UK airports, UK airport passenger volumes, 2017 mid-year population estimates, Gatwick’s passenger demographic and UK GDP growth for the years 1985 to 2019 has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by each of the Department for Transport, CAA and the UK Office for National Statistics (as the case may be), no facts have been omitted which would render this reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. None of the Issuer, Department for Transport, CAA and UK Office for National Statistics makes any representation as to the accuracy of the information or has any liability whatsoever to the Noteholders in connection with that information. Anyone relying on the information does so at their own risk.

FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

The consolidated audited financial statements of the Issuer for the last three financial periods can be found at "*Financial Information*" below. The commentary in this section should be read in conjunction with those financial statements.

OVERVIEW

The Group has reported a loss of £481.7 million for the year ended 31 December 2020 compared to a profit of £106.6 million for the year ended 31 December 2019.

RESULTS FROM OPERATIONS

Passenger traffic trends

In the year ended 31 December 2020, passenger numbers reduced by 78.2% from 46.6 million in the prior year to 10.2 million as a result of Covid-19 and the impact it had on the Airport's operations. See "*Business of the Issuer and Gatwick Airport – Response to Covid-19*" above.

Passenger behaviour when restrictions have been lifted to destinations shows pent up demand for travel which is expected to come to fruition in summer 2021 as testing becomes more widespread and the vaccines start to be rolled out. Testing and vaccination roll out is likely to lead to restrictions on travel being eased both in the UK and abroad.

	Year ended 31 December 2020	**Year ended 31 December 2019**
Passengers	10,164,896	46,567,523
Air transport movements (ATM)	76,364	280,656
Passengers per ATM	133.1	165.9
Seats per ATM	192.4	192.2
Average load factor (%) (commercial flight types only)	69.2	86.3

The table below outlines passenger numbers by region.

	Year ended 31 December 2020	**Year ended 31 December 2019**
	(million)	
Short-haul		
Europe (including UK and Channel Islands)	8.1	36.6
Northern Africa	0.2	1.0
	8.3	37.6
Long-haul		
North America	0.6	4.1
Caribbean and Central America	0.7	2.2
South America	0.1	0.3
Sub-Saharan Africa	0.1	0.5
Middle East and Central Asia	0.3	1.4
Far East and South Asia	0.1	0.5
	1.9	9.0
Total passengers	**10.2**	**46.6**

Short Haul European Traffic

Passenger traffic on European routes has a large degree of pent up demand. Each time a country or region is added to the travel corridor list, demand has soared. Conversely, when a country or destination is removed from the travel corridor list, demand has considerably reduced.

Air Baltic commenced a new route to Vilnius, Lithuania from July 2020 which they now plan to increase to daily for summer 2021.

Wizz based their first aircraft at Gatwick from November 2020 flying to various European destinations including Lanzarote and Athens. Wizz continued to fly several Eastern European routes as and when government restrictions allow.

British Airways consolidated their short haul programme at London Heathrow, as has Aer Lingus, TAP, Icelandair and Air Malta. All carriers, except for BA, have confirmed a planned return to Gatwick for summer 2021.

Long Haul Traffic

Long haul traffic has been particularly hard hit by Covid-19 as for much of 2020 restrictions have meant that many long haul flights are only available for those travelling for essential reasons.

Flights to the Caribbean recommenced with BA in July and primarily attracted passengers visiting friends and relatives, growing into a leisure market through the summer. Air Transat started flights to Canada in July with WestJet also flying services from August 2020. Qatar recommenced flights to Doha in August 2020, averaging 4 services a week. For many destinations, restrictions on who could travel kept load factors low.

In December 2020 TUI recommenced leisure flights to Cuba, St Lucia and Aruba.

Since the end of March 2020, Virgin consolidated their London services temporarily in Heathrow with their intention to return to Gatwick in line with passenger demand. Norwegian Air Shuttle has also discontinued its long haul fleet whilst they put in place financing solutions for their long term future operations from Gatwick. This, together with the restrictions on travel to the USA, has meant that Gatwick has not had scheduled USA flights since April 2020.

Chinese carriers have been heavily restricted by the Chinese authorities in relation to the frequency and destination of the international routes they are permitted to fly. The few services they can operate are using Heathrow.

With the exception of Virgin, who do not expect to return to Gatwick in 2021, all of the long haul carriers whom were at the Airport previously are planning to operate services again in summer 2021.

Route Impacts

The first quarter of 2020 started positively with the expectation of new routes commencing from Wizz to Krakow and Warsaw and Gatwick looking to welcome back Delta with a daily Boston flight from May 2020, an expansion for Virgin to add a daily JFK flight from June 2020 a new three per week service from China Southern and increased frequencies from China Eastern to Shanghai. However, the effects of Covid-19 started to be felt with Chinese carriers in late January 2020 and then more widely across many long haul and European routes toward the end of February 2020 and into March 2020. When the UK lockdown occurred on 23 March 2020, demand disappeared and flights were focused on repatriation.

Gatwick experienced a near complete removal of routes and passenger volumes due to the Covid-19 pandemic throughout April, May and early June 2020. During this period there were minimal passenger flights operated by Ryanair (Ireland and Alicante) and Belavia (Belarus) and for part of the period by Wizz (Budapest and Bucharest). Gatwick remained open throughout, also servicing cargo, training, positioning and maintenance flights.

In June 2020 easyJet recommenced flights and subject to the varying changes of government restrictions and regulations have continued to operate flights for the remainder of the year adjusting destinations and frequencies to match demand. Turkish also recommenced flying in June 2020 to Dalaman and Antalya followed by Istanbul in July and Vueling recommenced flights to Spain, followed by Italy and France.

Many more carriers returned to Gatwick in July 2020, including British Airways long haul, TUI, Norwegian, Air Baltic and Air Transat. In August these were joined by Qatar and WestJet and various short haul airlines.

One new destination was launched this summer by Air Baltic to Vilnius, Lithuania. This proved successful and they plan to make it a daily service in summer 2021 to complement their existing frequencies to Estonia and Latvia.

easyJet remains the dominant carrier at Gatwick accounting for 69% of the passengers in the period from April to December 2020.

FINANCIAL REVIEW

During the year ended 31 December 2020 the Group made a loss after tax of £481.7 million (year ended 31 December 2019: £106.6 million profit).

A. Revenue

In the year to 31 December 2020, the Group's revenue decreased as a result of the Covid-19 pandemic which caused a 78.2% decrease in passenger volume, impacting all revenue streams.

	Year ended 31 December 2020	**Year ended 31 December 2019 (unaudited)**
	(£ million)	
Aeronautical income	89.7	457.2
Retail income	49.8	199.5
Car parking income	17.7	87.2
Property income	30.6	33.3
Operational facilities and utilities income	12.7	34.5
Other income	16.5	41.8
Total revenue	**217.0**	**853.5**

Aeronautical income

Aeronautical income is driven by traffic volume, the level of airport charges and the terms of bilateral contracts with airlines. During the year ended 31 December 2020, aeronautical income decreased by 80.0% or £367.5 million to £89.7 million. This was driven by the reduction in passenger volumes (78.2%) and a decrease in the average income per passenger.

The CAA granted a licence to Gatwick under section 15(5) of the CA Act 2012 which came into effect on 1 April 2014. The current regulatory approach for Gatwick is based on the Airport Commitments to airlines (including bilateral contracts negotiated with individual airlines), underpinned by a licence issued by the CAA and supplemented by a monitoring regime.

The Airport Commitments limit the increase in airport charges per passenger, measured over the seven year Commitments period (1 April 2014 – 31 March 2021), to an average of RPI+1.0% per annum under the published airport tariff (i.e. excluding the terms of bilateral contracts) and an average of RPI+0.0% per annum including the terms of bilateral contracts. The increase in airport charges in any given year of the seven year Commitments period may be higher or lower than the average price limits over the seven year period.

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

Including the impact of bilateral pricing agreements, the aeronautical income per passenger for the period ended 31 December 2020 was £8.82, equivalent to a year-on-year decrease of 10.1%. Key drivers of the reduction in the income per passenger include: (i) GAL's decision to accelerate the pricing benefit under the new Commitments; (ii) bilateral agreements, including incentives to support the re-start of services during the Covid-19 pandemic; and (iii) a higher proportion of traffic in the winter season when lower airport charges apply.

Retail income

Net retail income decreased by £147.8 million or 75.7% during the year ended 31 December 2020 compared to a 78.2% decrease in passengers. Net retail income per passenger is calculated as follows:

	Year ended 31 December 2020	Year ended 31 December 2019 (unaudited)
	(£ million, unless otherwise stated)	
Duty and tax free	13.2	59.8
Specialist shops	11.6	45.7
Catering	12.2	46.9
Bureau de change	5.0	26.8
Other retail	7.8	20.3
	49.8	199.5
Less: retail expenditure	(2.3)	(4.2)
Net retail income	47.5	195.3
Passengers (*million*)	10.2	46.6
Net retail income per passenger	**£4.66**	**£4.19**

In the year ended 31 December 2020, net retail income decreased by 75.7% period-on-period to £47.5 million with an increase in income per passenger of 11.2% to £4.66.

The extreme impact of Covid-19 and the significant reduction in the numbers of passengers travelling has also affected retail performance. The suspension of operations from the South Terminal in June 2020 also resulted in retail units closing. Retail and Food and Beverage has also been affected by the various UK government restrictions implemented throughout 2020 to control the spread of the virus including bans on non-essential retail trading and limits on opening hours. Gatwick has worked closely with retailers to re-open their units and ensure the appropriate measures and processes are in place to protect passenger safety.

Car parking income

Net car parking income decreased by £57.1 million or 84.1% during the year ended 31 December 2020. Net car parking income per passenger is calculated as follows:

	Year ended 31 December 2020	Year ended 31 December 2019 (unaudited)
	(£ million, unless otherwise stated)	
Car parking income	17.7	87.2
Less: car parking expenditure	(6.9)	(19.3)
Net car parking income	10.8	67.9
Passengers (*million*)	10.2	46.6
Net car parking income per passenger	**£1.06**	**£1.46**

For the year ended 31 December 2020, parking income was heavily impacted by Covid-19 and reduced passenger volumes. In response, the product offering was flexed in line with demand and Gatwick has worked closely with suppliers to reduce costs to a minimum whilst maintaining service levels. However given the proportion of fixed costs associated with parking, net car parking income decreased by 84.1% compared to 2019 and net car parking income per passenger decreased by 27.4% compared to the year ended 31 December 2019.

Other income categories

For the year ended 31 December 2020, income from property decreased by £2.7 million to £30.6 million compared to £33.3 million for the year ended 31 December 2019, primarily as a result of terminal closures. For the year ended 31 December 2020, the decrease in operational facilities and utilities income. of 63.2% and other income of 60%, to £12.7 million and £16.5 million respectively, was driven by the decrease in passenger numbers.

Income per Passenger

Income per passenger for the year ended 31 December 2020 increased by £3.02 (16.5%) to £21.27 compared to £18.32 for the year ended 31 December 2019. This was partly due to a higher proportion being related to property income, which realised an increase in income per passenger of £2.29 (319.8%) to £3.00 from £0.71 for the year ended 31 December 2019 as a result of the reduced passenger numbers. Retail gross income per passenger increased £0.60 in the year to £4.88 and other income increased £0.72 in the year to £1.62 per passenger, offset by decreases in income per passenger for aeronautical and car parking income which, as explained above, are both directly related to passenger numbers.

B. Operating costs

In the year ended 31 December 2020 operating costs pre exceptional items decreased by 25.1% year-on-year compared to a decrease in passenger numbers of 78.2%.

	Year ended 31 December 2020	**Year ended 31 December 2019 (unaudited)**
	(£ million)	
Staff costs	97.1	201.2
Retail expenditure	2.3	4.2
Car parking expenditure	6.9	19.3
Maintenance and IT expenditure	30.2	46.2
Utility costs	16.7	23.9
Rent and rates	30.7	29.1
Other operating expenses	58.2	60.7
Total operating costs (pre-exceptional items and excluding depreciation and amortisation)	**242.1**	**384.6**
Depreciation and amortisation	180.4	179.3
Total operating costs (pre-exceptional items)	**422.5**	**563.9**

During the year ended 31 December 2020, staff costs, the largest operating cost, decreased by £104.1 million or 51.7%. The average number of FTE employees reduced from 3,188 for the year ended 31 December 2019 to 2,515 for the same period in 2020, a 44.0% reduction compared to the equivalent 31 December 2019 position of 3,154 FTE employees. This in part reflects the outcome of a re-organisational change programme instigated in 2019 but is primarily driven by the actions taken by management as a result of the Covid-19 situation. In March 2020 Gatwick took a number of steps to respond to the emerging pandemic, including launching Covid-19 special severance and compulsory redundancy programmes, alongside terminating the majority of fixed term contracts and reducing hours and pay by 20% for remaining staff. Aside from this volume impact on cost, staff costs are net of furlough monies received in the period.

Retail expenditure decreased by £1.9 million for the year ended 31 December 2020 as a result of the cessation of the Gatwick Connects product and a decline in E-commerce and advertising revenue (reflecting the general downturn in passengers and trading).

Car park expenditure decreased by £12.4 million or 64.2% for the year ended 31 December 2020; this was achieved through a combination of lower variable costs (a direct result of lower demand due to passenger volumes) and management taking action to manage the fixed cost elements in a timely manner.

Depreciation and amortisation was comparable with 2019.

Maintenance and IT expenditure decreased £16.0 million or 34.6% for the year ended 31 December 2020. Following the travel restrictions announced towards the end of March, Gatwick entered into discussions with all major suppliers and third party service providers in order to manage the cost base appropriately. In some cases, this meant negotiating a reduced service and in others it meant pausing, deferring or stopping activities.

Rent and rates increased by £1.6 million or 5.5% for the year ended 31 December 2020 due to a one-off rebate received in 2019 for a change in valuation methodology.

Utility costs decreased by £7.2 million for the year ended 31 December 2020. This was primarily due to lower wholesale prices although consumption also reduced due to infrastructure closures and lower occupancy of rental and office space due to Covid-19.

C. EBITDA

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

	Year ended 31 December 2020	Year ended 31 December 2019 (unaudited)
	(£ million)	
Operating (loss)/profit	(248.1)	275.0
Add back: depreciation and amortisation	180.4	179.3
Exceptional costs	42.6	18.4
EBITDA	**(25.1)**	**472.7**

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

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

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

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

EBITDA decreased by £497.8 million during the year ended 31 December 2020 compared to the year ended 31 December 2019 due to a significant reduction in passenger numbers (78.2% from 46.6 million to 10.2 million), as a result of the impact Covid-19 had on the Airport's operations.

D. RATIOS

"**Senior RAR**" means the ratio of: (a) the sum of: (i) Senior Debt (other than amounts committed but not outstanding under an Authorised Credit Facility); plus (ii) amounts drawn on the Liquidity Facility (other than in respect of a Standby Drawing) and amounts drawn from the Liquidity Standby Account; plus (iii) any Permitted Financial Indebtedness (other than the CCFF Debt) incurred pursuant to paragraphs (a)(iv) to (a)(viii) of the definition thereof that is not, pursuant to the STID, subordinated to the Senior Debt; less (iv) amounts held in Authorised Investments or cash in any Borrower Account (excluding any Excluded Cash); to (b) RAB.

Reconciliation of Senior RAR:

	As at/for the year ended 31 December 2020	As at/for the year ended 31 December 2019 (unaudited)
	(£ million)	
Class A 6.125 Bonds	300.0	300.0
Class A 6.5 Bonds	300.0	300.0
Class A 5.25 Bonds	300.0	300.0
Class A 5.75 Bonds	300.0	300.0
Class A 4.625 Bonds	350.0	350.0
Class A 2.625 Bonds	300.0	300.0
Class A 3.125 Bonds	350.0	350.0
Class A 3.25 Bonds	300.0	300.0
Class A 2.875 Bonds	300.0	300.0
Other Senior Debt	600.0	85.0
Accretion on inflation-linked Treasury Transactions	25.1	56.2
Senior Debt	3,425.1	2,941.2
Less: Cash	(293.1)	(10.0)
Senior Net Debt (X)	**3,132.0**	**2,931.2**
RAB (Y)[(1)]	**3,317.2**	**4,902**
Senior RAR (X/Y)	**0.94**	**0.60**

Notes:

(1) Since 1 April 2014, RAB has been calculated under the Transfer RAB methodology utilising a Relevant Transfer Value of £2,622.4 million as at 1 April 2014 with a relevant multiple of 11.1.

Senior RAR is included in this Prospectus because it is financial covenant that applies to the Senior Borrower Group pursuant to the Senior Finance Documents. Senior RAR is useful to investors as it is relevant to the Senior Borrower Group's ability to make Restricted Payments to the Issuer in order to fund the Issuer's obligations under the Notes.

"**Total Net Debt at Senior Borrower Group to Transfer RAB**" means the ratio of: (a) the sum of: (i) Senior Debt (other than amounts committed but not outstanding under an Authorised Credit Facility); plus (ii) amounts drawn on the Liquidity Facility (other than in respect of a Standby Drawing) and amounts drawn from the Liquidity Standby Account; plus (iii) any Permitted Financial Indebtedness (including CCFF Debt) incurred pursuant to paragraphs (a)(iv) to (a)(viii) of the definition thereof that is not, pursuant to the STID, subordinated to the Senior Debt; less (iv) amounts held in Authorised Investments or cash in any Borrower Account (excluding any Excluded Cash); to (b) RAB.

Reconciliation of Total Net Debt at Senior Borrower Group to Transfer RAB:

	As at/for the year ended 31 December 2020	As at/for the year ended 31 December 2019 (unaudited)
	(£ million)	
Senior Net Debt (X)	**3,132.0**	**2,931.2**
CCFF Debt	(175.0)	–
Total Net Debt	**3,307.0**	**2,931.2**
RAB (Y)[(1)]	**3,317.2**	**4,902**
Senior RAR (X/Y)	**1.00**	**0.60**

Notes:

(1) Since 1 April 2014, RAB has been calculated under the Transfer RAB methodology utilising a Relevant Transfer Value of £2,622.4 million as at 1 April 2014 with a relevant multiple of 11.1.

Total Net Debt at Senior Borrower Group to Transfer RAB is included in this Prospectus because it shows Senior RAR as if it included the CCFF Debt of the Senior Borrower Group. Total Net Debt at Senior Borrower Group to Transfer RAB is useful to investors in showing the leverage of the Senior Borrower Group.

"**Group RAR**" means the ratio of: (a) the sum of: (i) Senior Net Debt; plus (ii) Junior Debt; plus (iii) CCFF Debt; plus (iv) Issuer Net Debt (the sum of all indebtedness of the Issuer for or in respect of Issuer Secured Debt but deducting the aggregate amount of cash and Authorised Investments held by the Issuer); to (b) RAB.

Reconciliation of Group RAR:

	As at/for the year ended 31 December 2020	**As at/for the nine months ended 31 December 2019 (unaudited)**
	(£ million)	
Senior Net Debt	3,132.0	2,931.2
Junior Debt	–	–
CCFF Debt	175.0	–
Total Net Debt – Senior Borrower Group	**3,307.0**	**2,931.2**
Issuer Debt	–	–
Cash – Issuer	(0.6)	(0.6)
Total Net Debt – Issuer	(0.6)	(0.6)
Group Net Debt (X)	**3,306.4**	**2,930.6**
RAB (Y)(1)	**3,317.2**	**4,902**(2)
Group RAR (X/Y)	**1.00**	**0.60**(2)

Notes:

(1) Since 1 April 2014, RAB has been calculated under the Transfer RAB methodology utilising a Relevant Transfer Value of £2,622.4 million as at 1 April 2014 with a relevant multiple of 11.1.

Group RAR is included in this Prospectus because it is the financial covenant applicable to the Notes pursuant to Condition 4.1 (*Financial Covenants*). Group RAR is useful to investors as it is relevant to the leverage of the Group and also the ability of the Issuer to make Controlled Payments.

"**Senior ICR**" means for any Relevant Period, the ratio of: (a) Cashflow from Operations of the Borrower (after adding back any cash outflows of a one-off, non-recurring extraordinary or exceptional nature in respect of the Borrower and excluding extraordinary revenues), less corporation tax paid to HMRC, less two per cent. of RAB; to (b) interest, commitment fees and equivalent recurring finance charges (excluding, for the avoidance of doubt, amounts used to repay accretions by indexation to the notional amount of any inflation-linked Treasury Transactions) paid or, in the case of forward looking ratios, forecasted to be paid on Senior Debt, the Liquidity Facility and any Permitted Financial Indebtedness that is not, pursuant to the STID, subordinated to such Senior Debt (less all interest received or, in the case of forward looking ratios, interest forecasted to be received by any Senior Obligor from any third party other than pursuant to a Permitted Inter-Company Loan).

Reconciliation of Senior ICR:

	As at/for the year ended 31 December 2020	As at/for the year ended 31 December 2019 (unaudited)
	(£ million)	
Cash generated from operations	(122.1)	469.9
Add back: one off, non-recurring extraordinary or exceptional items	46.7	12.9
Less: UK corporation tax paid	(0.5)	(42.7)
Less: 2% of Total RAB	(82.2)	(94.0)
Cash Flow (A)	**(158.1)**	**346.1**
Net interest and equivalent charges paid on Senior Debt[(1)]	122.8	109.8
Total Interest (B)	**122.8**	**109.8**
Senior ICR (A/B)	**(1.29)**	**3.15**

Note:

(1) Interest and equivalent charges paid on Senior Debt' comprises all interest paid, including interest paid which is capitalised into the cost of tangible fixed assets.

Senior ICR is included in this Prospectus because it is financial covenant that applies to the Senior Borrower Group pursuant to the Senior Finance Documents. Senior ICR is useful to investors as it is relevant to the Senior Borrower Group's ability to make Restricted Payments to the Issuer in order to fund the Issuer's obligations under the Notes.

"**Senior Net Debt to EBITDA**" means for any financial period: (a) the sum of: (i) Senior Debt (other than amounts committed but not outstanding under an Authorised Credit Facility); plus (ii) amounts drawn on the Liquidity Facility (other than in respect of a Standby Drawing) and amounts drawn from the Liquidity Standby Account; plus (iii) any Permitted Financial Indebtedness (other than the CCFF Debt) incurred pursuant to paragraphs (a)(iv) to (a)(viii) of the definition thereof that is not, pursuant to the STID, subordinated to the Senior Debt; less (iv) amounts held in Authorised Investments or cash in any Borrower Account (excluding any Excluded Cash); to (b) EBITDA.

	As at/for the year ended 31 December 2020	As at/for the year ended 31 December 2019 (unaudited)
	(£ million)	
Class A 6.125 Bonds	300.0	300.0
Class A 6.5 Bonds	300.0	300.0
Class A 5.25 Bonds	300.0	300.0
Class A 5.75 Bonds	300.0	300.0
Class A 4.625 Bonds	350.0	350.0
Class A 2.625 Bonds	300.0	300.0
Class A 3.125 Bonds	350.0	350.0
Class A 3.25 Bonds	300.0	300.0
Class A 2.875 Bonds	300.0	300.0
Other Senior Debt	600.0	85.0
Accretion on inflation-linked Treasury Transactions	25.1	56.2
Senior Debt	3,425.1	2,941.2
Less: Cash	(293.1)	(10.0)
Senior Net Debt (X)	**3,132.0**	**2,931.2**
EBITDA (Y)	**(25.1)**	**472.7**
Senior Net Debt to EBITDA (X/Y)	**–[(1)]**	**6.2**

Note:

(1) Senior Net Debt to EBITDA is not provided for the year ended 31 December 2020 as EBITDA is a negative number and therefore the resulting figure is not meaningful.

Senior Net Debt to EBITDA is included in this Prospectus because it is a measure of the Group's leverage and the Group believes that Senior Net Debt to EBITDA is useful to investors as a measure of comparative leverage from year to year as it disregards the Transfer RAB methodology that forms the basis of the Senior RAR ratio (which utilises a Relevant Transfer Value of £2,622.4 million as at 1 April 2014 with a relevant multiple of 11.1). Senior Net Debt to EBITDA is also a metric frequently used by ratings agencies in assessing the Group's leverage.

"**EBITDA Margin**" means for any financial year, the Group's EBITDA as a percentage of its total revenue.

	For the year ended 31 December 2020	For the year ended 31 December 2019 (unaudited)
	(£ million)	
EBITDA (X)	**(25.1)**	**472.7**
Total Revenue (Y)	**217.0**	**853.5**
EBITDA Margin (X/Y)	**–**	**55.4%**

EBITDA Margin is included in this Prospectus because it is a measure of the Group's profitability as a proportion of the revenues it generates and the Group believes that EBITDA Margin is useful to investors because it allows for comparison from year to year of changes in the amount of revenue converted into profit.

CAPITAL INVESTMENT PROGRAMME

The key strategic objective for Gatwick is to compete to grow and become London's airport of choice. A key enabler in delivering this objective is continued focus on transforming the passenger and airline experience of using the Airport through both investment in modern infrastructure and improving service standards. This will ensure that airlines can operate efficiently and customers enjoy a superior airport experience relative to competitors, encouraging greater utilisation of Gatwick and supporting its long-term growth ambitions. The key investment drivers for the Airport are as follows:

- Capacity
- Service Quality
- Cost Efficiencies
- Commercial Revenue
- EHS, Security and Compliance
- Asset Stewardship and Resilience

From April 2014, and following completion of Gatwick's £1.2 billion Q5 Capital Investment Programme, regulatory oversight of Gatwick has evolved in response to the seven year Commitments framework, under which Gatwick has made price, service quality, capital investment and consultation undertakings to its customers. Rather than being constrained by a fixed capital investment programme, the new framework allows flexibility, innovation and pace in making investments at the Airport to improve services for our passengers and airline customers. The framework included a commitment to undertake capital investment expenditure of at least £100.0 million per annum on average over the seven years to March 2021. Cumulative capital expenditure over the commitments period totals £1,423.5 million and is significantly in excess of the minimum investment level.

In July 2019 Gatwick published its 2019 Capital Investment Programme outlining plans to invest £1.1 billion over the next five years. Following the impact of Covid-19 on the business in 2020, capital expenditure was £86.0 million in the year ended 31 December 2020. Many projects already in delivery at the start of 2020 were stopped during 2020, with only operationally critical projects or those that were near to completion continuing.

Closure of construction sites was not mandated by the UK government during lockdown, therefore Gatwick was able to work with contractors to review safe working practices and as a result was able to maintain progress on a number of projects that were on site, and in some cases, even benefit from the low volume of operational activity. The Group continues to review its Capital Investment Programme and plans to publish an updated version in due course.

A review of the Group's capital investment programme has resulted in the deferral of over £380 million from the investment originally planned in 2020 and 2021. Over half of the projects already in delivery have been stopped, with only operationally critical projects continuing or those that are near to completion. Further opportunities have been identified to reduce capital investment and associated cash outflow, if required.

Key capital investment projects and programmes which were paused during the year ended 31 December 2020 can be summarised as follows:

- *Pier 6 Programme*: Following completion during the first half of 2020 of enabling works (including taxiway alignment and stand reconfiguration) and initial construction works on the main extension to Pier 6, this programme was put on hold in the summer of 2020, with a view to restarting again in line with anticipated airline growth and airline fleets moving to aircraft with more seats. The scheme once complete will include an additional eight A321 compatible gates.
- *Security Programme*: At the beginning of 2020 planning began on a significant programme of works to upgrade passenger and staff screening technology as mandated by the DfT; this will eventually impact multiple sites across the campus: central search areas, flight connections, staff search areas in terminals and office blocks, external access posts, maintenance hangars, and the cargo centre. In response to Covid-19, along with other UK airports, Gatwick have sought and obtained agreement from the DfT to slow the introduction of this new technology.
- *Other paused projects*:
  - the new multi-storey short-stay car park in the North Terminal;
  - the project to introduce "robotic parking" aimed at offering the convenience of valet parking, but without the need for passengers to hand over their keys;
  - the new rapid exit taxiway aimed at improving the resilience of the runway operation and on-time performance; and
  - the automated boarding gates project which will utilise biometrics to make the future boarding process more efficient. A number of new e-gates did become operational on Pier 1 and for North Terminal domestic passengers at the beginning of 2020.

During the year Gatwick controlled and delivered its Capital Investment Programme through several individual programmes covering the key elements of the Airport. Key capital investment projects and programmes completed or in construction during the year ended 31 December 2020 can be summarised as follows:

- *Buildings and Structures*: Investment continued during the year on the Airport's terminals and surface access routes with a view to improving resilience, efficiency and passenger service. A new automated call forward system has successfully been delivered across the central search areas in the North Terminal, making the passenger journey through the security lanes even more efficient. Construction of the rail station expansion continued throughout 2020 and Gatwick has worked successfully with Network Rail and the other funding bodies to re-phase the Airport's financial contribution into future years. During 2020 work also began on a forecourt charging project which will enable the Airport to charge vehicles for using its forecourts directly outside the terminals to drop off passengers.
- *Covid-19 measures*: Investment was made during the year on a number of Covid-19 related measures including installation of the UK's first UV treatment of security trays and perspex screens for check in desks.
- *IT and air traffic control resilience*: A programme of works to maintain Gatwick's existing IT asset base and improve the equipment, systems and processes in air traffic control has been ongoing. This programme, which aims to ensure operational resilience, remains a key component of Gatwick's capital investment plans going forward.
- *Airfield Programme*: During 2020, there continued to be investment in airfield asset stewardship and resilience in terms of taxiway and runway rehabilitation, with planned work in both areas completing ahead of schedule due to reduced operational activity on the runway. Construction continued during 2020 on a project to replace the entire airfield data network with new resilient fibre-optic cabling.

Gatwick's target annual capital expenditure for the next three years is set out below. These are Gatwick's plans as at the date of this Prospectus and therefore are subject to change and Gatwick's actual capital expenditure for the next three years may differ materially.

	Year ended 31 December 2021	**Year ended 31 December 2022**	**Year ended 31 December 2023**
		(£ million)	
Capital expenditure	33.9	113.0	140.0

AIRPORT REGULATION

OVERVIEW

The principal elements of the current regulatory framework for airports in the UK derive from the CA Act 2012. This has replaced the economic regulation elements of the Airports Act. Under the CA Act 2012, economic licencing applies to 'dominant areas' within 'dominant airports', which explicitly correlates to the competition law concept of dominance.

The CA Act 2012 replaced the previous system of designation under the Airports Act. One of the central features of the revised regulatory framework is to ensure that regulation assists in enhancing the passenger experience.

This section describes:

- the functions of the CAA, including a short summary of the previous economic regulatory framework under the Airports Act;
- the development of the economic regulatory framework under the CA Act 2012, which replaced the economic regulation provisions in the Airports Act and modernised the economic regulation of airports by: (i) providing for new duties of the CAA, including a general duty for the CAA to further the interests of users of air transport services in a manner that will promote competition in the provision of airport operation services and, in doing so, to have regard to the need to secure that a licence holder can finance its provision of such services; (ii) providing a statutory footing for existing financing arrangements at licensed airports; and (iii) introducing a licensing regime with provision for a more flexible approach in the regulation of airports, more appropriate to competitive and market positions of each airport;
- the main provisions of the CAA's licence for Gatwick;
- the performance of Gatwick under the new regulatory framework, and the scope of the midterm review of GAL Airline Commitments framework by the CAA;
- other relevant regulatory factors; and
- changes to the basis on which GAL calculates its financial ratios under the Senior Finance Documents as a result of adopting Transfer RAB due to the revised regulatory regime introduced by the CA Act 2012 and GAL's licence.

DESCRIPTION OF THE FUNCTIONS OF THE CAA

The CAA is the independent aviation regulator in the UK, with responsibility for economic regulation, competition law relating to airport operations services, airspace policy, safety regulation and consumer protection. The CAA is also the designated Independent Supervisory Authority for a number of pieces of EU legislation. The functions of the CAA include:

- the regulation of airlines, and the economic regulation of airports and National Air Traffic Services;
- imposition of an economic licence for airports where the CAA judges the airport to have passed the Market Power Test;
- issuing aerodrome licences to airports and ensuring that the holders of an aerodrome licence are competent and suitable persons to hold such a licence;
- investigating possible breaches of airspace rules and regulations under the Air Navigation Order and the Rules of the Air Regulations 2007;
- monitoring safety performance of the aviation system through the Safety Regulation Group;
- enforcement of the Ground Handling Directive (96/67/EC) – implemented into UK law in the Airports (Groundhandling) Regulations 1997;
- enforcement of the Flight Compensation Regulation (EC 261/2004) as incorporated into domestic law by virtue of the EUWA, the regulation concerning the rights of disabled persons and persons with reduced mobility when traveling by air (EC 1107/2006) as incorporated into domestic law by virtue of the EUWA; and

- managing the ATOL scheme, licensing UK airlines and managing consumer issues.

The CAA is also required to apply the provisions of the 2011 Regulations, which implement the Airport Charges Directive (2009/12/EC) in the UK and came into force on 10 November 2011. The purpose of the Directive is to require transparency, user-consultation and the application of the principle of non-discrimination by airports when calculating charges levied on users. It also requires there to be an independent national authority to arbitrate and settle disputes. The CAA is the relevant independent authority in the UK.

The 2011 Regulations apply only to airports located in the UK that have more than 5 million passenger movements per year. Gatwick is therefore one of the airports to which the 2011 Regulations apply. However, the existing form of economic regulation to which Gatwick is subject already contains many of the features of the 2011 Regulations, including:

- a non-discriminatory charging system;
- a consultation process between airport operators and airport users with respect to the level of airport charges (or constructive engagement – see also below); and
- service quality standards.

The 2011 Regulations specify a minimum level of information which airport users and airport operators are required to provide to each other. Airport users must provide annual traffic and fleet composition forecasts, development projects and requirements from the airport. In turn, operators must consult annually with airport users on future charges, service quality levels and the information on which the charges level has been based. The 2011 Regulations provide for penalties for non-compliance with these provisions.

THE CURRENT REGULATORY FRAMEWORK

Economic Regulation under the CA Act 2012

The CA Act 2012 was granted Royal Assent in December 2012. The main provisions came into effect on 6 April 2013. The CAA issued the notice of the licences under the new regime in February 2014, and these licences came into force on 1 April 2014, i.e. at the expiry of the Q5 price control period.

The main elements of the CA Act 2012 are:

- ***Duties of the regulator***: The CA Act 2012 introduced a revised "general duty" for the CAA, under which the CAA must carry out its functions in a manner which it considers will further the interests of existing and future consumers of passenger and freight services at UK airports, regarding the range, availability, continuity, cost and quality of airport operation services. Where appropriate, the CAA must do so by promoting effective competition. The CAA is required to have regard to a number of factors, including:
  - the need to secure that each holder of a licence is able to finance its provision of airport operation services in the area for which the licence is granted;
  - user demand;
  - promotion of economy and efficiency;
  - measures to reduce, control or mitigate the adverse environmental impacts of the airport; and
  - regulating in a targeted, transparent, consistent and proportionate manner.
- ***Financial resilience***: While recognising the need to ensure financial resilience at licensed airports, the CA Act 2012 gives statutory recognition to pre-existing financing arrangements in the airport sector. The CAA is required to have regard to the need to secure that licence holders are able to finance their provision of airport operation services. Licence conditions will be subject to appropriate derogations (i.e. suspensions of the relevant licence provisions relating to financial resilience) where these cut across financing in existence at the time the CA Act 2012 was enacted.
- In granting a licence (as discussed below), the CAA may not provide for derogations relating to financial arrangements that have been entered into before the CA Act 2012 was enacted to be terminated by reference to any time or event; nor may the CAA provide for it to determine to which financial arrangements the derogations apply. Similarly, the CAA is precluded from modifying a licence condition where the condition contains a derogation for financing arrangements entered into before the CA Act 2012

was enacted, without first determining: (i) that there has been a material change in circumstances since the derogation was granted; and (ii) the benefits of removing the derogation are likely to outweigh the adverse effects to passengers.

- ***Licensing***: The CA Act 2012 introduces an economic licensing regime with licences applying to "dominant areas" within "dominant airports", which replaces the previous system of designation under the Airports Act. This is to allow for the possibility that the airport operator may have substantial market power in relation to only some of the activities that it carries on at the airport and also to allow for the future licensing of separate operators of parts of the airport such as terminals or satellites at a single airport site which is itself dominant. In both cases dominance is assessed by reference to the Market Power Test under Section 6 of the CA Act 2012 and the CAA Market Power Test Guidance, published 17 August 2016. In determining dominance and pursuant to section 6 of the CA Act 2012, the CAA is required to demonstrate that:

  – the operator of the relevant airport or airport area has, or is likely to acquire, substantial market power, either alone or otherwise;

  – that competition law does not provide sufficient protection against the risk that the relevant operator may engage in conduct which constitutes an abuse of that market power; and

  – the benefits, for passengers and users of cargo services, of regulating the relevant operator by means of a licence are likely to outweigh the adverse effects.

  Licences will be imposed only where the CAA demonstrates the existence of each of the above. Airports falling outside these criteria will be subject to the general competition law, which will be enforced by the relevant competition authorities including the CAA, and the provisions of the Airport Charges Regulations 2011 enforced by the CAA. Even where a licence is required, the CA Act 2012 does not stipulate that price controls follow automatically, although the CAA must impose price control conditions where it considers that it is necessary or expedient to do so having regard to its statutory duties. The CA Act 2012 allows the CAA flexibility in the licence conditions that it imposes, so as to reflect the market and competitive position of each airport. For example, the CAA could impose a range of possible price controls such as setting maximum prices or a system of price monitoring.

  All airport operators are 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 CA Act 2012.

- ***Appeals***: The CA Act 2012 provides for a system of appeals relating to licence decisions of the CAA. Appeals in relation to operator and market power determinations would be to the CAT. Such appeals would be capable of being brought by the relevant operator, and any other person whose interests are materially affected by the determination, on the grounds that the decision in question was based on an error of fact, wrong in law or based on a wrong exercise of discretion. Appeals in relation to the imposition and modification of licence conditions would be to the CMA. Such appeals would be capable of being brought by the relevant operator, or airlines whose interests are materially affected by the decision. The grounds for bringing an appeal are identical to those in relation to market power and operator determinations. The CA Act 2012 requires appellants to obtain leave of the CMA to bring an appeal and allows it to refuse vexatious appeals. Similarly, under its rules, the CAT has the power to reject an application made on vexatious grounds, or to reject an appeal made by an appellant which has habitually and persistently brought vexatious proceedings.

- ***Competition powers***: The CA Act 2012 grants the CAA competition powers, to be held concurrently with the CMA, in respect of services provided by airport operators and "third party" airport service providers. This allows the CAA to enforce competition law, conduct market studies, and make market investigation references to the CMA in the airports sector. The CAA has the power to impose fines of up to 10% of turnover for infringements of the Competition Act 1998, under its concurrent mandate.

- ***Enforcement***: In addition to concurrent competition enforcement powers, the CA Act 2012 gives the CAA powers to enforce licence conditions, including the power to impose fines of up to 10% of the operator's turnover if the conditions are breached. Orders and penalties are subject to a right of appeal to the CAT.

- *Aviation security*: The CA Act 2012 transfers aviation security regulation functions to the CAA, in order to rationalise the number of regulators in the sector. The Secretary of State will, however, retain responsibility for overall aviation security policy.

The CAA's licence granted to GAL (for the period 1 April 2014 to 31 March 2021)

The CA Act 2012 requires the CAA to justify – by way of competition analysis – the need for continued regulation. The CAA published its initial views in February 2012 that Gatwick meets the Market Power Test in the CA Act 2012. This was followed by the CAA publishing its "minded to" market analysis for consultation in May 2013, which continued to find that Gatwick meets the market power test. The CAA published its market power determination in January 2014, finding that Gatwick passed the Market Power Test in the CA Act 2012. This decision could have been appealed by Gatwick, or others whose interests are materially affected, to the CAT. The deadline for such an appeal passed on 10 March 2014 and no appeals were lodged with the CAT.

On 3 October 2013 the CAA issued for consultation its Final Proposals for regulation at Gatwick beyond 31 March 2014, together with a draft licence incorporating GAL's Airline Commitments. The Airline Commitments were initially proposed as part of Gatwick's Business Plan submission to the CAA. It proposed that Gatwick would enter into a set of legally enforceable Airline Commitments to all airlines operating at Gatwick covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The Airline Commitments would be in place for a period of seven years from 1 April 2014. GAL envisaged that there would be a series of bilateral contracts incorporating, for example, price, service and duration agreed on a commercial basis between GAL and certain individual airlines.

In December 2013, GAL amended its Airline Commitments proposal reflecting increased passenger forecasts, to incorporate a maximum average revenue yield over the next seven years, based on published prices at RPI+1.0% per year, and average prices (taking into account bilateral contracts) at RPI+0.0% per year (i.e. the 'blended price'). In parallel, GAL continued discussions with airlines to agree bilateral contracts. In early January 2014, GAL had agreed Heads of Terms with a number of airlines.

In January 2014, following the CAA's Market Power determination, the CAA published its Notice under section 15(1) and (3) of the CA Act 2012 that proposed to grant a licence for GAL from 1 April 2014, incorporating Airline Commitments proposed by GAL.

On 13 February 2014, the CAA published its Notice granting a licence to GAL. The notice confirmed that the new regulatory approach for Gatwick would be based on its Airline Commitments to airlines (including bilateral contracts negotiated with individual airlines) and underpinned by a CAA licence and supplemented by a monitoring regime (which sits outside the licence).

It is therefore a requirement of the licence that GAL complies with its obligations in the Airline Commitments. This includes that GAL complies with its commitment to incorporate a maximum average revenue yield over the next seven years, based on published prices at RPI+1.0% per year, and average prices (taking into account bilateral contracts) at RPI+0.0% per year (i.e. the 'blended price'). GAL must comply with its Airline Commitment to undertake capital investment expenditure of at least £100 million per annum on average over the next seven years. Obligations on third parties, contained in the Airline Commitments do not form part of the licence.

In reaching its conclusion, the CAA considered that the combination of Gatwick's Airline Commitments and bilateral contacts would:

- Better further the interests of passengers as it could be tailored more to the business needs of individual airlines and their passengers, providing greater flexibility while still providing protection to all passengers. There could also be advantages from a reduction in complexity and a refocus of relationships towards airlines and away from the CAA.

- The Airline Commitments provide more certainty to airlines and GAL as they last for seven rather than five years, providing GAL with greater incentives to outperform assumptions on commercial revenues, efficiency and to grow traffic.

Part of the CAA's licence conditions includes making the entering into of the Airline Commitments a licence condition and prevents GAL from unilaterally varying the Airline Commitments, despite the already legally binding status of Airline Commitments. GAL also undertook to the CAA and the airlines operating at Gatwick at least two years prior to the end of the initial term of the Airline Commitments of its intention with regards to the modification, extension, termination, or otherwise of the Airline Commitments.

The CAA's licence includes a financial resilience condition. This requires GAL to produce a certificate of adequacy of resources covering the following twenty four months and submit this to the CAA on an annual basis. This condition also restricts the business of GAL to the businesses undertaken on 1 April 2014, including the owning, operation and development of the airport and associated facilities. Any other business the average annual expenditure which exceeds 2% of the value of the shadow RAB (described below) will require the written consent of the CAA. The financial resilience condition requires undertakings from the ultimate holding company of GAL to not take action that would likely cause a breach of the licence and provide information requested by the CAA to enable GAL to comply with the licence. There is an obligation for GAL in its licence to pre- notify the CAA before amending or varying any of its financial documents in respect of credit rating requirements. While not contained in its licence, GAL has committed to notifying the CAA of any changes in the banking ringfence relating to the credit rating.

Requirements as to operational resilience are included within GAL's Airline Commitments and as such form part of the licence conditions. The CAA can propose to introduce modifications to the licence conditions to the extent it considers such modifications are in the passenger interest. Such a licence modification could be appealed by the airport or airlines, to the CMA.

As noted above, the CAA also set out a process for monitoring GAL's performance under the Airline Commitments (underpinned by a licence). The CAA's monitoring (not incorporated in the licence) will include:

- Monitoring the blended price actually charged under the Airline Commitments and bilateral contracts to identify whether it is consistent with the CAA's view of a "fair price" based on a RAB counterfactual construct.

  The CAA included GAL's blended price under Airline Commitments of RPI+0.0% in the licence conditions.

  The CAA calculated a fair price benchmark of RPI-1.6% per year (over five years) versus GAL's blended price (the most appropriate comparison) of RPI+0.0% per year.

  Under the terms of the Airline Commitment, actual pricing may be above or below RPI+1% (gross) or RPI+0% (blended) in a given year based on the price path chosen by GAL (e.g. if it decided to front or back-load the price trajectory). For this reason, actual prices may also be above or below the RPI-1.6% benchmark. Pricing may also vary for other reasons e.g. actual traffic being different from CAA forecasts. Annual monitoring by the CAA will take into account material reasons for price variance.

- Monitoring service quality performance and undertake an investigation if GAL fails an individual metric for more than six months.

- Requiring GAL to undertake (but not publish) a shadow RAB calculation for the CAA (although there is no presumption that the shadow RAB number would be used as the basis for a future price cap). The basis for rolling forward the shadow RAB is set out in Appendix J of the CAA's notice granting the licence to GAL.

- A review of the Airline Commitments framework in the second half of 2016 to identify whether as a whole they are operating in passengers' interests, including a request for stakeholders' views (see below "*The CAA mid term review of GAL's Airline Commitments framework*").

In its fair price calculation, the CAA has assumed that GAL will undertake capital investment expenditure of at least £160 million per annum on average. However, the fair price calculation is used for monitoring purposes only and the licence requires that on average at least £100m per annum capital investment be made in Gatwick's asset base.

If, as part of the CAA's monitoring of the Airline Commitments, the CAA considers that the introduction of further licence conditions, or modifications to existing licence conditions is in passenger interest, then the CAA can propose such modifications at that time. This could be for example, to introduce a requirement for GAL to set its charges consistent with the CAA's view of its 'fair price' or its view of minimum capital investment expenditure. As outlined previously, such licence modifications could be appealed by the airport or airlines, to the CMA.

The licence came into force on 1 April 2014, and no interested party sought to appeal the licence to the Competition Commission (replaced by the CMA on 1 April 2014).

Performance of GAL under 2014 – 2021 Airline Commitments framework

The new regime has performed well for passengers and airlines, and in many aspects it has been ahead of the performance anticipated by the CAA.

GAL has entered into a number of contractual agreements with airlines, which together account for more than 90% of passengers for the year ending 31 March 2019. By way of the contracts and Airline Commitments framework, GAL has delivered a blended price over the six years that has declined by -2.4% per year in real terms. This compares with the CAA's 'fair price' benchmark of -1.6%, and Gatwick's blended yield Commitment of -0.0%.

Gatwick has delivered consistently good service performance in nearly all areas. Over the period from 1 April 2014 to 31 December 2019 Gatwick achieved 98% of its monthly Core Service Standards. See further "*Business of the Issuer and Gatwick Airport – Core Service Standards*").

GAL's Airline Commitments prescribe various financial and operational resilience stipulations. In consultation with airlines and other stakeholders, Gatwick has put in place an operational resilience plan. These principles, policies, and processed are reviewed and consulted on annually and adapted accordingly. In terms of financial resilience, the Directors of GAL have provided annual confirmations of adequate financial resources to operate the airport and provide the Core Services. GAL's financial information commitments are also fulfilled by way of disclosures within GAL's end of year statutory accounts.

In May 2020, in accordance with Condition D1.2 of the Licence published in February 2014, Gatwick submitted to the CAA a "Certificate of Adequacy of Resources". Due to the impact of COVID-19 this certificate used the option where GAL highlighted to the CAA the uncertainty around the impact of the COVID-19 virus, consistent with the narrative in its published statutory accounts. No further formal regulatory action was taken following the submission of this certificate. GAL is however keeping the CAA appraised of trading conditions on an ongoing basis.

Over the Airline Commitments period, Gatwick has also continued to invest in developing its assets to meet the needs of a growing number of passengers and changing requirements of its customers. Gatwick has invested over £1.4 billion during period from 1 April 2014 to 31 March 2021. This compares to Gatwick's commitment of investing £700 million over the seven year Airline Commitment term (equivalent to an average of £100 million per annum). It also compares to the CAA's projected capex of around £160 million per year that was used in its fair price calculation of RPI-1.6%. The Airline Commitments framework also sets out a capital investment consultation process. Gatwick discussed and agreed with its airline customers a revised multi-lateral consultation structure to meet these requirements. Over the first three years of the Airline Commitments period, Gatwick has consulted on three rolling 5 year Capital Investment Programmes (CIP), as well as having carried out three performance reviews of the delivery of the CIP, which focus on the preceding and following 12 month periods. Gatwick also holds bi-monthly stakeholder meetings that look at the progress of Major Development Projects (defined as individual projects greater than £10 million), as well as holding separate working groups looking at the options, scope, cost and business case for Major Development Projects. This new approach to consultation, as well as effective bilateral dialogue with leading airlines under the terms of their contracts, has enabled Gatwick to adapt to the changing environment and gain prompt consensus amongst its core stakeholders. Gatwick has also benefited from direct consultation with the Airport's Passenger Advisory Group, resulting in refinements to its investment plans.

Based on the above, Gatwick has fulfilled its monitoring obligations as summarised in the previous section, and as set out by the CAA in its Notice granting the licence published in February 2014.

The CAA mid term review of GAL's Airline Commitments framework

When adopted in 2014, GAL's Airline Commitments framework was a new and innovative approach to economic regulation. As part of the monitoring requirements set out in its Notice granting the licence, the CAA undertook a short and focused review of this framework in the second half of 2016 to identify whether as a whole they are operating in passengers' interests.

The CAA published its conclusions from the review in December 2016. The findings did not propose any changes to either the regulatory framework or the specifics of the economic licence. In its conclusions the CAA observed that “Many aspects of the new framework appear to be working well”, specifically:

- GAL has entered into contracts with airlines covering >85% of passenger traffic;
- traffic growth was ahead of expectations and passenger satisfaction was rising;
- GAL’s pricing was below the CAA’s ‘fair price’ path and meeting its service quality targets; and
- no airlines were calling for a return to the previous regulatory regime.

The CAA did however identify three areas of concern where it expected improvements by GAL:

- *Airfield infrastructure*: “We look to GAL to make good progress with its current proposals. If capacity constraints are not being addressed, then we may need to consider further measures.”
- *Airline relationships*: Good relationships at commercial, strategic and financial level but: “It is important that GAL takes steps to improve its relationships with airlines, especially at operating level” and the CAA could consider further measures.
- *On-time performance*: The CAA recognises that GAL has introduced operational initiatives to address some of the likely causes of poor On Time Performance (OTP), but the CAA is concerned about differences between GAL and the airlines’ analysis into causes of delay. The CAA led an independent study in spring 2017 to help inform all parties.

GAL has responded positively to the review and welcomes the CAA’s recognition of benefits for passengers. In relation to the specific concerns raised by the CAA, GAL have taken steps to address these concerns. In particular:

- Airfield infrastructure investment was accelerated in the 2017 Capital Investment Programme.
- GAL has worked with the airline community to reform the operational consultation framework and introduced a new “Joint Operations Group” as a focus for working more collaboratively with airlines on operational issues.
- Together with airlines, GAL has worked to make gains in on-time performance and have observed real gains from summer 2017. This is despite some of the underlying factors, such as delays driven by European airspace constraints continuing to increase.

GAL’s updated and extended Airline Commitments framework

Under its commitment GAL undertook to notify the CAA and all Operators at the airport at least 2 years prior to the end of the Term of its intention with regards to the continuation of commitments, if any, on pricing, service standards, continuity of service, operational and financial resilience, investment consultation and financial information.

In December 2018, GAL set out proposals to update and extend the Commitments for the period April 2021 to March 2025. Following extensive consultation with passenger representatives and airlines, and informed by the latest passenger research, GAL published for consultation an updated set of proposed commitments in October 2019. Following the October 2019 consultation GAL published its final Commitments in January 2020.

Key features of the updated and extended Airline Commitments framework

The Commitments made for the period 1 April 2021 to 31 March 2025 build on the success of the Commitments in place for the period 1 April 2014 to 31 March 2021. The key features of the new Commitments are:

- *Term*: A new, extended term for the Commitments from 1 April 2021 to 31 March 2025.
- *Price*: Gross yield: the maximum average annual rate of increase in gross yield will reduce from RPI +1% to RPI +0%, referencing the achieved gross yield for the year ending 31 March 2019. In addition, the gross yield ceiling has been simplified to be a year-by-year limit rather than an average measured over the Commitments Term.

  The new, simplified gross yield ceiling will give greater certainty to passengers and airlines about the maximum level of future charges.

GAL accelerated the pricing benefit inherent in these Commitments to be effective retrospectively from 1 January 2020, bringing pricing benefits to airlines sooner. This benefit was delivered to airlines operating under the airport tariff through the issuance of appropriate credit notes (for the period 1 January to 31 March 2020) and adjustments to the published airport tariff (for the period 1 April 2020 to 31 March 2021).

- *Service*: GAL commits to maintain excellent service delivery for its passengers and airlines, and will remain financially incentivised to do so, both through continuation of the charges rebate regime and as the airport continues to seek to grow. Recognising the need to meet the specific requirements of all passengers, and informed by in-depth consultations with airlines and passenger representatives, and by the latest passenger research, GAL has developed an updated set of Core Service Standards.

  The new Core Service Standards include tighter targets on some existing measures and the inclusion of some new metrics across a wider range of GAL's service delivery, and are significantly enhanced relative to the existing Commitments. This gives assurance to airlines and passengers of continuing good service outcomes at Gatwick through to the middle of this decade.

  These service Commitments will be implemented from 1 April 2021 when the existing Commitments expire. Continued engagement from the airline community will be required to finalise the detail for measuring some of the changed standards.

- *Investment*: Further to the October 2019 Consultation, GAL increased the minimum investment commitment from £100 million per year to at least £120 million per year on average over the six year period from 2019/20 to the end of the extended Commitments period (i.e. 2024/25) (at 2018/19 prices). GAL expects to continue to consult annually with airlines and passenger representatives on the rolling five year Capital Investment Programme.

  Following constructive dialogue with airlines regarding the process by which GAL consults its users annually on the five year Capital Investment Programme, GAL proposed in its October 2019 paper to make further improvements to its capital consultation arrangements. These are designed to provide earlier insight and greater clarity for airlines and passenger representatives on emerging projects, and a clearer focus for discussions on the future strategic direction of GAL's Capital Investment Programme.

  Further to the consultation on its October 2019 proposal, GAL has worked with the airlines to develop a further process to enable users to track progress of identified ongoing capital projects.

- *Operational initiatives*: To increase the focus of GAL, its airlines, ground handlers and air traffic control provider on delivering resilient and punctual services, GAL 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. GAL 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. GAL will consult with airlines annually on the proposed on-time departure programme. GAL will report to airlines and their ground handlers on the punctuality performance of each season shortly after its conclusion. If seasonal punctuality drops below the relevant target, then GAL will consult with the airlines, their ground handlers and the passenger representatives on a root cause analysis of the airport's and airlines' collective performance over the season, and then develop with airlines a punctuality improvement plan. This plan will be updated following subsequent seasons until performance improves above the target.

- *Capacity Growth*: GAL 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 Northern runway.

  On 18 July 2019, GAL published its Master Plan, including its intention to undertake further work in order to prepare an application for a DCO for the routine use of the Northern Runway. Consistent with GAL's December 2018 proposals, GAL is not adjusting its price commitment in response to the additional capital expenditure which GAL may incur in this period in preparation for obtaining the DCO or in implementing the resulting infrastructure projects.

Following feedback from airlines and passenger representatives to the October 2019 consultation GAL decided to make a number of enhancements that where reflected in a set of finalised Commitments issued in January 2020. These included:

– Undertakings to work with the airline community to develop the security and airfield metrics further.

– Enhancements to the runway availability measure, the terminal departure lounge seating QSM and outbound baggage measure.

– An increase to its minimum capital investment commitment from £100 million to £120 million per annum on average in 2018/19 prices.

– An enhancement to the capital consultation commitment to enable users to track progress of identified capital project;

– Clarification that, whilst the over and under recovery mechanism within the existing commitments is no longer relevant, GAL still intend to ensure that users are not disadvantaged in the unlikely scenario that an inadvertent over-recovery against the price ceiling occurs (e.g. when there is a difference between forecast and out-turn gross yields).

– Guidance regarding how we believe the net yield is likely to develop over the Commitments period relative to gross yield.

In October 2020 the CAA issued a consultation regarding the Economic Regulation of Gatwick Airport Limited (CAP 1973). In the consultation the CAA indicated that their current view was the they should accept GAL's proposed new commitments. The CAA furthermore observed that "*Viewed as a whole, and bearing in mind the impact of Covid-19 on the future outlook, the package of changes set out by GAL is likely to be the consumers' interest*". The CAA has furthermore observed that it plans to add two specific items to their ongoing monitoring of GAL:

1. GAL's performance in relation to seating facilities in the departure lounges.

2. The average level of discounts that GAL offers to airlines.

In February 2021 the CAA gave formal notice (CAP2103) under section 22(2) of the CA Act 2012 of its proposal to modify GAL's licence to accept GAL's proposed new commitments as the basis of its economic regulation of GAL for the four year period from 2021/22 to 2024/25.

OTHER REGULATORY FACTORS

Enforcement under the Civil Aviation Act 2012

The CA Act 2012 provides for CAA enforcement of licence conditions, meaning that the CAA has the power to serve contravention notices, enforcement orders and urgent enforcement orders on GAL. Where the CAA serves an enforcement or urgent enforcement order on an operator, that operator will be under a duty to comply with the terms of that order. The CAA may take action, including seeking injunctive relief, in order to ensure that an operator does not breach its duty to comply with an enforcement order.

In addition, failure to comply with licence conditions, information notices, enforcement orders or competition law could result in penalties for offending operators of up to 10% of turnover at the relevant airport. Penalties may be imposed on a daily basis or as a fixed amount. Gatwick would have a right of appeal to the CAT against any enforcement orders or penalties that the CAA might seek to impose under these provisions.

The CA Act 2012 also provides the CAA with certain competition powers, held concurrently with the CMA, previously the OFT and Competition Commission. This allows the CAA to enforce competition law, conduct market studies, and make market investigation references to the CMA.

IMPACT OF THE REVISED REGULATORY REGIME ON GAL'S FINANCIAL REPORTING UNDER THE SENIOR FINANCE DOCUMENTS

On 1 April 2014, when the economic regulatory framework under the CA Act 2012 and GAL's new licence came into force, the requirement for GAL to prepare and publish separate regulatory accounts, which applied under the regulatory regime of the Airports Act 1986, fell away. As a result, the concept of "Regulatory RAB" for the purpose of the Senior Finance Documents, which is derived from the RAB figure set out in those regulatory accounts, ceased to exist and is no longer used by GAL as the basis for its financial covenant reporting under the Common Terms Agreement.

In accordance with the terms of the Senior Finance Documents, GAL now determines RAB for the purpose of calculating its financial ratios on the basis of "Transfer RAB" being, as at any date, the aggregate of the product of: (a) the sum of the Relevant EBITDA for the previous three consecutive periods of twelve months preceding such date as determined by reference to the financial statements for such twelve months divided by three; and (b) the Relevant Multiple (which is equal to 11.1).

To mitigate the impact of the Covid-19 pandemic on its financial ratios, on 22 September 2020, GAL entered into an amendment and waiver agreement with the Borrower Security Trustee (on the instructions of the Qualifying Borrower Secured Creditors) to amend the definition of "Transfer RAB" in respect of the period from (and excluding) 30 June 2021 until (and including) 30 June 2023 to replace the Relevant EBITDA in respect of each calendar quarter during the period from (and including) 1 April 2020 to (and including) 31 March 2021 with the following (representing the average Relevant EBITDA figures for the relevant quarter across the three years prior to 31 March 2020):

1 April 2020 to 30 June 2020 (inclusive)	£134,430,291
1 July 2020 to 30 September 2020 (inclusive)	£187,907,418
1 October 2020 to 31 December 2020 (inclusive)	£76,978,795
1 January 2021 to 31 March 2021 (inclusive)	£42,025,921

"**Relevant EBITDA**" means consolidated earnings before interest, tax, depreciation and amortisation and pre-exceptional costs (revenues minus expenses) in respect of the business carried out within the Senior Borrower Group insofar as such business was brought into account or not expressly disallowed by the CAA for any price determination previously published by the Regulator for GAL for the purpose of imposing price caps pursuant to section 40(4) of the Airports Act prior to its repeal.

The Relevant EBITDA figure for each financial year of GAL will be set out in the directors' report accompanying GAL's year end audited financial statements, which will be published on the Designated Website.

For further details of the financial covenants to which GAL is subject pursuant to terms of the Finance Documents see "*Summary of the Financing Agreements*" below.

DESCRIPTION OF THE ISSUER

The Issuer, Gatwick Airport Finance plc, was incorporated in England and Wales on 1 March 2009 as a private limited company under the Companies Act 1985 and operates under the Companies Act 2006. It was converted to a public limited company and changed its name from Ivy Midco Limited on 17 March 2021. Its registered number is 06894065.

The Issuer's registered office is at 8th Floor, 20 Farringdon Street, London EC4A 4AB, United Kingdom, where the Issuer's register of members is kept (telephone number +44 1293 503616). The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer.

The Issuer is wholly owned by Ivy Super Topco Limited, a private limited company incorporated in England and Wales and having its registered office at 8th Floor, 20 Farringdon Street, London EC4A 4AB, United Kingdom. Its registered number is 12356191.

Directors, Secretary and Corporate Services

The directors and company secretary of the Issuer and their respective addresses and other principal activities are:

Name	Nationality	Business Address	Other Principal Activities
Eric Marc Jacques Delobel.....	French	5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP	Chief Technical Officer VINCI Airports
Philip Marc Iley......................	British	5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP	Investment Principal GIP
Olivier Mathieu	French	12 Rue Louis Bleriot, Rueil-Malmaison, France, 92500	Executive Vice President and CFO Vinci Concessions
Remi Maumon De Longevialle............................	French	12 Rue Louis Bleriot, Rueil-Malmaison, France, 92500	Chief Financial Officer VINCI Airports
Michael John McGhee............	British	5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP	Transport Partner GIP
David Loch McMillan............	British	5th Floor Destinations Place, Gatwick Airport, Gatwick. West Sussex RH6 0NP	Non-executive director
Nicolas Notebaert...................	French	12 Rue Louis Bleriot, Rueil-Malmaison, France, 92500	CEO Vinci Concessions & President of Vinci Airports
Pierre-Hugues Paul Louis Schmit....................................	French	12 Rue Louis Bleriot, Rueil-Malmaison, France, 92500	Chief Commercial and Operational Officer VINCI Airports
Marten Per Soderbom.............	Swedish	5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP	Principal GIP
William Alan Woodburn.........	American	5th Floor Destinations Place, Gatwick Airport, Gatwick, West Sussex RH6 0NP	Operating Partner of GIP

The secretary of the Issuer is TMF Corporate Administration Services Limited whose registered office is at 8th Floor, 20 Farringdon Street, London EC4A 4AB, United Kingdom.

The directors of the Issuer may engage in other activities and have other directorships. As a matter of English law, each director is under a duty to act honestly and in good faith with a view to the best interest of the Issuer, regardless of any other directorship such director may hold.

None of the directors of the Issuer has any actual or potential conflict between their duties to the Issuer and their private interests or other duties as listed above.

Principal Activities

The Issuer was established as a limited company and its principal activities are acting as, and in connection with being, a holding company.

Management and Control

The Issuer is managed and controlled in London, United Kingdom.

Share Capital

The authorised share capital of the Issuer is £5,150,000, comprising 5,150,000 shares of £1 each. The issued and paid up share capital of the Issuer is £5,150,000 as at the date of this Prospectus.

Auditors

The auditors of the Issuer are PricewaterhouseCoopers LLP at The Portland Building, 25 High Street, Crawley, West Sussex, RH10 1BG.

PricewaterhouseCoopers LLP is a registered auditor and is authorised by and is a member of the Institute of Chartered Accountants in England and Wales to practise in England and Wales.

DESCRIPTION OF INDEBTEDNESS

INTERCREDITOR AGREEMENT

General

The Issuer has entered into an intercreditor agreement (the "**Intercreditor Agreement**") with, among others, the Security Agent and the Trustee.

Under the Intercreditor Agreement, the term "Secured Parties" is defined to mean the Noteholders, any additional lenders, any additional private placement noteholders, any additional noteholders, the Trustee in its capacity as trustee for the Noteholders, certain creditor representatives, any hedging creditor and any future secured creditor (collectively, the "**External Creditors**" provided that each External Creditor will only be a Secured Party if it has acceded as a party to the Intercreditor Agreement in the relevant capacity), the Security Agent and any receiver or delegate appointed by the Security Agent pursuant to any of the Transaction Security Documents.

The Intercreditor Agreement is governed by English law.

The Intercreditor Agreement includes terms that establish:

- the ranking and priority of the liabilities owed to the Security Agent, the Trustee and the Noteholders;
- the basis on which the Security Agent is appointed to hold the collateral created by the Transaction Security Documents;
- under which circumstances the Transaction Security Documents may be enforced and the voting rights of the External Creditors, including certain matters subject to a required quorum of creditors representing 33.3% of the aggregate participations of the External Creditors;
- the application of proceeds from an enforcement in respect of the collateral; and
- under which circumstances the collateral may be shared on a *pari passu* basis with additional third party creditors.

Priority of Secured Obligations

Each party to the Intercreditor Agreement agrees that, subject to the order of priorities set out under "*Enforcement Proceeds and Priority of Payment*" below, the debt of the Issuer held by the Secured Parties (the "**Secured Obligations**"), shall rank, and be secured by the collateral that secures such Secured Obligations, *pari passu* without any preference between them.

Additional Debt

The Intercreditor Agreement provides for certain additional secured debt, including any debt which is raised pursuant to additional credit facilities and additional bonds or notes issued by the Issuer and which is permitted under the terms of the Trust Deed, to (subject to the accession terms of the Intercreditor Agreement) share in the collateral and rank *pari passu* alongside the other Secured Obligations.

Prohibited Actions

The Intercreditor Agreement does not limit the making of:

- payments, distributions or other actions in respect of the Secured Obligations;
- payments (including in respect of scheduled interest and principal) in respect of the Secured Obligations under the Trust Deed; and
- payments in respect of the Secured Obligations under the hedging agreements (subject to certain restrictions as set out in the Intercreditor Agreement),

in each case, in accordance with terms of the documents governing the relevant class of Secured Obligations.

Following the occurrence of certain acceleration and/or insolvency events all payments in respect of Secured Obligations must be applied in accordance with the payment waterfall set out in the Intercreditor Agreement.

The Intercreditor Agreement prohibits Parent Liabilities from receiving the benefit of any security, guarantee, indemnity or other assurance against loss and, prior to the final discharge of all obligations under the Secured

Obligations or an insolvency event, prohibits the taking of any enforcement action by the Parent with respect to Parent Liabilities.

Enforcement of Transaction Security Documents

The Intercreditor Agreement provides that only the Security Agent will have the right to enforce the Transaction Security Documents.

Under the Intercreditor Agreement and subject to the security having become enforceable in accordance with its terms, the Security Agent shall determine the nature, management, timing and control of any enforcement of the Transaction Security Documents on the instructions of the Secured Parties who, in the aggregate, hold more than 50 per cent. of the aggregate participations of the External Creditors which vote on any enforcement decision (subject to a required quorum of creditors representing 33.3% of the aggregate participations of the External Creditors) (the "**Majority External Creditors**"). In the case of the Notes, if an Extraordinary Resolution is passed in favour of a particular course of action, the whole of the principal amount of the Notes will be deemed to vote in favour, otherwise votes will be counted on a pound for pound basis for and against enforcement. In the absence of such instructions, the Security Agent may act as it sees fit in respect of the manner of enforcement (but not the decision to enforce).

The Security Agent will not be liable in any respect to any Secured Party or any other person for exercising (or failing to exercise) any of its rights, powers or discretions in relation to the Transaction Security Documents. The Security Agent may disregard any instructions to enforce any security if those instructions are inconsistent with the Intercreditor Agreement.

Snooze/Lose

The Intercreditor Agreement provides that if in relation to a request for a consent to participate in a vote or to approve any other action or provide any confirmation or notification under the Intercreditor Agreement, the Trustee (in its capacity as trustee for the holders of the Notes) fails to respond to that request within 15 business days of the request being made, the consent or vote of the holders of the Notes (and the aggregate principal amount of the Notes) will be disregarded for the purposes of ascertaining whether an agreement has been obtained, a vote carried or another action approved, and, in the case of any confirmation or notification, that confirmation or notification will be deemed to have been given, provided always that the aggregate principal amount of the Notes shall not be disregarded in respect of any quorum requirement.

Enforcement Proceeds and Priority of Payment

The Intercreditor Agreement regulates the order in which amounts received by the Security Agent (including upon enforcement of the collateral) are distributed to the Secured Parties.

Under the Intercreditor Agreement, the parties agree that, following any enforcement of the Transaction Security Documents and in respect of the applicable of Available Enforcement Proceeds, the claims of the Security Agent, any receiver or delegate appointed by the Security Agent pursuant to any of the Transaction Security Documents will have first ranking claims (without any priority between themselves), followed by the costs and expenses of any Secured Party (including the Trustee and the Security Agent) incurred in realisation or enforcement of the Transaction Security Documents, and then followed by claims in respect of the obligations under the obligations under the Trust Deed and the obligations under any other additional bonds or additional credit facilities or hedging documents permitted under the Trust Deed and the Intercreditor Agreement ranking *pari passu* and *pro rata* according to the respective amounts among themselves, and finally followed by any claim which the Security Agent is obliged to pay in priority to the Issuer. The balance (if any) will be paid to the Issuer. The Security Agent will apply Available Enforcement Proceeds received following enforcement, including recoveries from enforcement, in accordance with this priority.

"**Available Enforcement Proceeds**" means on any date, all amounts from time to time received or recovered by the Security Agent (or any Receiver or Delegate appointed by it) pursuant to the terms of any finance document or in connection with the realisation or enforcement of all or any part of the Transaction Security, save for amounts standing to the credit of any account specifically required by and held for the benefit of a particular Secured Party, such as a debt service reserve account, defeasance account or a hedge collateral account.

The Intercreditor Agreement contains customary turnover provisions.

Appointment of Security Agent

The Intercreditor Agreement sets out the terms on which the Security Agent holds the benefit of the Transaction Security Documents. The Security Agent is not be obliged to take any action (including with respect to taking enforcement proceedings or enforcing the Transaction Security Documents) unless indemnified, secured or pre-funded to its satisfaction. The Security Agent will be entitled to accept deposits from, lend money to and generally engage in any kind of banking or other business with the Issuer.

Unless acting on the instruction of the Majority External Creditors, or exercising certain specific discretions granted to it under the Intercreditor Agreement, in exercising any discretion to exercise a right, power or authority under the Intercreditor Agreement, the Security Agent shall do so having regard to the interests of all the Secured Parties.

The Security Agent is not obliged to insure any collateral, or require any other person to maintain such insurance, and will not be responsible for any loss, expense or liability which may be suffered as a result of the lack of, or inadequacy of, such insurance. Each Secured Party (other than the Security Agent) is responsible for undertaking its own independent appraisal and investigation of all risks arising under or in connection with the Intercreditor Agreement and related documents, including in respect of the financial condition, status and nature of each member of the Group and the title of any security provider to the collateral. Neither the Security Agent nor any receiver or delegate is liable for (among other things) validity, effectiveness, adequacy or enforceability of the collateral.

Release of Transaction Security

The Intercreditor Agreement provides that the Security Agent may release the collateral (and the obligations of the obligors) under certain conditions, including in connection with the enforcement of the Transaction Security Documents or in connection with the sale or disposal of assets permitted by each relevant financing document.

Common Security

The Trustee on behalf of the Noteholders may not take the benefit of any security or guarantees in respect of their respective Secured Obligations other than under the relevant financing documents and the Transaction Security Documents.

Amendments

The Security Agent and the Issuer each has the right to make amendments which are minor or of a technical nature to the Intercreditor Agreement without any further consent from the Secured Parties. Other amendments or waivers of the Intercreditor Agreement may be made only with the consent of the Majority External Creditors, except that in respect of certain amendments, waivers or consents that only affects the rights and obligations of certain parties (and which could not reasonably be expected to be adverse to the interests of the other parties) requires the consent only of the parties so affected. Under the Intercreditor Agreement, the Security Agent may—if so instructed by the Majority External Creditors, and if the Issuer consents—amend the terms of, waive requirements of or grant consents under any of the relevant Transaction Security Documents, provided that for releases of security, claims or liabilities or any consents given by the Security Agent in accordance with the Intercreditor Agreement, any amendment, waiver or consent related to the Transaction Security Documents which affects the nature or scope of the security or the manner in which the proceeds of enforcement of the security are distributed requires the prior consent of the creditor representative of each affected Secured Party.

SENIOR BORROWER GROUP INDEBTEDNESS

As at 31 December 2020, the Senior Borrower Group had indebtedness totalling £3,575 million under a revolving credit facility, a term loan facility, unsecured commercial paper issued under the CCFF and borrower loan agreements between GAL and Gatwick Funding Limited, which correspond in their terms to each series of bonds issued by Gatwick Funding Limited (the "**Senior Bonds**"). The Senior Borrower Group can issue senior ranking debt, junior ranking debt and second lien debt and also has a £150,000,000 undrawn liquidity facility.

Substantially all the assets of GAL, Ivy Bidco Limited and Ivy Holdco Limited (the "**Senior Obligors**") are secured in favour of the Borrower Secured Creditors. In addition, Gatwick Funding Limited as issuer of the Senior Bonds provided security over substantially all of its assets in favour of the trustee under the Senior Bonds and holders of the Senior Bonds.

A common terms agreement (the "**CTA**") sets out the common warranties, covenants, trigger events or loan events of default applicable to the Senior Borrower Group. The Borrower Secured Creditors have also entered into intercreditor arrangements, contained in a security trust and intercreditor deed (the "**STID**"). These are described below.

If the Senior Borrower Group fails to make payments or comply with the covenants in respect of its financing, this may result in a default under the Senior Borrower Group financing and the insolvency of the Senior Borrower Group. The Notes will be subordinated to all liabilities of the Senior Borrower Group and so in such circumstances the Issuer's ability to make payments under the Notes would be severely restricted and there might be no returns in relation to the Notes.

Summary of the financing agreements

The following is a summary of certain terms of the principal Transaction Documents, including the CTA, the STID, the Bond Trust Deed and the Security Documents and is qualified in its entirety by reference to the detailed provisions of the Transaction Documents.

General overview

The Finance Parties (which includes GFL) all benefit from common terms under their relevant debt instrument and a common security package granted by GAL, Ivy Bidco Limited and the Security Parent (as Senior Obligors under the CTA). It is a requirement of the CTA that any future provider of an Authorised Credit Facility must accede to and be bound by the terms of the CTA (see " – *Common Terms Agreement*" below) and the intercreditor arrangements contained in the STID (see " – *Security Trust and Intercreditor Deed*" below). GFL, as provider of each loan to GAL corresponding to the proceeds of an issuance of Bonds, will also be party to and be bound by the CTA and the STID.

The CTA sets out the common terms applicable to the Borrower Loan Agreements and each other Authorised Credit Facility into which GAL and any other Borrower enters. Save for certain limited exceptions, no Finance Party can have additional representations, covenants, trigger events or loan events of default beyond the common terms deemed to be incorporated by reference into their Authorised Credit Facilities through their execution of, or accession to, the CTA.

The STID regulates among other things: (i) the claims of the Borrower Secured Creditors; (ii) the exercise and enforcement of rights by the Borrower Secured Creditors; and (iii) the giving of instructions, consents and waivers and, in particular, the basis on which votes of the Borrower Secured Creditors will be counted.

With the exception of certain Jersey law governed documents, all agreements listed below and non-contractual obligations arising out of or in connection with them will be governed by English law and subject to the exclusive jurisdiction of the English courts.

22 September 2020 Amendments

Given the impact of the Covid-19 global pandemic, GAL undertook a STID Proposal in summer 2020 that resulted in it entering into an amendment and waiver agreement with the Borrower Security Trustee (on the instructions of the Qualifying Borrower Secured Creditors) dated 22 September 2020 in respect of the Master Definitions Agreement and the Common Terms Agreement. This amendment and waiver agreement provided a number of short term waivers, approvals and amendments to ensure the business is well positioned to recover.

Among other things, the amendment and waiver agreement records:

- a waiver of any Default in respect of the financial ratios which may arise in respect of the Calculation Dates falling on 31 December 2020 and 30 June 2021;
- an amendment to the calculation of Transfer RAB for the Calculation Dates from (and excluding) 30 June 2021 to (and including) 30 June 2023 to replace the Relevant EBITDA in respect of each calendar quarter during the period from (and including) 1 April 2020 to (and including) 31 March 2021 with the following (representing the average Relevant EBITDA figures for the relevant quarter across the three years prior to 31 March 2020):

1 April 2020 to 30 June 2020 (inclusive)	£134,430,291
1 July 2020 to 30 September 2020 (inclusive)	£187,907,418
1 October 2020 to 31 December 2020 (inclusive)	£76,978,795
1 January 2021 to 31 March 2021 (inclusive)	£42,025,921

- the waiver of certain other technical Defaults which may arise from actions taken by any Governmental Agency relating directly to the COVID-19 pandemic and which result in a full or partial closure of, or a full or partial suspension of operations at, Gatwick Airport, although currently no such Defaults are expected;
- approval pursuant to paragraph (a)(iv) of the definition of "Permitted Financial Indebtedness" in the MDA to permit issuance of up to £300,000,000 of unsecured commercial paper under the CCFF programme (which is not included within the calculation of the Senior RAR, and will not constitute Borrower Secured Liabilities or benefit from the security created pursuant to the Security Documents);
- a waiver of certain consequences of the occurrence of a Trigger Event; and
- an amendment to the definition of "Relevant Period".

Furthermore, given the implementation of the above waivers, approvals and amendments, the Borrower has undertaken to provide the Borrower Secured Creditors and the GFL Secured Creditors (by publication on the Designated Website) a quarterly information package in respect of quarter end dates from 30 September 2020 to 30 June 2021 inclusive, to include traffic updates, financial ratios and six month liquidity forecasts.

If any six month liquidity forecast shows that Available Cash minus Required Expenditure (each as defined in the STID Proposal) is less than £225,000,000, the Borrower will be required to provide a remedial plan outlining how it intends to address the issue, and monthly updates to both the plan and the liquidity forecast until the issue is resolved. If Available Cash minus Required Expenditure is less than £150,000,000, any failure to provide the remedial plan or undertake the actions set out in such plan within the time periods specified in the plan will result in a Loan Event of Default.

Finally, the Borrower agreed that further restrictions on Restricted Payments shall apply, such that no Restricted Payments will be made prior to the Calculation Date falling on 31 December 2021, and any Restricted Payments made in the period prior to the next Calculation Date falling after 30 June 2023 will be subject to a tighter Senior RAR test (0.60 for Calculation Dates up to and including June 2022, and thereafter 0.65, on an adjusted basis), meeting the current Senior RAR threshold of 0.70 on an unadjusted basis, and a six month liquidity test, and may not be made if amounts are outstanding in respect of any CCFF Debt.

"**CCFF Debt**" means any Financial Indebtedness incurred under an unsecured commercial paper programme to be established with a maximum issuance amount of £300,000,000 and permitting the issuance of commercial paper only to be purchased by the Bank of England or Covid Corporate Financing Facility Limited pursuant to the joint HM Treasury and Bank of England Covid Corporate Financing Facility provided that any CCFF Debt shall be unsecured and does not constitute Borrower Secured Liabilities.

Common Terms Agreement

General

As noted above, all Finance Parties must accede to the CTA in respect of their Authorised Credit Facilities (including the Borrower Loan Agreements).

Other Borrower Secured Creditors which are party to the CTA include the Hedge Counterparties (see " – *Hedge Counterparties and the STID*"), the Liquidity Facility Providers (see " – *Liquidity Facility Agreement*") and the Initial ACF Finance Parties.

It is a requirement of the CTA that future providers of Authorised Credit Facilities must also accede to and be bound by the CTA and the STID. GAL will be able to incur additional Senior Debt (including in respect of amounts owed to GFL under the Borrower Loan Agreements and corresponding to additional Series of Class A Bonds) if, by reference to the most recently delivered financial statements (see " – *Information Covenants*" below), the Senior RAR, taking into account such indebtedness, is less than 0.70. However, if such financial indebtedness will be used to fund RAB-Eligible Capex, GAL will be able to incur additional Senior Debt if the Senior RAR, taking into account such indebtedness, is less than 0.725.

In addition, GFL is able to incur additional indebtedness in respect of Class B Bonds and lend the proceeds of those Bonds to GAL if GAL has first obtained a confirmation from the relevant rating agencies stating that the then rating of the Class A Bonds then outstanding would not be reduced as a result of the issuance of such Class B Bonds below the lower of: (a) the credit rating of the Class A Bonds as at their Issue Date; or (b) the then current rating of such Class A Bonds before the proposed issuance.

The CTA also sets out the cash management arrangements applicable to GAL (see " – *Borrower Cash Management*" below) and the hedging policy (see " – *Hedging*" below).

Representations

The Senior Obligors make certain representations and warranties (subject to detailed carve-outs, exceptions and qualifications set forth in the CTA) to each Finance Party on the Establishment Date and the Initial Issue Date. These representations and warranties include the following as to:

(a) its corporate status, power and authority and certain other legal matters;

(b) non-conflict with documents binding on it (to an extent which has a Material Adverse Effect), constitutional documents, licences or laws;

(c) accuracy of financial statements;

(d) no existing default or Trigger Event;

(e) compliance with obligations under the Transaction Documents;

(f) consents, leases, licences, authorisations and approvals are obtained and complied with;

(g) ownership of assets;

(h) the ownership structure of the Security Group;

(i) no rights to call for the issue or allotment of share capital;

(j) insurances required to be maintained are in full force and effect;

(k) no Insolvency Event in relation to it;

(l) the choice of English law being recognised and enforced;

(m) payment of all taxes and lack of deductions required in respect of payments under any Finance Document;

(n) no claims, disputes or investigations being made or conducted against it with respect to Taxes;

(o) no liability in respect of any Financial Indebtedness other than Permitted Financial Indebtedness or pursuant to a Permitted Transaction;

(p) pensions;

(q) raking and enforceability of security;

(r) no current litigation;

(s) the accuracy and completeness of each prospectus;

(t) compliance with environmental laws and absence of environmental claims against it;

(u) all arrangements or contracts with any person being on an arm's length basis;

(v) its centres of main interests for the purpose of Council Regulation (EC) No 1346/2000;

(w) intellectual property; and

(x) ownership of land and the existence of encumbrances thereon.

The Initial Date Representations are deemed to be repeated by the relevant Senior Obligor (by reference to the facts and circumstances existing at such time) on the date upon which any new Authorised Credit Facility is entered into and each Issue Date.

The Repeated Representations are deemed to be repeated by the relevant Senior Obligor (by reference to the facts and circumstances existing at such time) on: (i) the date of each utilisation request and the first day of any borrowing; (ii) each Payment Date; and (iii) in the case of a Senior Obligor acceding to an Authorised Credit Facility, on the date of its accession.

Covenants

The CTA contains certain covenants from each of the Senior Obligors. A summary of the covenants which are included in the CTA is set out in " – *Information Covenants*", and " – *Operating and Financial Covenants*" below.

Information Covenants

Prior to the occurrence of a Trigger Event, Borrower Secured Creditors will receive, either directly from GAL or through the agent or administrative representative party for their Authorised Credit Facility:

(a) annual, audited and consolidated (which will include GFL) financial statements delivered within 120 days after the end of each financial year;

(b) 6-month consolidated, unaudited financial statements delivered within 60 days after the end of the first half of the financial year;

(c) annual regulatory accounts (for so long as it is required to prepare and publish them) delivered within 120 days of the end of each regulatory year;

(d) a copy of the annual capital expenditure budget delivered within 15 days of board approval and within 60 days of the end of the current financial year;

(e) a copy of GAL's calculations of Projected Excess Cashflow for each financial year delivered not later than 15 days prior to the beginning of such financial year;

(f) a Compliance Certificate, which will be delivered: (i) at the same time as the financial statements referred to in (a), (b) and (c) above; and (ii) within the required period as set forth in the Restricted Payment Condition. The Compliance Certificate will be published on the Designated Website and confirm information including:

(i) in respect of a Calculation Date falling in December, the actual Senior RAR and actual Senior ICR for the period of 12 months ending on such Calculation Date and the forecast Senior RAR and forecast Senior ICR for the 12 month period following such Calculation Date and each of the two subsequent 12 month periods;

(ii) in respect of a Calculation Date not falling in December:

(A) the actual Senior ICR and actual Senior RAR for the period of 12 Months ending on that Calculation Date and the forecast Senior ICR and the forecast Senior RAR for the period to 31 December in the next subsequent calendar year and for the two subsequent 12 month periods from such 31 December;

(B) that the Senior ICR for the immediately preceding December Calculation Date has been recalculated and that the re-calculated Senior ICR "[is/is not] lower" than the Senior ICR which was determined as at the immediately preceding December Calculation Date; and if the recalculated Senior ICR "is lower", the re-calculated Senior ICR; and

(C) that the Senior RAR for the immediately preceding December Calculation Date has been recalculated and that the re-calculated Senior RAR "[is/is not] higher" than the Senior RAR which was determined as at the immediately preceding December Calculation Date; and if the recalculated Senior RAR "is higher", the re-calculated Senior RAR;

(g) an Investor Report, which will be delivered: (i) at the same time as the financial statements referred to in (a), (b) and (c) above; and (ii) within the required period as set forth in the Restricted Payment Condition. The Investor Report will be published on the Designated Website and confirm information including:

(i) in respect of a Calculation Date falling in December:

(A) the actual Senior RAR and actual Senior ICR for the period of 12 months ending on such Calculation Date and the forecast Senior RAR and the forecast Senior ICR for the period of 12 months starting on such Calculation Date; and

(B) if a Trigger Event is subsisting, the forecast Senior RAR and the forecast Senior ICR for the following two subsequent 12 month periods (see " – *Trigger Events – Trigger Event Consequences*" below);

(ii) in respect of a Calculation Date not falling in December:

(A) the actual Senior RAR and actual Senior ICR for the period of 12 months ending on such Calculation Date and the forecast Senior RAR and the forecast Senior ICR for the period of 12 months starting on such Calculation Date;

(B) that the Senior ICR for the immediately preceding December Calculation Date has been recalculated and that the re-calculated Senior ICR "[is/is not] lower" than the Senior ICR which was determined as at the immediately preceding December Calculation Date; and if the recalculated Senior ICR "is lower", the re-calculated Senior ICR;

(C) that the Senior RAR for the immediately preceding December Calculation Date has been recalculated and that the re-calculated Senior RAR "[is/is not] higher" than the Senior RAR which was determined as at the immediately preceding December Calculation Date; and if the recalculated Senior RAR "is higher", the re-calculated Senior RAR; and

(D) if a Trigger Event is subsisting (or occurs due to the re-calculated Senior RAR and/or Senior ICR values as set forth in (B) and (C) above), the forecast Senior RAR and/or the forecast Senior ICR for the following two subsequent 12 month periods (see " – *Trigger Event Consequences*" below); and

(iii) an update regarding the business generally, any regulatory and business developments, the amount of capital expenditures, acquisitions and disposals and financing and hedging positions;

(h) subject to any duty of confidentiality and any applicable legal or regulatory restrictions, certain other material information about the business and financial condition of each of the Senior Obligors as may be requested or required to be delivered from time to time (on the instruction of the relevant Borrower Secured Creditors).

Each Senior Obligor also undertakes to provide:

(a) notification of any Default or Trigger Event (see " – *Events of Default*" and " – *Trigger Events*" below);

(b) notification of the address of the Designated Website or notice if the Designated Website cannot be accessed or is infected by any electronic virus or similar software for a period of five Business Days; and

(c) subject to any duty of confidentiality and any applicable legal or regulatory restrictions, details of any investigation or procedure involving any Regulator or other government authority where the subject matter of the enquiry investigation or proceeding of the subject matter would, or would be reasonably likely to, if adversely determined have a Material Adverse Effect.

The Senior Obligors are required to provide certain additional information upon the occurrence of a Trigger Event (for a further description see " – *Trigger Event Consequences*" below).

Operating and Financial Covenants

The covenants given by each of the Senior Obligors include the following (subject to detailed carve-outs, exceptions and qualifications set forth in the CTA):

(a) limiting its business to the Permitted Business;

(b) operating and maintaining its business in accordance with its constitutional documents, Good Industry Practice and the requirements that the Regulators are entitled to impose;

(c) obtaining and maintaining consents, licences, authorisations and approvals;

(d) maintaining its corporate status;

(e) complying with all judgments, laws, rules, regulations, agreements, orders or decrees;

(f) ensuring that any unsecured and unsubordinated claims of the Secured Creditors against it under the Senior Finance Documents will rank at least *pari passu* with all the claims of all its other unsecured and unsubordinated creditors;

(g) negative pledge;

(h) restrictions on disposals;

(i) restrictions on incurrence of financial indebtedness;

(j) complying with the Hedging Policy;

(k) restrictions on mergers;

(l) restrictions on acquisitions;

(m) restrictions on joint ventures;

(n) compliance with environmental laws;

(o) notice of environmental claims;

(p) maintaining necessary insurances and depositing proceeds in the Operating Accounts;

(q) restrictions on the making of loans;

(r) complying with cash management obligations (see " – *Borrower Cash Management*" below);

(s) maintaining bank accounts which are separate from those of any other person or entity (other than any other Senior Obligor);

(t) no change to its constitutional documents without the prior written consent of the Borrower Security Trustee;

(u) restrictions on redemption or issuance of share capital;

(v) maintaining necessary intellectual property rights;

(w) maintaining ratings of the Bonds and cooperating with Rating Agencies;

(x) ensuring all transactions are entered into on arm's length terms;

(y) ensuring compliance with prudent accounting standards;

(z) completing all acts and things necessary to give effect to the terms of the relevant Senior Finance Documents;

(aa) to take all such actions necessary for the purpose of perfecting, protecting and preserving rights under the Security Documents;

(bb) restrictions on settlements of claims;

(cc) retention and replacement of auditors;

(dd) restrictions on changes to its financial year end;

(ee) restrictions on distributions to shareholders;

(ff) complying with pension obligations and providing notices from the Pensions Regulator;

(gg) restrictions on acquiring businesses with pension liabilities;

(hh) no change of its centre of main interests for the purpose of Council Regulation (EC) No. 1346/2000

(ii) paying Taxes; and

(jj) complying with the Tax Deed.

Trigger Events

The CTA contains a separate category of events, the occurrence of which do not result in a default, but which do result in certain increased operational restrictions and requirements for GAL, including the prohibition of distributions to shareholders. This section describes these Trigger Events, their consequences and their remedies.

Trigger Event Types

The Trigger Events include:

(a) a breach of the following financial ratios:

  (i) the Senior RAR for any Calculation Date within the Relevant Period is or is forecast to be more than 0.70; or

  (ii) the Senior ICR for any Calculation Date within the Relevant Period is or is forecast to be less than 1.50;

(b) a credit rating downgrade of two or more of the long term public credit ratings of the Class A Bonds by two or more notches below the initial ratings assigned to the Class A Bonds;

(c) the amount of GAL's unspent, budgeted, Capital Expenditure over the 12 months following the most recently occurring Calculation Date is more than the aggregate of:

  (i) the undrawn available commitment under the Capex Facility as at such Calculation Date;

  (ii) cash credited to the bank accounts of GAL or invested in Authorised Investments (excluding any Excluded Cash) as at such Calculation Date; and

  (iii) Projected Excess Cashflow before Capex for such 12 month period;

(d) the amount of GFL's estimated recurring fees and expenses, interest and equivalent finance charges for the 12 months following the most recently occurring Calculation Date on GFL Senior Debt is more than the sum of any amounts available to GFL for drawing under the Liquidity Facility, plus any amounts in a liquidity standby account attributable to GFL's proportion under the Liquidity Facility or available to GFL in a liquidity reserve account as at such Calculation Date;

(e) the amount of GAL's estimated recurring fees and expenses, interest and equivalent finance charges for the 12 months following the most recently occurring Calculation Date on Senior Debt is more than the sum of any amounts available to GAL for drawing under the Liquidity Facility, plus any amounts in a liquidity standby account attributable to the GAL proportion under the Liquidity Facility or available to GAL in a liquidity reserve account as at such Calculation Date;

(f) GFL draws down under the Liquidity Facility (excluding any drawing or repayment of any Standby Drawing) or withdraws sums credited to a liquidity reserve account (if any) and the withdrawal results in the occurrence of a Trigger Event under paragraph (d) above;

(g) GAL draws down under the Liquidity Facility (excluding any drawing or repayment of any Standby Drawing) or withdraws sums credited to a liquidity reserve account (if any) and the withdrawal results in the occurrence of a Trigger Event under paragraph (e) above;

(h) an enforcement order or compliance order is issued under any applicable law or regulation (including any order made pursuant to section 41 of the Airports Act) if such order would reasonably be expected to have a Material Adverse Effect;

(i) a notice is issued to terminate any licence required for the carrying on of the business of GAL or of any proposed or actual modification to any such licence which, if implemented, would reasonable be expected to have a Material Adverse Effect;

(j) the commencement of the final reading of draft legislation in the House of Lords or the House of Commons (whichever occurs later) of legislation relating to the business of any Senior Obligor if such legislation would (if enacted) reasonably be expected to have a Material Adverse Effect;

(k) a Loan Event of Default is continuing (for further detail see " – *Events of Default*" below);

(l) on any Calculation Date, the aggregate amount of all accretions by indexation to the notional amount of any inflation-linked treasury transactions exceeds 8% of RAB; and

(m) the auditors of a Senior Obligor qualify the audited consolidated (if applicable) financial statements of a Senior Obligor, on the grounds that:

  (i) the auditors have inadequate information;

(ii) the auditors are unable to prepare financial statements on a going concern basis; or

(iii) the qualification could be expected to be adverse to the interests of the Secured Creditors,

in a manner or to an extent which would have a Material Adverse Effect.

Trigger Event Consequences

Following the occurrence of a Trigger Event and at any time until such Trigger Event has been waived or deemed remedied in accordance with the CTA, certain consequences will result, including:

(a) a block on Restricted Payments;

(b) in respect of the Trigger Events described in (d), (e), (f), (g) and (i) of " – *Trigger Event Types*" above, the Senior Obligors must provide such information as may be requested by the Borrower Security Trustee and must provide written proposals for appropriate remedial action and related timetables and meet with the Borrower Secured Creditors to discuss such proposals. For all other Trigger Events described in the section entitled " – *Trigger Event Types*" above, this consequence also applies but only if such Trigger Event is continuing for 12 months or more;

(c) the Investor Reports must contain additional Senior RAR and Senior ICR calculations as described in (g)(i)(B) and (g)(ii)(D) of " – *Information Covenants*" above;

(d) provided the Trigger Event is continuing for 12 months or more, the Borrower Security Trustee may commission an independent review to be conducted by technical or other appropriate advisers to examine the causes of the relevant Trigger Event and recommend appropriate measures; and

(e) provided the Trigger Event is continuing for 12 months or more, the Borrower Security Trustee will be entitled to participate in discussions with the Regulator regarding the Trigger Event and its remedy.

Trigger Event Remedies

At any time when a Senior Obligor believes that a Trigger Event has been remedied in accordance with the detailed provisions of the CTA, it must provide the Borrower Security Trustee with a certificate signed by a director of the Senior Obligor to that effect and provide such evidence in support of such certificate as the Borrower Security Trustee may reasonably require. In the case of the Trigger Events referred to in paragraphs (h) and (k) of the section entitled " – *Trigger Event Types*" above, the Borrower Security Trustee must respond confirming that the relevant Trigger Event has, in its reasonable opinion, been remedied or setting out its reasons for believing that such Trigger Event has not been remedied. The Trigger Event will continue to be a Trigger Event until such time as the Borrower Security Trustee is reasonably satisfied that the Trigger Event has been remedied.

Events of Default

The CTA contains a number of events of default which will be Loan Events of Default under each Finance Document (other than, in respect of the Hedge Counterparties, the Hedging Agreements and in respect of the Liquidity Facility Providers, the Liquidity Facility Agreement). Subject, in some cases and including, as stated below, to agreed exceptions, materiality thresholds and qualifications, reservations of law, grace periods and remedies, the Loan Events of Default are:

(a) non-payment of amounts payable under the Senior Finance Documents;

(b) non-compliance with certain other obligations under the Senior Finance Documents;

(c) material misrepresentation;

(d) insolvency of any Senior Obligor or insolvency proceedings being commenced against any Senior Obligor;

(e) the occurrence of a default for non-payment under any Non-ACF Financial Indebtedness totalling more than 0.5% of RAB;

(f) termination of any material licence or authorisation which is required for the carrying on of a material part of the Permitted Business of GAL or of the business of GFL where this would be expected to have a Material Adverse Effect;

(g) repudiation, illegality or unenforceability of a Transaction Document or any material obligation contained therein;

(h) any of the security created pursuant to the Security Documents ceasing to be in full force and effect;

(i) certain governmental action which would be reasonably likely to have a Material Adverse Effect;

(j) any change in law which would be reasonably likely to have a Material Adverse Effect or any change in the insolvency regime applicable to a Senior Obligor which would have an adverse material effect on the rights, interests and/or remedies of the Secured Creditors;

(k) failure by any Senior Obligor to comply with any final judgment;

(l) a Senior Obligor ceasing to carry on its business or a substantial part of its business which when such cessation has or would be expected to have a Material Adverse Effect;

(m) commencement of proceedings against the Senior Obligor or its assets;

(n) the Senior RAR as at the most recently occurring Calculation Date is more than 0.85 (see "*22 September 2020 Amendments*" for further information on waivers in respect of this Event of Default and adjustments to the definition of "Transfer RAB");

(o) the Senior ICR as at the most recently occurring Calculation Date is or is less than 1.1 (see "*22 September 2020 Amendments*" for further information on waivers in respect of this Event of Default);

(p) non-compliance by any party to the Tax Deed; and

(q) the occurrence of a Bond Event of Default.

In respect of the Loan Events of Default described in (n) and (o) above, no Loan Event of Default will have occurred if, within 30 days of the relevant Calculation Date, GAL procures that Additional SP Contributions are made and applied in prepayment of the Senior Debt such that the Senior RAR is lower than 0.85 and the Senior ICR is higher than 1.1.

The CTA also provides for an Accepted Restructuring Event regime where if there occurs an actual change in law or regulation and its effect would be to:

(i) restrict the ability of GAL to grant fixed or floating security over all of its assets;

(ii) restrict the ability of GAL to appoint an administrative receiver; or

(iii) establish a special insolvency regime,

and, such proposed or actual change would otherwise result in the occurrence of a Trigger Event, a Potential Loan Event of Default or a Loan Event of Default as described in (j) above, then only a Trigger Event will arise until either: (a) such event is remedied; or (b) the date falling on the later of: (1) twelve months after the date of the occurrence of the Trigger Event; or (2) nine months after the date on which the relevant Loan Event of Default would (but for the Accepted Restructuring Event regime) have first occurred at which point (in the case of (b)) a Loan Event of Default will occur. Certain other Loan Events of Default (including relating to insolvency) are not included in this regime.

Borrower Cash Management

Operating Account

The CTA requires GAL to open and maintain the Operating Account with the Borrower Account Bank.

Under the CTA, GAL will ensure that all of its revenues (other than any interest or income on Authorised Investments and Standby Drawings) and all amounts drawn under its debt will be paid into the Operating Account or into the Borrower Liquidity Reserve Account. GAL will use the funds standing to the credit of the Operating Account and the Borrower Liquidity Reserve Account to make payments permitted pursuant to the Transaction Documents.

The Operating Account will be the sole current account of GAL through which all operating and capital expenditures, any Taxes incurred by GAL, distributions to shareholders and (subject to the terms of the Senior Finance Documents) payments in respect of the Financial Indebtedness of the Security Group will be cleared.

Prior to the delivery of any Loan Enforcement Notice or Loan Acceleration Notice, payments from the Operating Account to a Borrower Secured Creditor will be paid in accordance with the pre-enforcement priority of payments waterfall.

Authorised Investments

The Security Group may invest in Authorised Investments from such part of the amounts standing to the credit of any of the Obligor Accounts from time to time as is prudent.

Application of Borrower Post-Enforcement Priority of Payments in certain circumstances If, prior to the delivery of a Loan Enforcement Notice:

(a) a Hedge Counterparty becomes entitled to terminate any treasury transaction under a Borrower Hedging Agreement due to non-payment or due to the occurrence of an additional termination event (as further described below in " – *Hedging*"); or

(b) on any Payment Date there are insufficient funds available to the Senior Obligors to pay in full all Borrower Secured Liabilities falling due for payment on such date,

then for so long as any such event is continuing unremedied or unwaived, the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments (as described further in " – *Security Trust and Intercreditor Deed – Enforcement and Acceleration*" below) will apply and GAL will ensure that no amounts are applied in discharging any liabilities due to a Borrower Secured Creditor unless on the date such amounts are to be applied all sums then due and payable to each prior ranking Borrower Secured Creditor have been first discharged in full.

Liquidity Facility

Any amounts drawn by GAL in respect of a GAL Liquidity Shortfall either under the Liquidity Facility or from the Liquidity Standby Account will be deposited in the Operating Account and paid accordance with a waterfall set out in the Common Terms Agreement.

Security Trust and Intercreditor Deed

General

The Intercreditor Arrangements are contained in the STID and the CTA, and in relation to GFL, in the GFL Deed of Charge (see " – *The GFL Deed of Charge*" below). The Intercreditor Arrangements bind each of the Secured Creditors (including GFL) and each of the Senior Obligors.

The Borrower Secured Creditors will include all providers of Senior Debt that enter into or accede to the STID. Any new Authorised Credit Provider will be required to accede to the STID and the CTA. The STID also contains provisions restricting the rights of Subordinated Intragroup Creditors and contains mechanics requiring any creditors in respect of Subordinated Intragroup Liabilities to accede to the STID as a Subordinated Intragroup Creditor.

The purpose of the Intercreditor Arrangements is to regulate, among other things: (a) the claims of the Secured Creditors; (b) the exercise, acceleration and enforcement of rights by the Secured Creditors; (c) the rights of the Secured Creditors to instruct the Borrower Security Trustee; (d) the Entrenched Rights and the Reserved Matters of the Secured Creditors; and (e) the giving of consents and waivers and the making of modifications to the Common Documents.

The Intercreditor Arrangements also provide for the ranking in point of payment of the claims of the Borrower Secured Creditors, both before and after the delivery of a Loan Acceleration Notice and for the subordination of all claims of Subordinated Intragroup Creditors, or claims among the Security Group. Each Borrower Secured Creditor and each Senior Obligor give certain undertakings in the STID which serve to maintain the integrity of these arrangements. The GFL Deed of Charge and GFL Cash Management Agreement provide for the ranking in point of payment of the claims of the GFL Secured Creditors (as described further in " – *The GFL Deed of Charge*" and " – *GFL Cash Management Agreement*" below).

Modifications, Consents and Waivers

General

The STID contains detailed provisions setting out the voting and instruction mechanics in respect of: (a) Ordinary Voting Matters; (b) Extraordinary Voting Matters; and (c) Entrenched Rights and Reserved Matters (as further described below in " – *Types of Voting Categories*"). Subject to Entrenched Rights and Reserved Matters (which will always require the consent of all of the Secured Creditors in the case of Entrenched Rights, and, in the case of Reserved Matters, only, the relevant Secured Creditors who are affected) and Extraordinary Voting Matters, the Borrower Security Trustee will only agree to any modification of or grant any consent or waiver under the Common Documents with the consent of or if so instructed by the relevant majority of Participating QBS Creditors **provided that** the relevant Quorum Requirement has been met.

GAL is entitled to provide the Borrower Security Trustee with a STID Proposal. The notice will certify whether such STID Proposal is a Discretion Matter, an Ordinary Voting Matter or an Extraordinary Voting Matter or whether it gives rise to an Entrenched Right (as further described in " – *Types of Voting Categories*" below) and stating the Decision Period (as further described in " – *Decision Periods*" below). If the STID Proposal is in relation to a Discretion Matter, GAL must also provide a certificate evidencing this status. If the STID Proposal is in relation to an Entrenched Right, GAL must include information as to the Secured Creditors who are affected by such Entrenched Right.

The Borrower Security Trustee will, within five Business Days of receipt of a STID Proposal, send a STID Voting Request in respect of any Ordinary Voting Matter, Extraordinary Voting Matter or Entrenched Right to each Qualifying Borrower Secured Creditor (through its Secured Creditor Representative, which in respect of GFL is the Bond Trustee for each corresponding Sub-Class of Bonds). If the STID Proposal gives rise to an Entrenched Right, the STID Voting Request will contain a request that each relevant Affected Borrower Secured Creditor (including where GFL is an Affected Borrower Secured Creditor, each GFL Secured Creditor who is affected) confirm whether or not it wishes to consent to the relevant STID Proposals that would affect the Entrenched Right.

The Qualifying Borrower Secured Creditors representing at least 10% of the Qualifying Borrower Debt are able to challenge GAL's determination of the voting category of a STID Proposal. In addition, the Secured Creditors, through their respective Secured Creditor Representatives, are able to challenge GAL's determination as to whether there is an Entrenched Right, subject to such dissenting creditors providing supporting evidence or substantiation for their disagreement with such determination. Challenging creditors that comply with the foregoing requirements may instruct the Borrower Security Trustee to inform GAL in writing within ten Business Days of receipt of the relevant STID Voting Request that they disagree with GAL's determination and specifying, as applicable, the voting category they propose should apply or whose Entrenched Right is affected along with the required supporting evidence. GAL and the relevant Qualifying Borrower Secured Creditors and/or relevant Borrower Secured Creditors will agree the voting category or whether there is an Entrenched Right within ten Business Days from receipt by GAL of the relevant notice from the Borrower Security Trustee. If they are unable to agree within this time, or if no agreement can be reached, then an appropriate expert will make a decision as to the voting category or whether there is an Entrenched Right which decision will be final and binding on each of the parties.

Types of Voting Categories

Ordinary Voting Matters

Ordinary Voting Matters include all matters which are not designated as Extraordinary Voting Matters or Discretion Matters (see " – *Extraordinary Voting Matters*" and " – *Discretion Matters*" below). If the Quorum Requirement is met (see " – *Quorum Requirements*" below), a resolution in respect of an Ordinary Voting Matter may be passed by a simple majority of the Qualifying Borrower Debt that was voted.

Extraordinary Voting Matters

The STID also describes the treatment of Extraordinary Voting Matters. If the Quorum Requirement for an Extraordinary Voting Matter is met (see " – *Quorum Requirements*" below), the majority required to pass a resolution in respect of an Extraordinary Voting Matter will be at least 75% of the Participating QBS Creditors by reference to the Outstanding Principal Amount of the aggregate Voted Qualifying Debt of such Participating QBS Creditors.

Entrenched Rights

Entrenched Rights are rights that cannot be modified or waived in accordance with the STID without the consent of the Affected Borrower Secured Creditor(s). When the Affected Borrower Secured Creditor is GFL, consent must be obtained from each affected GFL Secured Creditor.

Reserved Matters

Reserved Matters are matters which, subject to the STID and the CTA, a Borrower Secured Creditor is free to exercise in accordance with its own debt instrument including:

(a) to receive any sums owing to it for its own account;

(b) to make determinations of and require the making of payments due and payable to it;

(c) to exercise the rights vested in it or permitted to be exercised by it under and pursuant to the terms of the CTA, the STID and the other Senior Finance Documents;

(d) to receive notices under the Senior Finance Documents;

(e) to assign its rights or transfer any of its rights and obligations under any Authorised Credit Facility to which it is a party subject to the provisions of the STID; and

(f) in the case of each Hedge Counterparty: (i) to terminate the relevant Hedging Agreement provided such termination is a Permitted Hedge Termination or to terminate the relevant Hedging Agreement in part and amend the terms of the Hedging Agreement to reflect such partial termination; or (ii) to exercise rights permitted to be exercised by it under a Hedging Agreement.

Discretion Matters

The Borrower Security Trustee may (but is not obliged to) make modifications to the Senior Finance Documents without the consent of any other Secured Creditor where such modifications, consents or waivers:

(a) in the opinion of the Borrower Security Trustee, are:

  (i) to correct manifest errors or an error in respect of which an English court could reasonably be expected to make a rectification order; or

  (ii) of a formal, minor, administrative or technical nature,

(b) would not, in the opinion of the Borrower Security Trustee materially prejudice the interests of any of the Qualifying Borrower Secured Creditors.

Quorum Requirements

Pursuant to the terms of the STID, the Quorum Requirement is: (a) in respect of an Ordinary Voting Matter, one or more Participating QBS Creditors representing in aggregate at least 20% of the entire Outstanding Principal Amount of all Qualifying Borrower Debt; and (b) in respect of an Extraordinary Voting Matter, one or more Participating QBS Creditors representing, in aggregate, at least 50% of the entire Outstanding Principal Amount of all Qualifying Borrower Debt. If the Quorum Requirement for an Extraordinary Voting Matter is not met by the Business Day immediately preceding the last day of the Decision Period (as described further below in "-*Decision Periods*"), the Decision Period will be extended and the Quorum Requirement will reduce to 20% of the aggregate Outstanding Principal Amount of all Qualifying Borrower Debt.

Decision Periods

The STID includes relevant Decision Periods, which must not be less than: (a) ten Business Days from the date of delivery of the STID Proposal for any Discretion Matter; (b) ten Business Days from the date of receipt of the relevant STID Voting Request, or if there is an agreement or determination that the original STID Voting Request is incorrect, the date of receipt of the amended STID Voting Request (the "**Decision Commencement Date**") for any Ordinary Voting Matter; (c) 15 Business Days from the Decision Commencement Date for any Extraordinary Voting Matter; and (d) 15 Business Days from the Decision Commencement Date for an Entrenched Right. However, the Decision Period for an Entrenched Right for which GFL is the Affected Borrower Secured Creditor will not be less than 45 days.

In the case of an Extraordinary Voting Matter for which the Quorum Requirement has not been met during the initial Decision Period, the Decision Period may be extend for a further ten days to allow for a second vote at the lower quorum threshold (as further described in " – *Quorum Requirements*" above).

Modifications, consents and waivers will be passed by the requisite number of creditors as further described in " – *Types of Voting Categories*" above.

Qualifying Borrower Debt

General

Creditors to whom Qualifying Borrower Debt is owed are entitled to vote the amount of such debt when consenting to proposals made by GAL or instructing the Borrower Security Trustee to take action in accordance with the STID. Qualifying Borrower Debt means Qualifying Borrower Senior Debt prior to repayment in full of the Senior Debt and Qualifying Borrower Junior Debt following such repayment.

Subject to Entrenched Rights and Reserved Matters, prior to payment in full of the Qualifying Borrower Senior Debt, only the relevant Borrower Secured Creditors that are owed, or deemed to be owed, Qualifying Borrower Senior Debt may vote (through their Secured Creditor Representatives). Upon repayment in full of the Qualifying Borrower Senior Debt, only the Borrower Secured Creditors that are owed, or deemed to be owed, Qualifying Borrower Junior Debt may vote (through their Secured Creditor Representatives).

Qualifying Borrower Senior Debt

Qualifying Borrower Senior Debt is comprised of: (a) the principal amount outstanding that is owed to GFL by the Borrower under any Borrower Loan Agreements and corresponding to the Class A Bonds; (b) the market-to-market value which would be payable in respect of closed out cross-currency hedging transactions if an early termination date was designated at such time under the cross currency hedging transactions in respect of Class A Bonds; (c) the principal amounts outstanding or committed designated as Senior Debt under the Initial Authorised Credit Facility Agreement; and (d) the principal amounts outstanding or committed under any other Authorised Credit Facility ranking *pari passu* with (a), (b) and (c).

Qualifying Borrower Junior Debt

Qualifying Borrower Junior Debt is comprised of: (a) the principal amount outstanding that is owed to GFL by the Borrower under the Borrower Loan Agreements and corresponding to Class B Bonds; (b) the market-to-market value which would payable in respect of closed out cross-currency hedging transactions if an early termination date was designated at such time under the cross currency hedging transactions in respect of Class B Bonds; (c) the principal amounts outstanding designated as Junior Debt under the Initial Authorised Credit Facility Agreement; and (d) the principal amounts outstanding under any other Authorised Credit Facility ranking *pari passu* with (a), (b) and (c).

Certification of amounts of Qualifying Borrower Debt

Each Qualifying Borrower Secured Creditor must certify to the Borrower Security Trustee the relevant amount of the Qualifying Borrower Debt that it is permitted to vote within five Business Days of delivery of the applicable notice from the Borrower Security Trustee. If any Qualifying Borrower Secured Creditor fails to provide such certification through its Secured Creditor Representative within the time required, then the Borrower Security Trustee will notify GAL of such failure. GAL must promptly inform the Borrower Security Trustee of the Outstanding Principal Amount of Qualifying Borrower Debt of such Qualifying Borrower Secured Creditor and such notification will be binding on the relevant Qualifying Borrower Secured Creditors except in the case of manifest error and without liability to GAL.

Tranching of Qualifying Borrower Debt and Determination of Voted Qualifying Debt for which GFL is a Creditor

As described in the section " – *Qualifying Borrower Debt*" above, amounts owed to GFL by the Borrower under the Borrower Loan Agreements are included in the Qualifying Borrower Senior Debt and/or the Qualifying Borrower Junior Debt. However, the GFL Secured Creditors, as opposed to GFL itself, are entitled to vote in respect of such amounts. When the Bond Trustee (as GFL's Secured Creditor Representative) casts its votes on GFL's behalf, it will do as instructed by the relevant GFL Secured Creditors. The Qualifying Borrower Senior Debt or the Qualifying Borrower Junior Debt, as the case may be, corresponding to the Bonds outstanding will be divided into tranches as set out below.

In the case of (a) and (b) of Qualifying Borrower Senior Debt (as described further in " – *Qualifying Borrower Senior Debt*" above):

(a) a tranche for the holders of each Sub-Class of Class A Bonds equal to the aggregate Principal Amount Outstanding of each Sub-Class of the Class A Bonds; and

(b) a tranche for each Cross Currency Hedge Counterparty in relation to Class A Bonds in respect of all transactions arising under the relevant GFL Hedging Agreements equal to the Outstanding Principal Amount of the relevant GFL Hedging Agreements.

In the case of (a) and (b) of Qualifying Borrower Junior Debt (as described further in " – *Qualifying Borrower Junior Debt*" above):

(a) a tranche for the holders of each Sub-Class of Class B Bonds equal to the aggregate Principal Amount Outstanding of each Sub-Class of the Class B Bonds; and

(b) a tranche for each Cross Currency Hedge Counterparty in relation to Class B Bonds in respect of all transactions arising under the relevant GFL Hedging Agreements equal to the Outstanding Principal Amount of the relevant GFL Hedging Agreement.

Holders of each Sub-Class of Class A Bonds will vote in respect each Class A Bond voting tranche, and following repayment in full of the Senior Debt, holders of each Sub-Class of Class B Bonds will vote in respect of each Class B Bond voting tranche in accordance with the voting procedures set out in the Bond Trust Deed. A vote by the holder of a specified Principal Amount Outstanding of Bonds of any Sub-Class will be deemed to be a vote by GFL in respect of the same principal amount of the corresponding Class A Bond or Class B Bond voting tranche as described above.

Decisions by Bondholders as described above will be determined on a "pound for pound" basis between votes cast in favour and votes cast against. Votes cast in favour and votes cast against will then be aggregated by the Borrower Security Trustee with the votes cast for and against by the other Qualifying Borrower Secured Creditors.

When voting in respect of each cross currency voting tranche, each GFL Hedge Counterparty will vote the Outstanding Principal Amount of all transactions arising under each Cross Currency Hedging Agreement to which it is a party in respect of the relevant Class of Bonds. A vote by a GFL Hedge Counterparty in respect of the Outstanding Principal Amount of a Cross Currency Hedging Agreement will be deemed to be a vote by GFL in respect of the same Outstanding Principal Amount of the corresponding Cross Currency Hedging Agreement voting tranche.

Decisions by each GFL Hedge Counterparty will not be divided between votes cast in favour or against but will be a single vote of such amount in relation to all transactions under the relevant Cross Currency Hedging Agreement.

Only principal amounts of the relevant voting tranches that vote on a proposed resolution within the Decision Period will be counted towards the Quorum Requirement.

QBS Creditor Instructions

Qualifying Borrower Secured Creditors with at least 10% of the aggregate Outstanding Principal Amount of all Qualifying Borrower Debt may instruct the Borrower Security Trustee to exercise any of the rights granted to the Borrower Security Trustee under the Common Documents: and (i) to appoint a person specified by such Qualifying Borrower Secured Creditor(s) to investigate the calculations contained in any Compliance Certificate; and (ii) following delivery of a Loan Enforcement Notice but prior to delivery of a Loan Acceleration Notice to send a Further Enforcement Instruction Notice.

Enforcement and Acceleration

Following a Loan Event of Default and for so long as it is continuing, the Borrower Security Trustee will request an instruction from the Qualifying Borrower Secured Creditors (through their Secured Creditor Representatives) as to whether the Borrower Security Trustee should deliver a Loan Enforcement Notice to enforce all or part of the Borrower Security and/or deliver a Loan Acceleration Notice to accelerate all of the obligations secured under the Borrower Security.

When voting on an Enforcement Instruction Notice:

(a) the Quorum Requirement will be one or more Participating QBS Creditors representing, in aggregate, at least 33⅓% of the aggregate Outstanding Principal Amount of all Qualifying Borrower Debt;

(b) the Decision Period will be ten Business Days from the date of delivery of the Enforcement Instruction Notice or Further Enforcement Instruction Notice; and

(c) the majority required to pass the resolution will be more than 50% of the Voted Qualifying Debt.

Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments

After delivery to GAL of a Loan Enforcement Notice, but prior to the delivery of a Loan Acceleration Notice, the whole of the Borrower Security will become enforceable. Subject to certain matters and to certain exceptions, following an enforcement, any proceeds of enforcement or other monies held by the Borrower Security Trustee under the STID will be applied by the Borrower Security Trustee in accordance with the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments waterfall.

Borrower Post-Enforcement (Post-Acceleration) Priority of Payments

Upon delivery to GAL of a Loan Acceleration Notice all Borrower Secured Liabilities will be accelerated in full. Subject to certain matters and to certain exceptions following an acceleration, any proceeds of acceleration or monies held by the Borrower Security Trustee under the STID will be applied by the Borrower Security Trustee in accordance with the Borrower Post-Enforcement (Post-Acceleration) Priority of Payments waterfall.

Permitted Enforcement – Liquidity Facility Agent

Prior to the delivery of a Loan Enforcement Notice and/or Loan Acceleration Notice, if a Senior Obligor has defaulted on any payment obligation under the Liquidity Facility Agreement, the Liquidity Facility Agent is entitled to exercise any right against any Senior Obligor to recover any amounts due and payable under the Liquidity Facility Agreement.

Distressed Disposals

On the occurrence of a Distressed Disposal the Borrower Security Trustee may, without any consent from any Borrower Secured Creditor, release any Borrower Security as is required to effect the disposal in accordance with the STID. The net proceeds of disposal are to be applied in accordance with priorities of payments (see the section "*– Enforcement and Acceleration*" above).

Conditions Precedent

The conditions precedent to among other things the signing of the CTA, the Establishment Date, the Initial Issue Date and the initial utilisation under the Initial Authorised Credit Facility Agreement are set out in the CP Agreement as agreed between, among others, the Bond Trustee, the Borrower Security Trustee and the Senior Obligors.

Borrower Security Agreement

Security

Pursuant to the Borrower Security Agreement between GAL, the Security Parent and the Borrower Security Trustee, the obligations set forth thereunder became effective on the Initial Issue Date. Under the Borrower Security Agreement GAL and the Security Parent guarantee each other's obligations under the Senior Finance Documents and each of GAL and the Security Parent grant a security interest over all of their assets (subject to certain limited exceptions).

The security constituted by the Borrower Security Agreement is expressed to include, amongst other things:

(a) first fixed charges over:

  (i) the shares in GAL and GFL including all dividends, interest and other monies payable in respect thereof and all other rights related thereto;

  (ii) GAL's and the Security Parent's right, title and interest from time to time in and to certain land and other real property and the proceeds of any disposal thereof;

  (iii) all present and future plant, machinery, office equipment, computers, vehicles and other chattels;

  (iv) all monies standing to the credit of GAL's bank accounts;

  (v) certain Intellectual Property Rights owned by GAL and the Security Parent;

  (vi) uncalled capital and goodwill;

(vii) each Authorised Investment;

(viii) all present and future book debts; and

(ix) all benefit in respect of its insurances;

(b) an assignment of GAL's and the Security Parent's right in respect of all Transaction Documents and other designated material contracts; and

(c) a first floating charge of the whole of the undertaking of GAL and the Security Parent.

Any entity acquired or established by any Senior Obligor which becomes a new Senior Obligor under the STID will be required to provide supplementary security over its assets and a guarantee of the Senior Obligors' obligations under the Senior Finance Documents.

Ivy Bidco Limited Security Agreement

In connection with its accession to GAL's current Authorised Credit Facility Agreement as a Senior Obligor and an Additional Borrower (see "*Authorised Credit Facility Agreement*" below), Ivy Bidco Limited has entered into a Security Agreement with GAL and the Security Parent in favour of the Borrower Security Trustee pursuant to which Ivy Bidco Limited has granted security over all of its assets and Ivy Bidco Limited, GAL and the Security Parent guarantee of GAL's and each other's obligations under the Senior Finance Documents.

The security constituted by the Ivy Bidco Security Agreement is expressed to include, amongst other things:

(a) first fixed charges over:

(i) Ivy Bidco Limited's right, title and interest from time to time in and to certain land and other real property and the proceeds of any disposal thereof;

(ii) all present and future plant, machinery, office equipment, computers, vehicles and other chattels;

(iii) all monies standing to the credit of Ivy Bidco's bank accounts;

(iv) any Intellectual Property Rights owned by Ivy Bidco Limited;

(v) uncalled capital and goodwill;

(vi) certain investments;

(vii) all present and future book debts; and

(viii) all benefit in respect of its insurances;

(b) an assignment of Ivy Bidco Limited's rights in respect of all Transaction Documents and other designated material contracts relating to its assets; and

(c) a first floating charge of the whole of the undertaking of Ivy Bidco Limited.

Hedging

For the purposes of this Section, Senior Borrower Group means the Security Parent and its Subsidiaries including GFL.

Hedge Counterparties and the STID

Each Hedge Counterparty will become a Borrower Secured Creditor party to the STID and the CTA and, in the case of such a treasury transaction with GFL, the GFL Deed of Charge.

Cross Currency Hedge Counterparties are able to vote on STID Proposals in respect of the market-to-market value of any transactions in respect of the Class A and Class B Bonds only to the extent that such value represents an amount which would be payable to them if an early termination date was designated in respect of such transactions and such transactions are closed out at such time (see " – *Security Trust and Intercreditor Deed – Qualifying Borrower Debt*" above).

Payments owed to the Hedge Counterparties under Rate Hedging Agreements in respect of scheduled amounts and unscheduled amounts (including termination payments) will rank senior to or *pari passu* with interest or principal payments on Senior Debt (see " – *Security Trust and Intercreditor Deed – Enforcement and Acceleration*" above).

General Principles

GAL and GFL are the only members of the Senior Borrower Group permitted to enter into Hedging Agreements.

The purpose of the hedging policy is to manage the exposure of the Senior Borrower Group to fluctuations in interest rates, currencies and other financial or operational risks. No member of the Senior Borrower Group will enter into treasury transactions for the purpose of speculation, but rather only to manage risk inherent in its business or financings. Subject to the approvals contemplated above, the Hedging Policy will be reviewed from time to time by the Senior Borrower Group and amended (subject to and in accordance with the provisions of the STID) as appropriate in line with market developments, regulatory developments, Good Industry Practice and the Senior Borrower Group's funding arrangements and requirements.

Currency Risk Principles

The Senior Borrower Group must not (after taking into account any natural hedging arising from operating income of the Senior Borrower Group received in currencies other than sterling and any Cross Currency Hedging Agreement to which GAL or GFL is party) bear currency risk in respect of any foreign currency denominated debt instruments (excluding any fees payable in respect of any foreign currency denominated Authorised Credit Facility).

GAL will be permitted to enter into currency hedges to hedge any non-sterling revenues or expenditures **provided that** such hedging is entered into in the ordinary course of business and not for speculative purposes. The counterparties under such hedging arrangements will not be required to be party to the STID and will not benefit from the Borrower Security or have any voting rights. GAL will be permitted to provide collateral support in respect of such hedging arrangements.

Interest Rate Risk Principles

The Senior Borrower Group may hedge its exposure to interest rate risk through a combination of cash balances, Authorised Investments and derivative instruments such as interest rate swaps and/or inflation swaps, subject to the parameters detailed below. The Senior Borrower Group will not, at any time enter into non-sterling denominated interest rate swaps or inflation swaps except as part of a Cross Currency Hedging Agreement.

The Senior Borrower Group will hedge its exposure to interest rate risk on its interest outgoings such that (without double counting) any basis swaps and, in the case of GFL, amounts receivable under the Borrower Loan Agreements:

(a) at least 75% of the Relevant Debt of the Senior Borrower Group from time to time effectively bears either a fixed rate of interest or inflation-linked rate of interest until the end of the then current Regulatory Period; and

(b) at least 50% of the Relevant Debt of the Senior Borrower Group from time to time effectively bears either a fixed rate of interest or inflation-linked rate of interest until the immediately following Regulatory Period.

Relevant Debt means (without double counting) the aggregate, at the time, of the outstanding:

(a) Qualifying Borrower Senior Debt, excluding for these purposes any mark-to-market value of any transactions under Cross Currency Hedging Agreements and the principal amount outstanding under the Revolving Credit Facility at such time;

(b) Qualifying Borrower Junior Debt, excluding for these purposes any mark-to-market value of any transactions under Cross Currency Hedging Agreements;

(c) the Principal Amount Outstanding under the Class A Bonds; and

(d) the Principal Amount Outstanding under the Class B Bonds,

provided that for the purposes of calculating Relevant Debt only, non-sterling denominated debt will be deemed to be converted to sterling at the rate specified in the relevant Cross Currency Hedging Agreement related to the relevant non-sterling denominated debt.

The Senior Borrower Group will not, at any time, hedge its exposure to interest rate risk such that the Total Notional Hedged Amount (defined below) exceeds the Hedging Limit. The Total Notional Hedged Amount will be the aggregate, at the time, of: (a) the outstanding notional amount of treasury transactions under the relevant Hedging Agreements which are interest rate swap transactions and inflation swap transactions (excluding, prior to (but including upon and following) any Loan Event of Default, any Pre-hedges (as defined below) and excluding the notional amount of any treasury transactions which are inflation swap transactions which do not provide for any payment obligations referenced to floating rate interest); and (b) the outstanding principal amount of the Fixed-rate Debt and **provided that** the Total Notional Hedged Amount will be calculated by netting the Notional Amount (as defined in the relevant Hedging Agreements) of any Treasury Transaction to which a member of the Senior Borrower Group is a party against the Notional Amount (as defined in the relevant Hedging Agreements) of any Treasury Transaction to which a member of the Senior Borrower Group is a party and which provide for opposite payment obligations. Fixed-rate Debt is the aggregate, at the time, of the outstanding Relevant Debt that bears either a fixed rate of interest or inflation-linked return.

The Group will, in addition, be permitted to enter into Pre-hedges. Any Pre-hedge must have an effective date no later than 24 months from the date of entry into such treasury transaction and must be hedging Financial Indebtedness which is projected to be incurred within 24 months from the execution date and which is not projected to breach the Additional Indebtedness Tests at the projected date of incurrence. Subject to no Loan Event of Default having occurred, such Pre-hedges will not count towards the Hedging Limit prior to the applicable effective date of the relevant Pre-hedge.

Other Hedging Risk Principles

GAL will be permitted to enter into hedges (including, but not limited to, index-linked instruments) to hedge its forecast operating revenues or operating or capital expenditures (including, but not limited to, electricity price hedging and commodities hedging in respect of materials required for development projects). This hedging must be entered into in the ordinary course of business, relate to the business requirements of GAL and not be for speculative purposes. The counterparties under such hedging arrangements will not be required to be party to the STID and will not benefit from the Borrower Security or have any voting rights. GAL will be permitted to provide collateral support in respect of such hedging arrangements.

Principles relating to Hedge Counterparties and Hedging Agreements

All Hedging Agreements and Pre-hedges must comply upon their execution with the requirements set out in the then current Rating Agency Criteria at the time the Hedging Agreement is entered into unless the Rating Agencies providing the ratings for the outstanding Bonds have confirmed that the previous Rating Agency Criteria remains acceptable.

GFL or, as applicable, GAL will only enter into a Hedging Agreement with a Hedge Counterparty if such Hedging Agreement limits the termination events thereunder in accordance with the hedging policy including as follows:

(a) non-payment or non-delivery by GFL or, as applicable, GAL, under such Hedging Agreement;

(b) certain insolvency events affecting GFL or, as the case may be, GAL;

(c) any termination event under the relevant Hedging Agreement relating to illegality (as defined in the relevant Hedging Agreement);

(d) certain tax events;

(e) redemption of the Relevant Debt hedged by such treasury transactions;

(f) following the delivery of a Loan Acceleration Notice or a Bond Enforcement Notice;

(g) GAL and/or GFL (as applicable) do not comply with the Hedging Limit;

(h) to the extent that the aggregate notional amount of Treasury Transactions which hedge any particular portion of non-sterling denominated Relevant Debt at that time exceeds the outstanding principal amount of such debt in which event each such Treasury Transaction will be terminated on a *pro rata* basis;

(i) to the extent that the aggregate notional amount of treasury transactions which hedge any particular portion of the Fixed-rate Debt exceeds the outstanding principal amount of such debt, in which event such treasury transaction will be terminated on a *pro rata* basis;

(j) in the case of any Pre-hedges and/or any other inflation or interest rate swap transactions: (i) pursuant to any mandatory termination provision in the relevant Hedging Agreement; or (ii) in respect of the Pre-hedge only, to the extent that the projected Financial Indebtedness is not incurred as projected or has been incurred and the relevant pre-hedging is no longer required;

(k) prior to the effective date of a Pre-hedge and in respect of such Pre-hedge only, any of the events outlined in section 5(a) and section 5(b) of the relevant Hedging Agreement; and

(l) upon agreement between the parties.

Where GAL and GFL have entered into back-to-back hedge agreements, GAL and GFL shall terminate any such back-to-back transactions immediately upon and to the extent of any termination of corresponding Treasury Transaction by GFL and the relevant Hedge Counterparty as permitted by the terms of the Hedging Policy.

All Hedging Agreements must be entered into in the form, as amended by the parties thereto, of the 1992 ISDA Master Agreement (Multicurrency – Cross Border), the 2002 ISDA Master Agreement or any successor thereto published by ISDA unless otherwise agreed by the Borrower Security Trustee.

OTHER SENIOR FINANCE DOCUMENTS

Authorised Credit Facility Agreement – Revolving Credit Facility

GAL and the ACF Arrangers entered into an Authorised Credit Facility Agreement on 21 June 2018 under which the ACF Lenders made available to GAL a £300,000,000 Revolving Credit Facility to be applied towards its general corporate and working capital purposes. The Revolving Credit Facility is not subject to any cleandown provisions requiring the facility to be repaid in full during each year.

The Senior Obligors make representations and warranties, covenants and undertakings to the ACF Finance Parties on the terms set out in the CTA.

The Loan Events of Default under the CTA apply under the Authorised Credit Facility Agreement.

The ability of the ACF Finance Parties to accelerate any sums owing to them under the Authorised Credit Facility Agreement upon or following the occurrence of a Loan Event of Default thereunder is subject to the STID. However, no further drawings may be made under the Authorised Credit Facility Agreement following the occurrence of a Loan Event of Default which is continuing.

Ivy Bidco Limited is an Additional Borrower under the Authorised Credit Facility Agreement and in connection with it becoming an Additional Borrower, Ivy Bidco Limited also acceded to the Common Terms Agreement, the STID, the Tax Deed and the Master Definitions Agreement as a Borrower and an Senior Obligor, save that it did not become a Borrower for the purposes of the Hedging Policy, any Hedging Agreement or for the purposes of certain amendment provisions of the STID.

Authorised Credit Facility Agreement – Term Loan Facility

GAL and the ACF Arrangers entered into an Authorised Credit Facility Agreement on 3 April 2020 under which the ACF Lenders made available to GAL a £300,000,000 Term Loan Facility to be applied towards repaying and reducing amounts outstanding under the Revolving Credit Facility. The maturity date of the Term Loan Facility is April 2021 although GAL has exercised its option to extend the maturity date to 16 October 2021, and there is a further option to extend to 16 April 2022.

The Senior Obligors make representations and warranties, covenants and undertakings to the ACF Finance Parties on the terms set out in the CTA.

The Loan Events of Default under the CTA apply under the Authorised Credit Facility Agreement.

The ability of the ACF Finance Parties to accelerate any sums owing to them under the Authorised Credit Facility Agreement upon or following the occurrence of a Loan Event of Default thereunder is subject to the STID. However, no further drawings may be made under the Authorised Credit Facility Agreement following the occurrence of a Loan Event of Default which is continuing.

Borrower Loan Agreements

General

On or prior to the issuance by GFL of a Sub-Class or Class of Bonds under the Programme, GFL, the Borrower and the Borrower Security Trustee will enter into a Borrower Loan Agreement, the terms of which will be agreed at the relevant time, and the aggregate proceeds of the issuance of such Sub-Class or Class of Bonds will be on-lent to the Borrower under such Borrower Loan Agreement, except that, in relation to any issuances of Bonds which are fungible with an existing issuance of a Sub-Class or Class of Bonds, GFL will make available further facilities under the Borrower Loan Agreement relating to such existing issuance of a Sub-Class or Class of Bonds in an aggregate amount equal to the proceeds of each such new issuance under the terms of such Borrower Loan Agreement.

Each Advance (or each Sub-Advance together making a single Advance) made under a Borrower Loan Agreement will correspond to the principal amount of each Sub-Class or Class of Bonds issued on the corresponding Issue Date such that the economic terms of each Advance match the economic terms of the corresponding Sub-Class or Class of Bonds. The making of each Advance will be subject to the satisfaction of the conditions precedent set out in the relevant Borrower Loan Agreement, which will include a condition that the Security Parent will be a Senior Obligor in respect of that Advance.

Matching of obligations

As each Advance is structured and tranched to match the tenor, interest rate and payment dates of each, Sub-Class of Bonds, the Advances have characteristics that demonstrate capacity to produce funds to service any payments due and payable under each, Sub Class or Class of the Bonds.

Advances

All Advances made or to be made by GFL under each Borrower Loan Agreement are or will be in amounts and at rates of interest (or such discount or indexed amount) corresponding to amounts and rates set out in the relevant Final Terms or Pricing Supplement (as the case may be) and will have interest periods which match the Interest Periods for the corresponding Tranche, Sub-Class or Class of Bonds but will have interest payment dates three Business Days prior to the Interest Payment Date on the related Sub-Class or Class of Bonds. Interest on each Advance made under each Borrower Loan Agreement will accrue from the date of such Advance. In addition, each Advance will be repayable on the Business Day falling three Business Days prior to the Scheduled Redemption Date in respect of the related Bonds together with any accrued but unpaid ongoing facility fees.

Prepayments

If the Borrower is required to prepay amounts outstanding under a Borrower Loan Agreement, it will prepay the relevant Advances or part thereof together with accrued interest, any prepayment fees and other break fees, costs and expenses and where applicable any make-whole amounts, then payable under a Borrower Loan Agreement and other relevant Transaction Documents to correspond to the amounts payable by GFL in respect of the corresponding early redemption of the corresponding Sub-Class or Class of Bonds.

Fees

In consideration for GFL agreeing to make the Advances available under a Borrower Loan Agreement, the Borrower will agree to pay to GFL the initial and ongoing facility fees set out in the relevant Borrower Loan Agreement.

Prior to an Issue Date, the Borrower shall pay on behalf of GFL by way of the initial facility fee any expenses of GFL reasonably incurred in connection with the issue of Bonds including, *inter alia*, the fees and expenses of the Bond Trustee, the GFL Security Trustee, the Agents, the GFL Cash Manager, the GFL Account Bank, the GFL Corporate Administration Providers, GFL's legal advisers, accountants and auditors and any amounts payable to the GFL Hedge Counterparties.

After the relevant Issue Date, the Borrower will pay periodically a facility fee by way of the ongoing facility fee which shall meet the ongoing costs, losses and expenses of GFL in respect of amounts owed to, *inter alios*, the Bond Trustee, the GFL Security Trustee (and any receiver appointed by the GFL Security Trustee), the Agents, the GFL Cash Manager, the GFL Account Bank, the GFL Corporate Administration Providers, the Liquidity Facility Providers, GFL's legal advisers, accountants and auditors and any amounts payable to the GFL Hedge Counterparties (in each case to the extent not covered by the initial facility fee) and Liquidity Facility Providers.

Secured obligations

The obligations of the Borrower under each Borrower Loan Agreement will be secured pursuant to the Borrower Security Agreement, and such obligations will be guaranteed by each other Senior Obligor in favour of the Borrower Security Trustee, who will hold the benefit of such security and guarantees on trust for the Borrower Secured Creditors (including GFL) on the terms of the STID.

Loan Event of Default

GFL's obligations to repay principal and pay interest on the Bonds are intended to be met primarily from the payments of principal and interest received from the Borrower under the corresponding Borrower Loan Agreement and payments received under any related Hedging Agreements. Failure of the Borrower to repay an Advance on the maturity date in respect of such Advance (which corresponds to the Business Day falling three Business Days prior to the Scheduled Redemption Date of the corresponding Sub-Class or Class of Bonds) will be a Loan Event of Default under the relevant Borrower Loan Agreement, although it will not, of itself, constitute a Bond Event of Default. The Maturity Date under the Bonds corresponding to the relevant Advance will fall two years after the Scheduled Redemption Date, to cater solely for the possibility that the Borrower might default on repayment of the Borrower Loans. In the event of such a Loan Event of Default, the Bonds will accrue interest at a floating rate, which will be met from any available proceeds from the Borrower Loans or, if insufficient, from drawings under the Liquidity Facility to the extent available. If the Bonds are not redeemed in full by their Maturity Date, there will be a Bond Event of Default.

Withholding/deductions

The Borrower agrees to make all payments to GFL free and clear of any withholding on account of tax unless it is required by law to do so – in such circumstances the Borrower will gross-up such payments.

Borrower Account Bank Agreement

General

GAL established or caused to be established on or before the Establishment Date a sterling operating account, a mandatory standby repayment account and a borrower hedge collateral account and may at a later date establish a liquidity reserve account (together with any other accounts that may be opened from time to time, the Borrower Accounts). The Borrower Accounts are held with the Borrower Account Bank pursuant to the Borrower Account Bank Agreement dated on the Establishment Date between GAL, the Borrower Account Bank and the Borrower Security Trustee. Any Liquidity Standby Account opened under the Liquidity Facility Agreement will be opened and maintained with the Borrower Account Bank under the Borrower Account Bank Agreement.

Termination

The Borrower Account Bank may resign its appointment upon not less than 120 days' notice to GAL **provided that** such resignation will not take effect until a substitute Borrower Account Bank with the Requisite Rating has been duly appointed.

GAL may revoke its appointment of the Borrower Account Bank by not less than 30 days' notice to the Borrower Account Bank **provided that** such revocation will not take effect until a substitute has been duly appointed. Furthermore, GAL may terminate the appointment of the Borrower Account Bank if, *inter alia*: (a) an Insolvency Event occurs in relation to the Borrower Account Bank; (b) the Borrower Account Bank no longer maintains the Requisite Rating with any two of the Rating Agencies; and (c) if the Borrower Account Bank defaults in the performance of any of its material obligations under the Borrower Account Bank Agreement subject to the applicable grace period.

Description of Borrower Account Bank

The Borrower Account Bank is Santander UK.

Santander UK is a public limited liability company that was incorporated in England and Wales on 12 September 1988 (then called Abbey National plc) under the Companies Act 1985 with registered number 2294747 and is the successor company to which Abbey National Building Society transferred its business in July 1989.

The principal executive office and registered office of Santander UK is at 2 Triton Square, Regent's Place, London NW1 3AN. The telephone number of Santander UK's registered office is +44 (0) 870 607 6000.

Santander UK is a wholly-owned subsidiary of Santander UK Group Holdings plc. Banco Santander, S.A. and its subsidiary Santusa Holding, S.L., together, hold the entire issued share capital of Santander UK Group Holdings plc. The Santander UK Group operates primarily in the UK, under UK law and regulation, and are part of the Banco Santander group.

The information in the preceding two paragraphs has been provided solely by Santander UK for use in this Prospectus. Except for the foregoing two paragraphs, Santander UK does not accept responsibility for this Prospectus.

Liquidity Facility Agreement

Each Liquidity Facility Provider is a Borrower Secured Creditor and GFL Secured Creditor party to the STID and the CTA.

The amounts owed to the Liquidity Facility Providers other than Liquidity Subordinated Amounts do not constitute Qualifying Borrower Senior Debt. However, fees, interest and principal payable to the Liquidity Facility Providers will rank senior to interest and principal payments on the Class A Bonds (see " *– Security Trust and Intercreditor Deed – Enforcement and Acceleration*").

On the Establishment Date, GAL and GFL entered into the Liquidity Facility Agreement with the Liquidity Facility Providers pursuant to which the Liquidity Facility Providers agreed to make the Liquidity Facility available to meet certain liquidity shortfalls.

Under the terms of the Liquidity Facility Agreement, the Liquidity Facility Providers will provide a 364-day commitment in an aggregate sterling amount specified in the Liquidity Facility Agreement to permit drawings to be made by: (i) GAL in circumstances where GAL has or will have a GAL Liquidity Shortfall; and (ii) GFL in circumstances where GFL has or will have a GFL Liquidity Shortfall. The Liquidity Facility is not available to provide for any termination payments or other unscheduled amounts payable by GFL or GAL to the Hedge Counterparties.

The Liquidity Facility Agreement provides that the amounts repaid by GAL or GFL to the Liquidity Facility Providers may be redrawn.

Each Liquidity Facility Provider must be a bank which as at the Establishment Date has the Requisite Rating.

The Liquidity Facility Agreement provides that if: (i) at any time the relevant rating of a Liquidity Facility Provider falls below the Requisite Rating; or (ii) a Liquidity Facility Provider does not agree to renew such Liquidity Facility prior to the expiry of the 364 day period, GAL and/or GFL will:

(a) use all reasonable endeavours to replace the relevant Liquidity Facility Provider with a party having the Requisite Rating and/or enter into a substitute liquidity facility agreement with a party having the Requisite Rating; and

(b) if a replacement is not made (or if the affected Liquidity Facility Provider does not procure a guarantee of its obligations from a guarantor with the Requisite Rating) or a substitute agreement is not entered into within the relevant time period specified in the Liquidity Facility Agreement, be entitled to require make a Standby Drawing in respect of such Liquidity Facility Provider's under a commitment.

A Standby Drawing will generally be repayable, together with any interest accrued thereon, only if: (i) the affected Liquidity Facility Provider is re-rated with the Requisite Rating (or higher); (ii) the relevant Liquidity Facility Provider assigns or transfers its rights, benefits and obligations to a substitute Liquidity Facility Provider in accordance with the Liquidity Facility Agreement; or (iii) GAL and/or GFL serve a notice of cancellation to the affected Liquidity Facility Provider in accordance with the Liquidity Facility Agreement.

Interest accrues on any drawing (including a Standby Drawing) made under the Liquidity Facility Agreement provided by the Liquidity Facility Providers at a reference rate (of LIBOR) plus a margin plus certain step-up amounts. Under the Liquidity Facility Agreement, GAL and GFL are also required to pay additional amounts if: (i) a withholding or deduction for or on account of tax is imposed on payments made by it to the relevant Liquidity Facility Provider; or (ii) if the relevant Liquidity Facility Provider suffers an increase in the cost of providing the relevant Liquidity Facility.

Under the terms of the CTA and the STID (in the case of GAL) and the GFL Cash Management Agreement and the GFL Deed of Charge (in the case of GFL), all indebtedness outstanding under the Liquidity Facility Agreement (other than certain liquidity subordinated amounts) will rank in priority to amounts payable under the Authorised Credit Facilities and the Class A Bonds (as applicable).

Declaration of Trust over Liquidity Standby Account

On the Initial Issue Date, GAL, the Borrower Security Trustee, the GFL Security Trustee and GFL entered into a declaration of trust in relation to the Liquidity Standby Account, under which GAL acts as trustee in respect certain property including the amount of any Standby Drawing(s) made by the Liquidity Facility Provider(s) to the Liquidity Standby Account. The beneficiaries under the Liquidity Standby Account Declaration of Trust will be GAL and GFL and their beneficial interests in the trust will be determined by the terms of the Liquidity Standby Account Declaration of Trust based on the respective amounts, from time to time, of the Outstanding Principal Amount under the Authorised Credit Facilities and the Principal Amount Outstanding of the Class A Bonds.

GAL and GFL granted security over their respective beneficial interests in the Liquidity Standby Account Declaration of Trust under the terms of the Borrower Security Agreement (in the case of GAL) and under the GFL Deed of Charge (in the case of GFL).

Standby Drawings made to the Liquidity Standby Account are subject to the Liquidity Standby Account Declaration of Trust and no Liquidity Facility Provider has any proprietary interest or security interest in such amounts, save as arises under the Security Documents.

Tax Deed

Pursuant to the Tax Deed, among other things, each of the covenantors has made representations as at the Initial Issue Date and given covenants in relation to its tax affairs and the tax affairs of its group (where applicable) for the benefit of the GFL Security Trustee (as trustee for the GFL Secured Creditors) and the Borrower Security Trustee (as trustee for the Borrower Secured Creditors) with a view to protecting the Security Group from various tax-related risks.

The effect of the representations and covenants given by the covenantors is that the risk of any member of the Security Group being subject to an unexpected tax liability which might affect its ability to perform its obligations under any of the Transaction Documents should be minimised.

A breach of the terms of the Tax Deed does not give rise to any liability under the Tax Deed to the extent that the tax liability that arises is less than 0.5% of RAB.

GFL TRANSACTION DOCUMENTS

The GFL Deed of Charge

General

On the Establishment Date, GFL entered into the GFL Deed of Charge with the GFL Secured Creditors, any receiver and any other creditor of GFL which accedes to the GFL Deed of Charge.

GFL Security

- Pursuant to the GFL Deed of Charge, from the Initial Issue Date, GFL secured its obligations to the GFL Secured Creditors by granting the following security (the "**GFL Security**"):
  - an absolute assignment (or, to the extent not assignable, a first fixed charge) of all of its rights in respect of the GFL Transaction Documents and the Senior Finance Documents to which GFL is a party (other than the GFL Deed of Charge, the Bond Trust Deed and the Jersey Corporate Administration Agreement);
  - an absolute assignment (or, to the extent not assignable, a first fixed charge) of all of its rights in respect of any amount standing from time to time to the credit of the GFL Accounts and all interest paid or payable in relation to those amounts and all debts represented by those amounts;
  - an absolute assignment (or, to the extent not assignable, a first fixed charge) of all its rights in relation to GFL's interest in the trust created under the Liquidity Standby Account Declaration of Trust;
  - a first fixed charge of all its rights in respect of each Authorised Investment of GFL; and

– a first floating charge over the whole of GFL's assets (including, without limitation, its uncalled capital) other than any assets at any time otherwise effectively charged or assigned by way of fixed charge or assignment under the GFL Deed of Charge.

The GFL Security is held on trust by the GFL Security Trustee for itself and on behalf of the GFL Secured Creditors in accordance with, and subject to the GFL Deed of Charge.

Restrictions on the exercise of rights

The GFL Deed of Charge contains certain restrictions on the exercise of rights. These include that, each of the GFL Secured Creditors agrees with GFL and the GFL Security Trustee that: (a) only the GFL Security Trustee may enforce the GFL Security in accordance with the terms of the GFL Deed of Charge; (b) it will not take any steps or proceedings to procure the winding up, administration or liquidation of GFL; and (c) it will not take any other steps or action against GFL or in relation to the GFL Security for the purpose of recovering any of the secured liabilities or enforcing any rights arising out of the GFL Transaction Documents against GFL or take any other proceedings in respect of or concerning GFL or the GFL Security **provided that**, subject to items (a) and (b) above, the Liquidity Facility Agent and the GFL Hedge Counterparties may sue for, commence or join legal or arbitration proceedings against GFL to recover any amounts due and payable in respect of or under the Liquidity Facility Agreement or the relevant GFL Hedge Agreement, as the case may be.

Furthermore, each of the GFL Secured Creditors agrees that all obligations of GFL to each GFL Secured Creditor are limited in recourse to the GFL Security. If: (a) there is no GFL Security remaining which is capable of being realised or otherwise converted into cash; (b) all amounts available from the GFL Security have been applied to meet or provide for the relevant obligations in accordance with the provisions of the GFL Deed of Charge; and (c) there are insufficient amounts available from the GFL Security to pay in full the secured liabilities, then the GFL Secured Creditors will have no further claim against GFL in respect of any amounts owing to them which remain unpaid and such unpaid amounts will be deemed to be discharged in full and any relevant payment rights will be deemed to cease.

Priority of payments upon acceleration

After the service of a Bond Enforcement Notice by the Bond Trustee the GFL Cash Manager shall (to the extent that such funds are available) use funds standing to the credit of the GFL Accounts (subject to certain exceptions) to make payments in accordance with the GFL Post-Enforcement Priority of Payments waterfall.

Enforcement of the GFL Security

The GFL Security Trustee will be bound to enforce the GFL Security if directed to do so by the Bond Trustee, **provided that** the GFL Security Trustee has been indemnified and/or secured and/or pre-funded to its satisfaction against any liabilities.

The GFL Security will become immediately enforceable following the occurrence of a Bond Event of Default and the delivery of a Bond Enforcement Notice by the Bond Trustee or, if there are no Bonds outstanding, upon failure by GFL to pay any other secured liability on its due date.

Bond Trust Deed

General

On the Establishment Date, GFL and the Bond Trustee entered into the Bond Trust Deed pursuant to which the Bonds will be constituted. The Bond Trust Deed includes the form of the Bonds and contains a covenant from GFL to the Bond Trustee to pay all amounts due under the Bonds. The Bond Trustee holds the benefit of that covenant on trust for itself and the Bondholders in accordance with their respective interests.

Enforcement

The Bond Trustee may at any time, at its discretion and without notice:

(a) take such action, proceedings and/or other steps as it may think fit against or in relation to GFL or any other person to enforce its obligations under the Bond Trust Deed, the conditions, the Bonds or any other GFL Transaction Document to which the Bond Trustee is a party,

(b) exercise any of its rights under, or in connection with, the Bond Trust Deed, the Conditions or any other GFL Transaction Document and/or

(c) give any directions to the GFL Security Trustee under or in connection with any GFL Transaction Document (including, but not limited to, the giving, subject to the delivery of a Bond Enforcement Notice, of a direction to the GFL Security Trustee to enforce the GFL Security).

Waiver of a Bond Event of Default

The Bond Trustee may, without the consent or sanction of the Bondholders or any other GFL Secured Creditor at any time (but only if in its opinion such waiver will not be materially prejudicial to the interests of the Most Senior Class of Bondholders) determine that any event which would otherwise constitute a Bond Event of Default or Potential Bond Event of Default will not be treated as such for the purposes of the Bond Trust Deed **provided that** the Bond Trustee may not exercise such powers in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Bonds then outstanding or of a request in writing made by holders of not less than 25% in aggregate of the principal amount of the Most Senior Class of Bonds then outstanding.

Modification

The Bond Trustee may without the consent or sanction of the Bondholders and without the consent of the other GFL Secured Creditors (other than any GFL Secured Creditor which is party to the relevant documents), at any time and from time to time concur with GFL and any other person, or direct the GFL Security Trustee to concur with GFL or any other person, in making any modification to the Bond Trust Deed, the Conditions, the Bonds and/or the other GFL Transaction Documents (other than a Basic Terms Modification) (subject as provided in the STID in relation to any Common Documents) which may, in the opinion of the Bond Trustee, be proper to make **provided that** the Bond Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Bondholders of the Most Senior Class of Bonds then outstanding and **provided further that** if any such modification relates to an GFL Secured Creditor Entrenched Right, each of the affected GFL Secured Creditors has given its prior written consent.

The Bond Trust Deed provides that in connection with the exercise by it of any of its trusts, powers, authorities or discretions under the Bond Trust Deed (including, without limitation, any modification, waiver, authorisation, determination or substitution) or any other GFL Transaction Document the Bond Trustee shall:

(a) have regard to the general interests of the Bondholders of each Class or Sub-Class as a class or sub-class; and

(b) except where expressly provided otherwise, have regard to the interests of the Class A Bondholders and the Class B Bondholders equally, **provided that** the Bond Trustee shall have regard to the interest only of the holders of the Most Senior Class of Bonds if, in the Bond Trustee's opinion, there is a conflict between the interests of the Class A Bondholders and the Class B Bondholders.

Action, proceedings and indemnification

The Bond Trustee is not bound to take any actions, proceedings, or steps in relation to the Bond Trust Deed, the Bonds or any other GFL Transaction Document unless directed or requested to do so in writing by the GFL Qualifying Creditors together holding or representing 25% or more of the GFL Qualifying Debt, and then only if it is indemnified and/or secured and/or pre-funded to its satisfaction against any liabilities relating to such actions.

Only the Bond Trustee may enforce the provisions of the Bond Trust Deed or the other GFL Transaction Documents to which it is party.

STID voting requests

Subject to the provisions of the STID, on receipt of a STID Voting Request from the Borrower Security Trustee in respect of a STID Proposal that gives rise to an Entrenched Right in respect of which GFL is an Affected Borrower Secured Creditor, the Bond Trustee shall convene a meeting of the holders of each Sub-Class of Bonds then outstanding and affected by such Entrenched Right.

On receipt of a STID Voting Request from the Borrower Security Trustee in respect of an Ordinary Voting Matter or Extraordinary Voting Matter or other STID Proposal, the Bond Trustee shall promptly send a copy of such notice to the Bondholders.

In respect of a STID Proposal which does not give rise to an Entrenched Right, no physical meetings of Bondholders will be held in respect of any vote.

GFL representations

GFL makes representations (subject to detailed carve-outs, exceptions and qualifications set forth in the Bond Trust Deed) in the Bond Trust Deed as at the date of the Bond Trust Deed and at each Issue Date, including as to:

(a) its corporate status, power and authority and certain other legal matters;

(b) the enforceability of the Transaction Documents;

(c) non-conflict with the documents binding on it, its constitutional documents, licences and laws;

(d) no existing default or potential default;

(e) consents, licences, authorisations and approvals are obtained and complied with;

(f) no current litigation;

(g) no insolvency event in relation to it; and

(h) ranking of security.

GFL covenants

The covenants given by GFL in the Bond Trust Deed (subject to detailed carve-outs, exceptions and qualifications) include the following:

(a) conduct its business in accordance with its obligations under the Bond Trust Deed;

(b) give the Bond Trustee such documents needed to discharge or exercise its powers under the Bond Trust Deed or by operation of law;

(c) ensure compliance with accounting requirements as set forth by the relevant Stock Exchange;

(d) keep proper books of account and allow the Bond Trustee free access to such books of account;

(e) send to the Bond Trustee every document issued or sent to its shareholders;

(f) execute and perform such acts necessary in order for the Bond Trustee to discharge its functions under the Bond Trust Deed;

(g) maintain those Agents required in accordance with the Conditions and maintain such other agents as may be required by the Conditions or by any other stock exchange (not being the Stock Exchange) on which the Bonds may be listed;

(h) procure the Principal Paying Agent and the Registrar notify the Bond Trustee in the event they do not receive payment of the full amount due on all Bonds, Receipts or Coupons;

(i) if the relevant Final Terms or Pricing Supplement (as the case may be) indicate that the Bonds are to be listed on a relevant Stock Exchange, maintain the quotation or listing on the relevant Stock Exchange of those of the Bonds;

(j) send to the Bond Trustee and obtain its approval, prior to the date on which any such notice is to be given, the form of every notice to be given to the Bondholders;

(k) notify the Bond Trustee if payments by GFL become subject to withholding;

(l) deliver to the Bond Trustee a certificate setting out the total number and aggregate nominal amount of the Bonds of each Class or Sub-Class which:

   (i) up to and including the date of such certificate have been purchased by GFL or any Senior Obligor and cancelled; and

   (ii) are at the date of such certificate held by, for the benefit of, or on behalf of, GFL or any Senior Obligor;

(m) procure that each of the Agents makes available for inspection by Bondholders copies of the Bond Trust Deed, the Bond Agency Agreement and the then latest audited balance sheet and profit and loss account (consolidated if applicable) of GFL;

(n) procure the delivery of legal opinion(s) as to English and any other relevant law, addressed to the Bond Trustee, dated the date of any modification or amendment or supplement to the Bond Trust Deed;

(o) give notice to the Bond Trustee of the proposed redemption of the Bonds of any Class or Sub-Class;

(p) minimise taxes and any other costs arising in connection with its payment obligations in respect of the Bonds;

(q) maintain its registered office in Jersey;

(r) give notice to the Bond Trustee of the occurrence of any Bond Event of Default or Potential Bond Event of Default; and

(s) for so long as any of the Bonds are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act furnish, information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, GFL is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

GFL Cash Management Agreement

General

GFL has appointed GAL as the GFL Cash Manager pursuant to the GFL Cash Management Agreement dated on the Establishment Date. Pursuant to the GFL Cash Management Agreement, the GFL Cash Manager undertakes certain cash administration functions on behalf of GFL.

Cash management functions

As part of its duties under the GFL Cash Management Agreement, the GFL Cash Manager, *inter alia*: (a) operates the GFL Accounts and effect payments to and from the GFL Accounts in accordance with the provisions of the relevant GFL Transaction Documents; (b) procures that all payments of principal, interest, the ongoing facility fee, the initial facility fees or other amounts received or to be received under the Borrower Loan Agreements are identified and calculated as such; (c) invests funds not immediately required by GFL in Authorised Investments in accordance with the provisions of the GFL Cash Management Agreement; and (d) makes determinations and perform certain obligations on behalf of GFL as set out in, and in accordance with, the provisions of the Liquidity Facility Agreement including directing GFL to make drawings (or making drawings on behalf of GFL) under the Liquidity Facility Agreement.

Liquidity facility

Allowing sufficient time to deliver any relevant LF Notice of Drawing, the GFL Cash Manager (on behalf of GFL) shall determine the amount of any anticipated GFL Liquidity Shortfall on the next Interest Payment Date after taking into account the balance standing to the credit of the GFL Accounts (excluding any GFL Collateral Accounts) which will be available to GFL on the next Interest Payment Date. Any amounts standing to the credit of the GFL Liquidity Reserve Account (if any) will be applied to decrease the amount which would otherwise constitute a GFL Liquidity Shortfall by applying such amount towards payment of items (a) to (e), (f)(i) and (f)(ii) (inclusive) of the GFL Pre-Enforcement Priority of Payments (excluding any termination payments and all other unscheduled amounts payable to any GFL Hedge Counterparty). GFL, or the GFL Cash Manager on its behalf, will issue a notice of drawing to the facility agent under the Liquidity Facility Agreement to cover any such liquidity shortfall.

Pre-enforcement priority of payments

Prior to the delivery of a Bond Enforcement Notice by the Bond Trustee, amounts standing to the credit of the GFL Accounts (subject to certain exceptions), will be applied by the GFL Cash Manager (on behalf of GFL) in accordance with the GFL pre-enforcement priority of payments waterfall.

Termination

GFL may terminate the appointment of the GFL Cash Manager: (a) at any time with at least 90 days' prior notice and the consent of the GFL Security Trustee; (b) if default is made by the GFL Cash Manager in the performance or observance of any of its material covenants and material obligations under the GFL Cash Management Agreement subject to the applicable grace period; (c) if any Insolvency Event occurs in relation to the GFL Cash Manager; and (d) if a Bond Enforcement Notice is given and the GFL Security Trustee is of the opinion that the continuation of the appointment of the GFL Cash Manager is materially prejudicial to the interests of the GFL Secured Creditors.

Subject to certain conditions (including that a suitable successor GFL Cash Manager has been installed), the GFL Cash Manager is entitled to resign upon giving 30 days' written notice of termination to GFL and the GFL Security Trustee.

GFL Account Bank Agreement

General

GFL has established or caused to be established on or before the Establishment Date sterling, euro and U.S. dollar operating accounts and an issuer collateral account and may at a later date establish an issuer liquidity reserve account (together, the GFL Accounts). The GFL Accounts are held with the GFL Account Bank pursuant to the GFL Account Bank Agreement dated on the Establishment Date between GFL, the GFL Account Bank and the GFL Security Trustee.

Termination

The GFL Account Bank may resign its appointment upon not less than 120 days' notice to GFL **provided that** such resignation will not take effect until a substitute GFL Account Bank with the Requisite Ratings has been duly appointed.

GFL may revoke its appointment of the GFL Account Bank by not less than 30 days' notice to the GFL Account Bank **provided that** such revocation will not take effect until a substitute has been duly appointed. Furthermore, GFL may terminate the appointment of the GFL Account Bank if, *inter alia*: (a) an Insolvency Event occurs in relation to the GFL Account Bank; (b) the GFL Account Bank no longer maintains the Requisite Rating with any two of the Rating Agencies; or (c) the GFL Account Bank defaults in the performance of any of its material obligations under the GFL Account Bank Agreement subject to the applicable grace period.

Description of GFL Account Bank

The GFL Account Bank is Santander UK.

Santander UK is a public limited liability company that was incorporated in England and Wales on 12 September 1988 (then called Abbey National plc) under the Companies Act 1985 with registered number 2294747 and is the successor company to which Abbey National Building Society transferred its business in July 1989.

The principal executive office and registered office of Santander UK is at 2 Triton Square, Regent's Place, London NW1 3AN. The telephone number of Santander UK's registered office is +44 (0) 870 607 6000.

Santander UK is a wholly-owned subsidiary of Santander UK Group Holdings plc. Banco Santander, S.A. and its subsidiary Santusa Holding, S.L., together, hold the entire issued share capital of Santander UK Group Holdings plc. The Santander UK Group operates primarily in the UK, under UK law and regulation, and are part of the Banco Santander group.

The information in the preceding two paragraphs has been provided solely by Santander UK for use in this Prospectus. Except for the foregoing two paragraphs, Santander UK does not accept responsibility for this Prospectus.

Bond Agency Agreement

Pursuant to the Bond Agency Agreement entered into on the Establishment Date between GFL, the Bond Trustee, the Registrar, the Principal Paying Agent, the Exchange Agent and the Agent Bank, provision has been made for, among other things, payment of principal and interest in respect of the Bonds and the maintenance of a register of the holders of the Bonds.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes which (subject to modification) will be endorsed on each individual Note Certificate (if issued):

The £450,000,000 4.375 per cent. Senior Secured Notes due 2026 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 19 (*Further Issues*) and forming a single series with the Notes) of Gatwick Airport Finance plc (the "**Issuer**") are constituted by a trust deed dated 7 April 2021 ("**Trust Deed**") made between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**" which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) as trustee for the holders of the Notes (the "**Noteholders**"). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed, the Agency Agreement dated 7 April 2021 made between the Issuer, Deutsche Bank AG, London Branch, as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), any other paying agents appointed from time to time pursuant to the terms of the Agency Agreement (the "**Paying Agents**", which expression shall include the Principal Paying Agent), Deutsche Bank Luxembourg S.A., as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee (the "**Agency Agreement**"), the Intercreditor Agreement (as defined below), the Common Terms Agreement (as defined below) and the Master Definitions Agreement (as defined below) are available for inspection during normal business hours by the Noteholders at the principal office of the Principal Paying Agent, being at the time of issue of the Notes at Winchester House, 1 Great Winchester Street, London, EC2N 2DB, and at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Intercreditor Agreement applicable to them.

Terms used in these Conditions but not defined in the Condition in which they first appear have the meanings attributed to them in Condition 21 (*Definitions*), unless otherwise stated.

1. Form, Denomination And Title

The Notes are serially numbered and in registered form in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 (the "**Specified Denominations**"). The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. Notes of one denomination may not be exchanged for Notes of any other denomination. Title to the Notes may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Noteholder are being transferred) the principal amount of the balance of Notes not transferred are Specified Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

Within five business days of the surrender of a Note Certificate in accordance with the provisions above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Noteholder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Noteholder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Noteholder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office. The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer. Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

2. Status

The Notes constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.

3. Security

(a) *Security*. Under the Transaction Security Documents, the Transaction Security has been granted by Ivy Super Topco Limited (the "**Parent**") and the Issuer to secure the payment when due of the Issuer's payment obligations under the Notes and the Trust Deed. On the date of the Trust Deed, the Transaction Security consists of: (a) on a first-priority basis, charges over all of the share capital of the Issuer held by the Parent and the Parent's rights under any loans made by it to the Issuer; and (b) on a first-priority basis, charges over substantially all the tangible and intangible assets of the Issuer, including the Issuer's holding of shares in the share capital of Ivy Super Holdco Limited (the "**Intermediate HoldCo**").

Subject to the terms of the Intercreditor Agreement and compliance with these Conditions, including compliance with Conditions 4.7 (*Negative Pledge*) and 4.10 (*Further Assurances*) and the provisions of the Trust Deed, the Issuer is permitted to extend the benefit of the Transaction Security on a *pari passu* basis to holders of certain future Financial Indebtedness that may be incurred, including any Additional Notes permitted under these Conditions and the Trust Deed.

The Intercreditor Agreement also provides, amongst other things, that any proceeds received from enforcement of the Transaction Security representing the Available Enforcement Proceeds will be shared equally and rateably in satisfaction of the amounts due under the Notes and any other future secured Permitted Financial Indebtedness (other than the security over the Debt Service Reserve Account, which shall satisfy the liabilities in respect of the Notes in priority to other permitted future secured Financial Indebtedness).

Each Noteholder, by subscribing to, purchasing or otherwise acquiring a Note, shall be deemed: (i) to have authorised the Trustee and the Security Agent to enter into the Transaction Security Documents and the Intercreditor Agreement; and (ii) to be bound thereby.

Noteholders may not, individually or collectively, take any direct action to enforce any rights in their favour under the Transaction Security Documents. The Noteholders may only act through the Trustee or the Security Agent, as applicable. Subject to Conditions 12 (*Enforcement of Security*) and 13 (*Noteholder Action*) and the terms of the Intercreditor Agreement, the Security Agent will agree to any release of the security interests created by the Transaction Security Documents that is in accordance with these Conditions and the Trust Deed without requiring any consent of the Noteholders. The Trustee has the ability to direct the Security Agent to commence enforcement action under the Transaction Security Documents, subject to the terms of the Intercreditor Agreement. The enforcement of the Transaction Security provided for under the Transaction Security Documents is subject to the Intercreditor Agreement.

Subject to the terms of the Transaction Security Documents and the Intercreditor Agreement, the Issuer is entitled (without consent of the Trustee or the Noteholders) to exercise any and all voting rights and to receive and retain any and all cash dividends, share dividends, liquidating dividends, non-cash dividends, shares resulting from share splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of the shares that are part of the Transaction Security.

The rights under the Transaction Security Documents with respect to the Notes and the Trust Deed must be exercised by the Security Agent in respect of all of the Notes outstanding and in accordance with the terms of the Intercreditor Agreement.

(b) *Release of the Transaction Security*. All Security granted to the Security Agent on behalf of the Noteholders and the Trustee under the Transaction Security Documents will be automatically and unconditionally released if all obligations under these Conditions and the Trust Deed are discharged, in each case in accordance with the terms and conditions in the Trust Deed and the Intercreditor Agreement.

4. COVENANTS

4.1 Financial Covenants

(a) The Issuer shall ensure that in respect of each Calculation Date occurring after the third anniversary of the Issue Date, Group RAR shall not be more than 0.95.

(b) For the purposes of this Condition 4.1, Group RAR shall be as stated in the Compliance Certificate issued in respect of the relevant Calculation Date.

(c) No Event of Default shall occur as a result of a breach of paragraph (a) above if, within 30 days after delivery of a Compliance Certificate to the Trustee pursuant to paragraph (b) of Condition 4.12 (*Information and Reports; Certificates; Notification of Defaults and Events of Default*), the Issuer:

(i) receives an Equity Cure Amount; and

(ii) delivers a revised Compliance Certificate to the Trustee indicating that, after treating the Equity Cure Amount as reducing Group Net Debt as at the relevant Calculation Date for the purpose of calculating Group RAR on the relevant Calculation Date, the recalculated Group RAR is not more than 0.95.

4.2 Debt Service Reserve Account

(a) The Issuer shall ensure that on the Issue Date an amount equal to £70,000,000, which is equal to all amounts of interest due in respect of the Notes during the period up to and including the Interest Payment Date falling on 7 October 2024, is deposited into an account of the Issuer (the "**Debt Service Reserve Account**").

(b) Amounts may only be withdrawn from the Debt Service Reserve Account in order to pay Debt Service.

4.3 Limitation on Financial Indebtedness

(a) The Issuer shall not incur or allow to remain outstanding any Financial Indebtedness except Permitted Financial Indebtedness.

(b) The Issuer shall ensure that the Intermediate HoldCo shall not incur or allow to remain outstanding any Financial Indebtedness except any Financial Indebtedness owed to another member of the Group.

4.4 Limitation on Dividends, Share Redemption and Restricted Payments

(a) ***Restrictions on the Issuer***

Except on a date when the Controlled Payment Conditions are satisfied in respect of the applicable payment, the Issuer shall not:

(i) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);

(ii) repay or distribute any dividend or share premium reserve;

(iii) pay any management, advisory or other fee to or to the order of any direct or indirect shareholders of the Issuer;

(iv) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; or

(v) make any payment under or in respect of Parent Liabilities,

other than payments made pursuant to or in accordance with any contracts entered into with any direct or indirect shareholder of the Issuer (or their Affiliates) provided that the aggregate value of such payments are no greater than 0.25% of RAB per calendar year.

(b) ***Restrictions on the Subsidiary Group Companies***

Except on a date when the Controlled Payment Conditions are satisfied in respect of the applicable payment or where the applicable payment is made to a member of the Group, the Issuer shall ensure that no Subsidiary Group Company shall:

(i) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);

(ii) repay or distribute any dividend or share premium reserve;

(iii) pay any management, advisory or other fee to or to the order of any direct or indirect shareholders of the Issuer other than payments made pursuant to or in accordance with any contracts entered into with any direct or indirect shareholder of the Issuer (or their Affiliates) provided that the aggregate value of such payments are no greater than 0.25% of RAB per calendar year;

(iv) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; or

(v) make any payment to a direct or indirect shareholder of the Issuer under or in respect of any loan arrangement.

4.5 **Limitation on Transactions with Affiliates**

(a) ***Restrictions on the Issuer and Intermediate HoldCo***

(i) Except as permitted by paragraph (a)(ii) below, the Issuer shall not, and shall ensure that Intermediate HoldCo shall not, enter into any transaction with any Affiliate otherwise than on an arm's-length basis or on terms no less favourable to the Issuer or Intermediate HoldCo (as relevant) than would reasonably be expected to be obtained in a reasonable arm's-length transaction with a person who is not an Affiliate.

(ii) Intra-Group loans permitted under Condition 4.6 (Limitation on Loans, Credit or Guarantee) and any transaction or series of related transactions between members of the Group shall not be a breach of paragraph (a)(i) above and shall not be subject to the requirements specified in paragraph (a)(iii) below.

(iii) With respect to any transaction or series of related transactions (other than transactions in the ordinary course of business or an intra-Group loan referred to in paragraph (a)(ii) above) involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than £100 million (or its equivalent in any other currency or currencies), the Issuer will deliver to the Trustee a written opinion of an accounting, appraisal, investment banking or advisory firm of international standing stating that the transaction or series of related transactions is fair to the Issuer or Intermediate HoldCo (as relevant) from a financial point of view.

(b) ***Restrictions on the Subsidiary Group Companies***

(i) Except as permitted by paragraph (b)(ii) below, the Issuer shall ensure that no Subsidiary Group Company (other than Intermediate HoldCo) will enter into any transaction with an Affiliate to the extent prohibited by paragraph 22 (*Arm's length terms*) of Part 2 (*Operating and Financial Covenants*) of Schedule 2 (*Covenants*) to the Common Terms Agreement.

(ii) Intra-Group loans permitted under Condition 4.6 (*Limitation on Loans, Credit or Guarantee*) and any transaction or series of related transactions between members of the Group shall not be a breach of paragraph (b)(i) above.

4.6 **Limitation on Loans, Credit or Guarantee**

(a) ***Restrictions on the Issuer***

(i) Except as permitted under paragraph (a)(ii) below, the Issuer shall not make or grant any loan or extend any other credit or give any guarantee or indemnity that constitutes Financial Indebtedness.

(ii) Paragraph (a)(i) above does not apply to:

(A) any loan made by the Issuer to a Subsidiary Group Company; or

(B) any loan made to any direct or indirect shareholder of the Issuer on a date when the Controlled Payment Conditions are satisfied in respect of that loan.

(b) ***Restrictions on Subsidiary Group Companies***

(i) Except: (A) as permitted under paragraph (b)(ii) below; or (B) in compliance with paragraph (b)(iii) below, the Issuer shall ensure that no Subsidiary Group Company shall make or grant any loan or give any guarantee or indemnity that constitutes Financial Indebtedness to any party other than a Subsidiary Group Company.

(ii) Paragraph (b)(i) above does not apply to:

(A) any transaction, other than any loan made by way of a permitted Restricted Payment, that is not restricted by paragraph 15 (*Loans and Credit*) of Part 2 (*Operating and Financial Covenants*) of Schedule 2 (*Covenants*) to the Common Terms Agreement;

(B) any loan, guarantee or indemnity provided by the Intermediate HoldCo in the ordinary course of its business or which constitutes Financial Indebtedness owed by Intermediate HoldCo to a member of the Group;

(C) any unsecured loan made to the Issuer; or

(D) any loan made by way of a permitted Restricted Payment made to a party other than the Issuer on a date when the Controlled Payment Conditions are satisfied in respect of that loan.

(iii) The Issuer will not permit any Subsidiary Group Company, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Financial Indebtedness of the Issuer (other than the Notes), unless such Subsidiary Group Company simultaneously executes a deed supplemental to the Trust Deed providing for a guarantee of payment of the Notes by such Subsidiary Group Company on the same terms as the guarantee of such Financial Indebtedness.

4.7 **Negative Pledge**

(a) Except as permitted under paragraph (b) below:

(i) neither the Issuer nor the Intermediate HoldCo shall create or permit to subsist any Security over any of its assets; and

(ii) neither the Issuer nor the Intermediate HoldCo shall:

(A) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Issuer or the Intermediate HoldCo, as the case may be;

(B) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(C) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(D) enter into any other preferential arrangement having a similar effect (paragraphs (A) through (D) (inclusive), "**Quasi Security**"), in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

(b) Paragraphs (a)(i) and (a)(ii) above do not apply to any Security or (as the case may be) Quasi Security that is Permitted Security.

4.8 **Limitation on Sale of Certain Assets**

(a) The Issuer shall not enter into a transaction or series of transactions (whether related or not) and whether voluntary or involuntary to dispose of any shares in, or indebtedness owed by, the Intermediate HoldCo except in accordance with Condition 4.13 (*Merger, Consolidation and Sale of Substantially All Assets*).

(b) The Issuer shall procure that Intermediate HoldCo shall not enter into a transaction or series of transactions (whether related or not) and whether voluntary or involuntary to dispose of any shares in Ivy Holdco Limited.

(c) The Issuer shall procure that Gatwick Airport Limited (which for this purpose includes any other Subsidiary Group Company that acquires any interest in Gatwick Airport) does not enter into a transaction or series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of the whole or substantially the whole of Gatwick Airport, and the Issuer shall procure that neither it nor any Subsidiary Group Company which is a Holding Company of Gatwick Airport Limited enters into a transaction or series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of any shares in Gatwick Airport Limited or in a Holding Company of Gatwick Airport Limited which is a Subsidiary Group Company, except to another Subsidiary Group Company.

4.9 **Restricted Payment Conditions**

(a) Except as permitted by paragraph (b) below, the Issuer will not (and the Issuer will ensure that no member of the Group will) enter into or permit to exist any agreement binding on a member of the Group which:

(i) restricts the ability of a Subsidiary of the Issuer in a manner that is more restrictive than the Restricted Payment Condition to pay dividends, make loans, move money or make any other distribution to any of its direct or indirect shareholders (including the Issuer); or

(ii) results in a default (however described) or mandatory prepayment obligation (whether upon the giving of notice by a creditor or otherwise) in respect of any Financial Indebtedness of the Issuer if such a payment or distribution referred to in paragraph (i) above is made by a Subsidiary of the Issuer on a basis permitted by the Restricted Payment Condition.

(b) Paragraph (a)(i) above does not apply to any agreement:

(i) which imposes a restriction for a specified period **provided that** as at the date of such agreement the balance standing to the credit of the Debt Service Reserve Account is at least equal to all Debt Service falling due during such period; or

(ii) which imposes one or more restrictions that are not limited to a specified period (including where additional conditions apply, the timing of satisfaction of which is not certain) **provided that** as at the date of such agreement the balance standing to the credit of the Debt Service Reserve Account is at least equal to Debt Service falling due during the 36 months from and including such date, and at all times thereafter until all such restrictions cease to apply, the Issuer shall ensure that the balance standing to the credit of the Debt Service Reserve Account is at least equal to Debt Service falling due during the then following 12 months (and any failure to maintain such balance shall constitute a failure to comply with this Condition 4.9(b)(ii)).

4.10 **Further Assurances**

The Issuer shall, and the Parent has agreed under the Transaction Security Documents that the Parent shall, take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Agent or the Trustee by or pursuant to the Transaction Security Documents.

4.11 **Issuer Permitted Business**

The Issuer shall not trade, carry on any business, own any material assets or incur any material liabilities except for:

(a) ownership of shares in the Intermediate HoldCo, intra-Group debit balances, intra-Group credit balances that are permitted under these Conditions and other credit balances in bank accounts and cash and Authorised Investments but only if those shares, credit balances and cash and Authorised Investments are subject to the Transaction Security; or

(b) any liabilities in respect of the Notes or any other Financial Indebtedness permitted by these Conditions and professional fees, management and administration costs incurred in the ordinary course of business.

4.12 **Information and Reports; Certificates; Notification of Defaults and Events of Default**

(a) So long as any Notes are outstanding, the Issuer will furnish to the Trustee:

(i) within 120 days after the end of the Issuer's financial year, its audited consolidated financial statements for such financial year;

(ii) within 60 days after the end of the first financial half year of each financial year, its unaudited consolidated financial statements for such financial half year; and

(iii) at the same time as the financial statements are delivered under paragraphs (i) and (ii) above, the Investor Report.

(b) At the same time as the financial statements are delivered under paragraphs (a)(i) and (a)(ii) above or, if the Issuer wishes to make a distribution on a quarterly basis, within the 60 day period commencing on the relevant Calculation Date, the Issuer will deliver a certificate substantially in the form set out in Schedule 6 to the Trust Deed (a "**Compliance Certificate**") to the Trustee, signed by a director of the Issuer:

(i) confirming the Group RAR as at the most recent Calculation Date and providing calculations for the same, in reasonable detail; and

(ii) certifying as at the date of the Compliance Certificate that no Event of Default is continuing.

(c) At the same time as providing any of the documents set forth in paragraph (a) above of this Condition to the Trustee, the Issuer will also make such documents available via the Designated Website.

(d) The Issuer shall notify the Trustee within 15 Business Days of it becoming aware of the occurrence of any Event of Default or Default stating what action, if any, the Issuer is taking with respect to that Event of Default or Default.

4.13 **Merger, Consolidation and Sale of Substantially All Assets**

The Issuer will not consolidate, merge or amalgamate with or into (whether or not the Issuer is the surviving corporation), or sell, assign or convey, transfer, lease, or otherwise dispose of, in one transaction or a series of transactions, all or substantially all of its assets (determined on a consolidated basis for it and its Subsidiaries) to another person other than in accordance with Condition 14 (*Substitution*).

4.14 **Listing**

So long as any of the Notes remains outstanding, the Issuer shall use reasonable endeavours to maintain a listing of the Notes.

5. THE INTERCREDITOR AGREEMENT

(a) The Trustee has entered into the Intercreditor Agreement with, amongst others, the Security Agent. Under the terms of the Intercreditor Agreement, the Transaction Security securing the Notes will rank and secure any other future secured Permitted Financial Indebtedness *pari passu* (other than as specified therein in relation to the Debt Service Reserve Account or any equivalent account). The Intercreditor Agreement also provides, amongst other things, that any proceeds received from enforcement of the Transaction Security Documents will be shared equally and rateably between the amounts due under the Notes and any other permitted future secured Financial Indebtedness (other than as specified therein in relation to the Debt Service Reserve Account or any equivalent account).

(b) Each Noteholder, by subscribing to, purchasing or otherwise acquiring a Note, will be deemed to have:

(i) agreed to be bound by such provisions of the Intercreditor Agreement (whether entered into on the date of the Trust Deed or thereafter); and

(ii) irrevocably appointed the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement as set forth under Condition 16 (*Meetings of Noteholders, Modification, Waiver and Authorisation*).

6. INTEREST

(a) The Notes bear interest from, and including, 7 April 2021 at the rate of 4.375 per cent. per annum, payable semi-annually in arrear on 7 April and 7 October in each year (each an "**Interest Payment Date**"). Each payment of interest in respect of each Interest Period will amount to £21.875 per principal amount of £1,000 per Note. Each Note will cease to bear interest from, and including, its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment in which event interest shall continue to accrue as provided in the Trust Deed.

(b) Where interest is required to be calculated (or paid in respect of overdue principal and other overdue amounts) in respect of a period that is shorter than an Interest Period or for any other interest calculation on the Notes, the day count shall be computed on the basis of a 360-day year of 12 months.

(c) In accordance with Condition 8(d) (*Payments*), if any Interest Payment Date falls on a day which is not a Business Day, payments due on such Interest Payment Date shall be made on the next day which is a Business Day.

7. REDEMPTION AND PURCHASE

7.1 Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date.

7.2 Optional Redemption

(a) *Optional Redemption*. At any time prior to 7 April 2023, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem all or some only of the Notes at a redemption price equal to 100 per cent. of the principal amount plus the Applicable Redemption Premium and accrued and unpaid interest, if any, to but excluding the redemption date.

At any time on or after 7 April 2023, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem all or some only of the Notes at a redemption price equal to the percentage of the principal amount set forth below applicable at the relevant redemption date, plus accrued and unpaid interest, if any, to but excluding the redemption date:

Twelve month period commencing on	Percentage
7 April 2023	102.1875 per cent.
7 April 2024	101.0938 per cent.
7 April 2025 and thereafter	100 per cent.

In connection with any redemption of any Notes under this Condition 7.2(a), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent including, but not limited to, a financing condition. If any such redemption is subject to satisfaction of one or more conditions precedent, the notice of redemption may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

The Issuer will publish a notice of any optional redemption of the Notes under this Condition in accordance with the provisions of Condition 20 (*Notices*).

If fewer than all the Notes are to be redeemed at any time pursuant to this paragraph (a) the Issuer will select the Notes by a method that complies with the requirements of the principal securities exchange, if any, on which the Notes are listed at such time or, if the Notes are not listed on a securities exchange, by such method as the Trustee in its sole discretion shall deem fair and appropriate. The Trustee shall not be liable for any selections made in accordance with this paragraph.

(b) ***Redemption Upon Changes in Withholding Taxes***. The Notes may be redeemed at their principal amount, together with interest accrued to but excluding the date of redemption at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 20 (*Notices*) (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to giving such notice that:

(i) it has or will on the occasion of the next payment due in respect of the Notes become obliged to pay Additional Amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Relevant Taxing Jurisdiction, or any change in the published application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the Trust Deed; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this paragraph (b) the Issuer shall deliver to the Trustee:

(A) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change or amendment; and

(B) an Officer's Certificate stating that the obligation referred to in paragraph (b)(i) above cannot be avoided by the Issuer taking reasonable measures available to it,

and the Trustee shall be entitled to accept such opinion as sufficient evidence of the satisfaction of the condition precedent set out in paragraph (b)(i) above, and such certificate as sufficient evidence of the satisfaction of the condition precedent set out in paragraph (b)(ii) above and such opinion and certificate (if accepted) shall be conclusive and binding on the Noteholders.

7.3 Purchase of Notes Upon a Change of Control

(a) If a Change of Control occurs at any time, then the Issuer must make an offer (a "**Change of Control Offer**") to each Noteholder to purchase such holder's Notes, at a purchase price (the "**Change of Control Purchase Price**") in cash in an amount equal to 101 per cent. of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase described in paragraph (b) below (the "**Change of Control Purchase Date**").

(b) Within 30 days following any Change of Control, the Issuer will publish a notice of the Change of Control Offer in accordance with Condition 20 (*Notices*) (the date of publication of such notice being the "**Publication Date**"), specifying the nature of the Change of Control and the procedure for exercising the option contained in this Condition 7.3, including: (i) the Change of Control Purchase Price; and (ii) the Change of Control Purchase Date, which will be a Business Day no earlier than 30 days nor later than 60 days from the Publication Date, or such later date as is necessary to comply with requirements under any applicable securities laws or regulations.

To exercise the option to require purchase of a Note under this Condition, a Noteholder must deliver such Note, on any banking business day in the place of delivery prior to the Change of Control Purchase Date (the "**Put Period**") at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Put Notice**") and in which the Noteholder may specify a bank account complying with the requirements of Condition 8 (*Payments*) to which payment is to be made under this Condition. The Paying Agent to which such Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. If the date which is seven days after the expiration of the Put Period (the "**Put Date**") is an Interest Payment Date, payment of the accrued interest in respect of any Note so delivered will be made in the manner provided in Condition 8 (*Payments*) against presentation and either surrender or endorsement (as appropriate) of the relevant Note Certificate. If the Put Date is not an Interest Payment Date, payment of the accrued interest, and in all cases, payment of principal in respect of any Note so delivered will be made, if the Noteholder duly specified a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and in every other case on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent in accordance with Condition 8 (*Payments*). A Put Notice, once given, shall be irrevocable. For all relevant purposes of these Conditions, receipts issued pursuant to this Condition shall be treated as if they were Notes. The Issuer shall purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed or purchased and cancelled.

(c) The Issuer will not be required to make a Change of Control Offer if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in these Conditions applicable to a Change of Control Offer made by the Issuer and offers to purchase all Notes validly tendered and not withdrawn under such Change of Control Offer. The Change of Control provisions of this Condition will be applicable whether or not any other provisions of the Trust Deed are applicable.

(d) To the extent the Issuer complies with applicable tender offer rules and any other applicable securities laws and regulations and such rules, laws and regulations conflict with the provisions of this Condition 7.3, the Issuer will not be deemed to have breached its obligations under this Condition and the Trust Deed by virtue of such conflict.

7.4 **Sinking Fund; Offers to Purchase; Open Market Purchases; Cancellation of Notes**

(a) The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes.

(b) The Issuer and any of its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price.

(c) All Notes so redeemed or purchased may, but need not, be cancelled at the election of the Issuer. Any Notes so cancelled will not be re-issued or resold.

8. PAYMENTS

(a) Payments of principal, premium (if any) and payments of interest will be made against presentation and either surrender or endorsement (as appropriate) of the relevant Note Certificate at the specified office of any Paying Agent by transfer to the registered Sterling account maintained by the Noteholder with a bank in London or by Sterling cheque drawn on a bank in London mailed to the registered address of the Noteholder if it does not have a registered Sterling account. Payments of interest due in respect of any Note other than on an Interest Payment Date shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note Certificate. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the "**record date**") being the fifteenth day before the due date for the payment of interest.

(b) All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) Where payment is to be made by transfer to a registered Sterling account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day of the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Note Certificate is surrendered at the specified office of an Agent. Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Note Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 8 arrives after the due date for payment. In this Condition "**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business in London and, in the case of presentation of a Note Certificate, in the place in which the Note Certificate is presented.

(d) The initial Paying Agent and its initial specified offices are listed below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents; *provided* that they will at all times maintain:

   (i) a Principal Paying Agent;

   (ii) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or such other relevant authority; and

   (iii) a Registrar.

   The initial specified office of the initial Paying Agent is:

   Winchester House, 1 Great Winchester Street, London EC2N 2DB.

   Notice of any change in the Paying Agents, the Transfer Agents or their specified offices will promptly be given to the Noteholders by the Issuer in accordance with Condition 20 (*Notices*).

   In acting under the Agency Agreement, the Paying Agents and the Transfer Agents act solely as agents of the Issuer and, in certain limited circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, the Noteholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent or Transfer Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent or transfer agent.

9. PRESCRIPTION

Claims in respect of principal, premium and interest will become void unless the relevant Note Certificates are presented for payment within a period of ten years from the appropriate payment date.

10. TAXATION

All payments by or on behalf of the Issuer under or with respect to the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future Tax imposed or levied on such payments by or within the United Kingdom or by or within any department, political subdivision or governmental authority of or in the United Kingdom having power to tax (each, a "**Relevant Taxing Jurisdiction**"), unless the Issuer is required to withhold or deduct Taxes by law. In that event, the Issuer will pay additional amounts ("**Additional Amounts**") as may be necessary to ensure that the net amount received by each Noteholder after such withholding or deduction (including any withholding or deduction in respect of any Additional Amounts) will not be less than the amount the Noteholder would have received if such Taxes had not been withheld or deducted.

The Issuer will not, however, pay Additional Amounts in respect of any Note:

(a) held by or on behalf of a holder who is liable to such Taxes, to the extent such Taxes are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder's present or former connection with such

Relevant Taxing Jurisdiction (other than the mere receipt, ownership, holding or disposition of Notes, or by reason of the receipt of any payments in respect of any Note, or the exercise or enforcement of rights under any Notes);

(b) held by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting any form or certificate, or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or

(c) presented for payment more than 30 days after the relevant payment is first made available to the Noteholder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period).

The Issuer will: (i) make such withholding or deduction as is required by applicable law; and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law.

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in these Conditions, in respect of payments by the Issuer to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

11. EVENTS OF DEFAULT

(a) Each of the following will be an "**Event of Default**":

(i) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note;

(ii) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon acceleration, optional or mandatory redemption, if any, required repurchase or otherwise);

(iii) failure to comply with the provisions of Condition 4.13 (*Merger, Consolidation and Sale of Substantially All Assets*);

(iv) failure to comply with the provisions of Condition 4.9(b)(ii) (*Restricted Payment Conditions*);

(v) failure to comply with any covenant or agreement of the Issuer that is contained in these Conditions or the Trust Deed (other than specified in paragraph (i), (ii), (iii) or (iv) above) and such failure continues for a period of 30 days or more after written notice thereof is given to the Issuer by the Trustee;

(vi) at any time prior to 7 April 2024, an event of default occurs pursuant to paragraph 2 (*Breach of Financial Covenant*) of Schedule 4 (*Loan Events of Default*) to the Common Terms Agreement and is not waived or remedied within 30 days of the relevant Calculation Date in accordance with the Common Terms Agreement;

(vii) any Financial Indebtedness of the Issuer or any Subsidiary Group Company:

(A) is not paid when due nor within any originally applicable grace period other than a non-payment of interest in respect of Junior Debt; or

(B) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

No Event of Default will occur under paragraph (A) or (B) above in respect of Financial Indebtedness if the aggregate amount of all Financial Indebtedness falling within paragraphs (A) and (B) above is less than £50,000,000 (or its equivalent in any other currency or currencies);

(viii) the Transaction Security ceases to be legal, valid, binding, enforceable or effective for any reason other than as permitted by these Conditions or is alleged by the Issuer to be invalid or unenforceable;

(ix) any execution proceedings in an aggregate amount in excess of £50,000,000 (or its equivalent in any other currency or currencies) are enforced in relation to any assets of the Issuer or any

Subsidiary Group Company and such execution proceedings are not discharged or otherwise ceasing to apply within 30 days;

(x) a moratorium is declared in respect of any Financial Indebtedness in an amount in excess of £50,000,000 (or its equivalent in any other currency or currencies) of the Issuer or any Subsidiary Group Company; and

(xi) any corporate action, legal proceedings or other legal procedure or formal step is taken in relation to:

(A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Issuer or a Subsidiary Group Company other than a solvent liquidation or reorganisation of any Subsidiary Group Company;

(B) a composition, compromise, assignment or arrangement with the creditors generally of the Issuer or any Subsidiary Group Company; or

(C) the appointment of a liquidator (other than in respect of a solvent liquidation of a Subsidiary Group Company), receiver, administrative receiver, administrator or other similar officer in respect of the Issuer or a Subsidiary Group Company or their respective material assets,

or, in the opinion of the Trustee, any analogous procedure or step is taken in any jurisdiction; *provided, however,* that this paragraph (a)(xi) shall not apply to: (X) any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement or, if earlier, the date on which it is advertised; or (Y) an application for the appointment of a receiver, administrative receiver, administrator, compulsory manager or other similar officer that is discharged at least five days prior to the first hearing of that application.

(b) If an Event of Default occurs and is continuing, and, in the case of the Events of Default described under paragraph (a)(v) (other than in respect of a failure to comply with the covenants set out in Condition 4.1 (*Financial Covenants*), Condition 4.2 (*Debt Service Reserve Account*), Condition 4.3 (*Limitation on Financial Indebtedness*), Condition 4.4(a) (*Limitation on Dividends, Share Redemption and Restricted Payments — Restrictions on the Issuer*), Condition 4.6(a) (*Limitation on Loans, Credit or Guarantee — Restrictions on the Issuer*), Condition 4.7 (*Negative Pledge*), Condition 4.8 (*Limitation on Sale of Certain Assets*), Condition 4.9 (*Restricted Payment Conditions*), Condition 4.11 (*Issuer Permitted Business*) and Condition 4.12(d) (*Information and Reports; Certificates; Notification of Defaults and Events of Default*)), (a)(viii) or (a)(xi) above, the Trustee has certified in writing that, in its opinion, the happening of such event is materially prejudicial to the interests of the Noteholders, the Trustee:

(i) may in its absolute discretion; and

(ii) shall if it has been directed to do so:

(A) in writing by the holders of not less than 25 per cent. in aggregate of the principal amount of the Notes outstanding; or

(B) by an Extraordinary Resolution of the Noteholders,

subject, in each case, to being indemnified and/or pre-funded and/or secured to its satisfaction, deliver a notice (a "**Note Acceleration Notice**") to the Issuer and the Security Agent declaring the principal of, premium, if any, and any Additional Amounts and accrued interest on all the outstanding Notes immediately due and payable. The ability of the Trustee and the Noteholders to declare, and of the Noteholders to direct the Trustee to declare, the Notes due and payable is subject to the terms of the Intercreditor Agreement.

12. ENFORCEMENT OF SECURITY

(a) At any time after a Note Acceleration Notice has been given to the Issuer, the Trustee:

(i) may in its absolute discretion; and

(ii) shall if it has been directed to do so:

(A) in writing by the holders of not less than 25 per cent. in aggregate of the principal amount of the Notes outstanding; or

(B) by an Extraordinary Resolution of the Noteholders,

subject in each case to being indemnified and/or pre-funded and/or secured to its satisfaction in accordance with the Trust Deed, instruct the Security Agent to make a Request for voting in relation to enforcing the Transaction Security pursuant to the terms of the Intercreditor Agreement (each, a "**Request Instruction**").

(b) The Trustee shall, subject to being indemnified and/or pre-funded and/or secured to its satisfaction in accordance with the Trust Deed, promptly after receiving any Request in relation to enforcement of the Transaction Security, deliver a notice to Noteholders in accordance with Condition 20 (*Notices*) soliciting the direction from holders of the Notes then outstanding (each, a "**Noteholder Direction**") to the Trustee as to whether to instruct the Security Agent to take enforcement action in relation to the Transaction Security pursuant to the Intercreditor Agreement (such instruction, an "**Enforcement Instruction**"). Upon the conclusion of the solicitation of Noteholder Directions, the Trustee shall inform the Issuer and the Security Agent promptly in writing of the aggregate principal amount of Notes represented by the holders of Notes voting in favour of the Enforcement Instruction, if any.

(c) Any enforcement of the Transaction Security will be undertaken by the Security Agent, subject to, and in accordance with, the provisions of the Intercreditor Agreement.

13. NOTEHOLDER ACTION

(a) Subject to Condition 12 (*Enforcement of Security*) above and paragraphs (b) and (c) below, no Noteholder shall be entitled to take any proceedings or other action directly against the Issuer or to enforce the Transaction Security, including:

(i) directing the Trustee to give a Request Instruction or Enforcement Instruction;

(ii) taking or joining any person in taking steps against the Issuer or to enforce the Transaction Security for the purpose of obtaining payment of any amount due from the Issuer to it; and

(iii) initiating or joining any person in initiating any Insolvency Proceedings in relation to the Issuer or the appointment of an Insolvency Official in relation to the Issuer or in relation to the whole or any part of the undertakings or assets of the Issuer.

(b) If the Trustee having become bound to deliver a Note Acceleration Notice to the Issuer fails to do so within 60 days or is unable to do so and that failure or inability is continuing, the holders of not less than 25 per cent. in aggregate of the principal amount of the Notes outstanding may, as applicable, sign and deliver a Note Acceleration Notice to the Issuer in accordance with Condition 11 (*Events of Default*).

(c) If the Trustee having become bound to give a Request Instruction to the Security Agent fails to do so within 60 days or is unable to do so and that failure or inability is continuing, the holders of not less than 25 per cent. in aggregate of the principal amount of the Notes outstanding may, as applicable, give a Request Instruction in writing directly to the Security Agent.

(d) If the Trustee having become bound to inform the Issuer and the Security Agent of the aggregate principal amount of Notes represented by the holders of Notes voting in favour of an Enforcement Instruction fails to do so within 60 days or is unable to do so and that failure or inability is continuing, the Noteholders may provide their Noteholder Direction in writing in relation to the taking of enforcement action in relation to the Transaction Security pursuant to the Intercreditor Agreement directly to the Security Agent.

14. SUBSTITUTION

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 14) as the principal debtor under the Notes and the Trust Deed, of any Subsidiary of the Issuer, any successor in business of the Issuer or any Holding Company of the Issuer, as more fully set forth in the Trust Deed, subject to: (i) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and (ii) certain other conditions set out in the Trust Deed being complied with. As more fully set forth in the Trust Deed (and subject to the conditions and qualifications therein), the Trustee may, without the consent of the Noteholders, also agree with the Issuer as to the substitution of another corporation in place of the Issuer as principal debtor under the Notes and the Trust Deed.

15. REPLACEMENT OF NOTE CERTIFICATE

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or the Principal Paying Agent in London, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (*provided* that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION

(a) The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed, the Notes, the Agency Agreement, the Intercreditor Agreement or the Transaction Security Documents. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer at the request of Noteholders holding not less than ten per cent. in principal amount of the Notes for the time being remaining outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting, the business of which includes the modification of certain of these Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The matters (the "**Basic Terms Modifications**") that require such a quorum are:

(i) changing any date fixed for payment of principal, premium (if any) or interest in respect of the Notes, reducing or cancelling the amount of principal, premium (if any) or interest payable on any date in respect of the Notes, altering the method of calculating the amount of any payment in respect of the Notes on redemption, maturity or following the occurrence of a Change of Control or altering the method of calculating the date for any such payment;

(ii) alteration of the currency in which payments under the Notes are to be made;

(iii) impairing the right to institute suit for the enforcement of any payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date);

(iv) except as provided under Condition 4.7 (*Negative Pledge*), Condition 5 (*The Intercreditor Agreement*) or paragraph (c) of this Condition, make any change to any Intercreditor Agreement (or any amended Intercreditor Agreement or replacement thereof) or any provisions of the Trust Deed affecting the ranking of the Notes and the ranking of the payment obligations under the Notes, in each case in a manner that adversely affects the rights of the Noteholders or directly or indirectly releases the Transaction Security under the Transaction Security Documents, except as permitted by these Conditions, the Trust Deed, any Intercreditor Agreement and the Transaction Security Documents;

(v) alteration of the quorum or majority required to pass an Extraordinary Resolution; and

(vi) alteration of: (A) the definition of "Basic Terms Modifications"; or (B) the quorum requirements for any meeting convened to vote on any Basic Terms Modifications.

An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

The Trust Deed provides that: (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three quarters of the votes cast on such a resolution; (ii) a resolution in writing signed by or on behalf of the holders of not less than three-quarters in principal amount of the Notes for the time being outstanding; or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holder(s) of not less than three quarters in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) The Trustee may (in the case of paragraphs (i)(A), (i)(B) and (ii)) and shall (in the case of paragraph (i)(C)) agree, without the consent of the Noteholders:

(i)

(A) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, the Notes, the Agency Agreement, the Intercreditor Agreement or the Transaction Security Documents (save to the extent such modification, waiver or authorisation relates to any Basic Terms Modification) which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders; or

(B) to any modification which is of a formal, minor or technical nature or to correct a manifest error; or

(C) to any modification which is requested by the Issuer in order to allow the Issuer to comply with any requirements which apply to it under EMIR subject to the Trustee receiving a certificate from the Issuer certifying to the Trustee that the amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR, unless the Trustee is of the opinion that such modification would have the effect of exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or the effect of increasing the obligations or duties or decreasing the protections of the Trustee in any of these Conditions or any of the provisions of the Trust Deed, the Notes, the Agency Agreement, the Intercreditor Agreement or the Transaction Security Documents; or

(ii) to determine that any Event of Default or Default shall not be treated as such, subject to instructions to the contrary from the Noteholders in the form of an Extraordinary Resolution (as further provided in the Trust Deed).

(c) The Trust Deed also provides that at the request and expense of the Issuer and without the consent of the Noteholders, the Trustee and the Security Agent may from time to time enter into one or more amendments to the Transaction Security Documents or the Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency therein or reflect changes of a minor, technical or administrative nature; (2) increase the amount or types of Financial Indebtedness covered by any such agreement that may be incurred by the Issuer that is subject to any such agreement (*provided* that such Financial Indebtedness is incurred in compliance with these Conditions and the terms of the Trust Deed); (3) provide for any Security permitted under these Conditions; (4) add to the Transaction Security; or (5) make any other change thereto that is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

(d) In connection with the exercise by it of any of its trusts, powers or discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 10 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 10 (*Taxation*) pursuant to the Trust Deed.

(e) Any modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders, and any modification, unless the Trustee agrees otherwise, or substitution shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 20 (*Notices*).

17. THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

Subject to the terms of the Intercreditor Agreement, the Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer or the Parent as it may think fit to enforce the provisions of these Conditions, the Trust Deed, the Notes, the Intercreditor Agreement or any Transaction Security Documents (as applicable), but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Intercreditor Agreement or any Transaction Security Documents unless: (i) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding and shall not have received any contrary direction by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least 50 per cent. in principal amount of the Notes then outstanding; and (ii) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

The Trustee may rely on any certificate or report of the Issuer's auditors or any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed, the Intercreditor Agreement or any Transaction Security Documents notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors of the Issuer or such other person in respect thereof.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*: (a) to enter into business transactions with the Parent and/or the Parent's other Subsidiaries (including the Issuer) and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Parent and/or any of the Parent's other Subsidiaries; (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders; and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee shall not be required to review or check any accounts or other information provided to it by the Issuer pursuant to the Trust Deed and will have no liability to any person as a result of any failure to do so.

18. NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND SHAREHOLDERS

No director, officer, employee, incorporator, member or shareholder of the Issuer will have any liability for any obligations of the Issuer under the Notes, or the Trust Deed or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Noteholder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver and release may not be effective to waive liabilities under the US federal securities laws.

19. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Noteholders (but subject to compliance with the provisions of Condition 4.1 (*Financial Covenants*) to create and issue further bonds or notes ranking *pari passu* in all respects (or in all respects, *inter alia*, save for the first payment of interest thereon, the first interest payment date and the issue date) and so that the same shall be consolidated and form a single series with the outstanding bonds or notes of any series (including the Notes) constituted by the Trust Deed or any deed supplemental thereto (the "**Additional Notes**"). Any Additional Notes shall be constituted by a deed supplemental to the Trust Deed.

20. NOTICES

Notices to Noteholders will be valid if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the London Stock Exchange and any other listing authority, stock exchange and/or quotation system on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

21. DEFINITIONS

"**Additional Notes**" has the meaning given to that term in Condition 19 (*Further Issues*).

"**Affiliate**" means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

"**Applicable Accounting Principles**" means (as applicable) generally accepted accounting principles in the United Kingdom or International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time).

"**Applicable Redemption Premium**" means, with respect to a Note, the greater of:

(a) 2.1875 per cent. of the principal amount of the Note; and

(b) the excess of:

  (i) the present value at such redemption date of: (i) the redemption price of the Note if redeemed at 7 April 2023 (as set out in Condition 7.2(a) (*Optional Redemption*) and such amount being calculated exclusive of accrued and unpaid interest and Additional Amounts); plus (ii) all scheduled interest payments due on the Note during the period between the redemption date and 7 April 2023 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Gilt Rate on such redemption date plus 50 basis points; over

  (ii) the principal amount of the Note,

as calculated by the Issuer or on behalf of the Issuer by such person as the Issuer shall designate.

"**Authorised Investments**" means:

(a) securities issued by the government of the UK; or

(b) demand or time deposits, certificates of deposit and short term unsecured debt obligations, including commercial paper, provided that the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated at least the Minimum Short-term Rating; or

(c) any other obligations, provided that in each case the relevant investment has at least the Minimum Short-term Rating and is either denominated in pounds sterling or has been hedged in accordance with the Hedging Policy (as defined in the Master Definitions Agreement); or

(d) any money market funds or equivalent investments which have a rating of at least AAA by S&P, AAA by Fitch and Aaa by Moody's.

For the avoidance of doubt, "**Authorised Investments**" shall not include:

(i) any structured or asset-backed securities or instruments, including collateralised debt obligations, securities or instruments backed by mortgages, mortgage-related instruments, home equity loans, credit card receivables, automobile receivables, student loans or other securities or assets;

(ii) any derivatives, hedging instruments, credit linked notes or similar instruments;

(iii) any securities or instruments issued by any structured vehicle, including any structured investment vehicle or limited purpose company generally formed for the purpose of undertaking arbitrage activities by purchasing mostly medium and long-term assets and funding itself with mostly short-term securities or instruments such as commercial paper and medium-term notes; or

(iv) investments in any money market or liquidity funds that target investment in or hold any such securities or instruments referenced in paragraphs (i), (ii) or (iii) above.

"**Available Enforcement Proceeds**" has the meaning given to the term in the Intercreditor Agreement.

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

"**Calculation Date**" means 30 June and 31 December (and at the option of the Issuer, if it wishes to make a Controlled Payment on a quarterly basis, 31 March or 30 September (as applicable)) in each year, subject to any amendment to align with a change in the financial year end of the Issuer.

A "**Change of Control**" shall be deemed to have occurred if at any time following the Issue Date, any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers) other than the Permitted Shareholders (individually or together), directly and/or indirectly:

(a) has the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

  (i) cast, or control the casting of, more than 50 per cent, of the maximum number of votes that might be cast at a general meeting of the Issuer; or

  (ii) appoint or remove the majority of the directors or other equivalent officers of the Issuer; or

(b) holds beneficially more than 50 per cent. of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital).

"**Common Terms Agreement**" means the common terms agreement entered into on 15 February 2011 (as amended, restated, novated and/or supplemented from time to time) between, among others, Gatwick Airport Limited, Gatwick Funding Limited, the Subsidiary Group Companies and the Borrower Security Trustee.

"**Compliance Certificate**" has the meaning given in paragraph (b) of Condition 4.12 (*Information and Reports; Certificates; Notification of Defaults and Events of Default*).

"**Companies Act**" means the Companies Act 2006.

"**Controlled Payment**" means any payment, loan or other transaction restricted by the provisions of Conditions 4.4 (*Limitation on Dividends, Share Redemption and Restricted Payment*) or 4.6 (*Limitation on Loans, Credit or Guarantee*).

"**Controlled Payment Certificate**" means a certificate in the form set out in Schedule 5 to the Trust Deed.

"**Controlled Payment Conditions**" mean the following:

(a) no Default is continuing or would result from such Controlled Payment;

(b) at the time such Controlled Payment is made:

  (i) the Group RAR for the most recent Calculation Date is not greater than 0.95 after giving pro forma effect to the Controlled Payment; and

  (ii) the Issuer has delivered a Controlled Payment Certificate to the Trustee; and

(c) the Controlled Payment is made within:

  (i) in respect of a Calculation Date falling in June or December, the 95-day period commencing on the date of delivery of the most recent Compliance Certificate or, if later, the date on which any Financial Statements required to be delivered with such Compliance Certificate are delivered;

  (ii) in respect of a Calculation Date falling in March or September, within the 65-day period commencing on such Calculation Date.

"**Debt Service**" means all amounts of scheduled interest and principal payable in respect of the Notes.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**Designated Website**" means an electronic website designated by the Issuer through which it can distribute the documents required under Condition 4.12 (*Information and Reports; Certificates; Notification of Defaults and Events of Default*).

"**Enforcement Instruction**" has the meaning given to that term in paragraph (b) of Condition 12 (*Enforcement of Security*).

"**Equity Cure Amount**" means an amount:

(a) subscribed for in cash by the Parent for ordinary shares in the Issuer; or

(b) lent by the Parent to the Issuer in cash by way of Parent Liabilities.

"**Event of Default**" has the meaning given to that term in paragraph (a) of Condition 11 (*Events of Default*).

"**Extraordinary Resolution**" means a resolution of a meeting of Noteholders satisfying the relevant requirements set forth in Condition 16 (*Meetings of Noteholders, Modification, Waiver and Authorisation*).

"**Financial Indebtedness**" means, without double counting, any indebtedness for or in respect of:

(a) moneys borrowed or raised (whether or not for cash);

(b) any documentary or standby letter of credit facility;

(c) any acceptance credit;

(d) any bond, note, debenture, loan stock or other similar instrument;

(e) any finance or capital lease or hire purchase contract which would, in accordance with Applicable Accounting Principles, be treated as such;

(f) any amount raised pursuant to any issue of shares which are capable of redemption;

(g) receivables sold or discounted (other than on a non-recourse basis to any member of the Group);

(h) the amount of any liability in respect of any advance or deferred purchase agreement if either one of the primary reasons for entering into such agreement is to raise finance or the relevant payment is advanced or deferred for a period in excess of 90 days;

(i) any termination amount due from any member of the Group in respect of any Treasury Transaction that has terminated;

(j) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing (other than any trade credit or indemnity granted in the ordinary course of trading and upon terms usual for such trade);

(k) any counter indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; and

(l) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in paragraphs (a) to (k) (other than any guarantee or indemnity given in respect of obligations owed by one member of the Group to another).

"**Fitch**" means Fitch Ratings Limited and any successor to the rating agency business of Fitch Ratings Limited.

"**Gilt Rate**" means the yield to maturity at the time of computation of direct obligations of the United Kingdom with a constant maturity (as compiled by the Office for National Statistics and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to 7 April 2023; provided, however, that if the period from the redemption date to 7 April 2023 is not equal to the constant maturity of a direct obligation of the United Kingdom for which a weekly average yield is given, the Gilt Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the United Kingdom for which such yields are given, except that if the period from such redemption date to 7 April 2023 is less than one year, the weekly average yield on actually traded direct obligations of the United Kingdom adjusted to a constant maturity of one year shall be used.

"**Group**" means the Issuer and each of its Subsidiaries for the time being.

"**Group Net Debt**" means, as at any date, the sum of Senior Net Debt, CCFF Debt (as defined in the Master Definitions Agreement), Junior Debt and Issuer Net Debt.

"**Group RAR**" means the ratio of Group Net Debt to RAB.

"**Hedging Liabilities**" has the meaning given to that term in the Intercreditor Agreement.

"**Holding Company**" means a holding company within the meaning of section 1159 of the Companies Act.

"**Insolvency Official**" means, in connection with any Insolvency Proceedings in relation to a company, a liquidator, provisional liquidator, administrator, administrative receiver, receiver, manager, nominee, supervisor, trustee, conservator, guardian or other similar official in respect of such company or in respect of all (or substantially all) of the company's assets or in respect of any arrangement or composition with creditors.

"**Insolvency Proceedings**" means in respect of any company, the winding-up, liquidation, dissolution or administration of such company, or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or of any jurisdiction in which such company, carries on business including the seeking of liquidation, winding up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

"**Intercreditor Agreement**" means the Intercreditor Agreement dated on or around 7 April 2021 (as amended, waived, restated, novated, replaced and/or supplemented from time to time) between, amongst others, the Issuer, the Trustee and the Security Agent.

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Investor Report**" means a report required to be delivered pursuant to paragraph 3 (*Investor Reports*) of part 1 (*Information Covenants*) of schedule 2 (*Covenants*) to the Common Terms Agreement provided, however, that the Investor Report furnished to the Trustee pursuant to paragraph (a)(iii) of Condition 4.12 (*Information and Reports; Certificates; Notification of Defaults and Events of Default*) shall also include a supplement setting out the additional calculations for Group RAR.

"**Investors**" means GIP Gemini Fund, L.P., GIP Gemini FF Fund, L.P., Global Infrastructure Partners Cascade I, L.P., Tower Bridge Infrastructure Partners, L.P. and Vinci Airports SAS.

"**Issue Date**" means 7 April 2021.

"**Issuer Net Debt**" means, at any time, the aggregate amount of all indebtedness of the Issuer for or in respect of Issuer Secured Debt but deducting the aggregate amount of cash and Authorised Investments held by the Issuer.

"**Issuer Secured Debt**" means, at any time, without double counting, the outstanding principal or capital amount of any Financial Indebtedness of the Issuer (for the avoidance of doubt not including any indebtedness of any Subsidiary Group Companies or Parent Liabilities) which is secured pursuant to the Transaction Security Documents.

"**Issuer Secured Liabilities**" means the Note Liabilities and any Additional Facility Liabilities, Additional Note Liabilities and Additional PP Liabilities (as each capitalised term is defined in the Intercreditor Agreement).

"**Junior Debt**" means any financial accommodation that is, for the purposes of the STID, to be treated as Junior Debt.

"**London Stock Exchange**" means London Stock Exchange plc or any other body to which its functions have been transferred.

"**Master Definitions Agreement**" means the master definitions schedule entered into by, among others, Gatwick Airport Limited and the Borrower Security Trustee dated on 15 February 2011 (as amended, restated, novated and/or supplemented from time to time).

"**Maturity**" means, with respect to any indebtedness, the date on which any principal of such indebtedness becomes due and payable as therein or herein provided, whether at the stated maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"**Maturity Date**" means 7 April 2026.

"**Minimum Short-term Rating**" means, in respect of any person, such person's short-term unsecured debt obligations being rated, in the case of S&P, "A-2" and in the case of Fitch "F1", and in the case of Moody's, P-2.

"**Moody's**" means Moody's Investors Service Limited and any successor to the ratings business of Moody's Investors Service Limited.

"**Note Acceleration Notice**" has the meaning given to that term in paragraph (b) of Condition 11 (*Events of Default*).

"**Noteholder Direction**" has the meaning given to that term in paragraph (b) of Condition 12 (*Enforcement of Security*).

"**Officer's Certificate**" means a certificate signed by one director of the Issuer addressed and delivered to the Trustee.

"**Parent**" means Ivy Super Topco Limited.

"**Parent Liabilities**" means all Liabilities (as defined in the Intercreditor Agreement) owed by the Issuer to the Parent.

"**Permitted Issuer Debt**" means any Financial Indebtedness incurred by the Issuer where:

(a) the Issuer is the only borrower of that Financial Indebtedness;

(b) that Financial Indebtedness is not guaranteed by the Parent or any Subsidiary of the Issuer;

(c) the only Security for that Financial Indebtedness is Transaction Security;

(d) unless the Financial Indebtedness incurred is to be applied in full (less related transaction costs) to refinance existing Financial Indebtedness of the Group:

   (i) when that Financial Indebtedness is incurred, Pro Forma Group RAR is not greater than 0.95 thereafter after giving *pro forma* effect to: (i) the incurrence of the Financial Indebtedness; and (ii) the application of the proceeds thereof; and

   (ii) no Event of Default is continuing when that Financial Indebtedness is incurred; and

(e) that Financial Indebtedness:

   (i) is permitted by the Intercreditor Agreement to be designated as Issuer Secured Liabilities; and

   (ii) (A) is designated Issuer Secured Liabilities before any such Financial Indebtedness is incurred by the Issuer; and (B) the creditors or, if applicable, their representatives in respect of that Financial Indebtedness have acceded to the Intercreditor Agreement in accordance with its terms.

"**Permitted Financial Indebtedness**" means Financial Indebtedness:

(a) arising in respect of any Permitted Issuer Debt; or

(b) which are Hedging Liabilities or Parent Liabilities.

"**Permitted Security**" means:

(a) Security arising under the Transaction Security Documents;

(b) Security comprising a netting or set-off arrangement entered into by the Issuer or Intermediate HoldCo in the ordinary course of its banking arrangements;

(c) a right of set-off, banker's lien or the like arising by operation of law or by contract by virtue of the provision of any overdraft facility and like arrangements arising as a consequence of entering into arrangements on the standard terms of any bank providing an overdraft;

(d) Security arising under statute or by operation of law in favour of any government, state or local authority in respect of taxes, assessments or government charges which are being contested by the Issuer or Intermediate HoldCo (as relevant) in good faith and with a reasonable prospect of success;

(e) Security created in respect of any pre-judgement legal process or any judgment or judicial award relating to security for costs, where the relevant proceedings are being contested by the Issuer or Intermediate HoldCo (as relevant) in good faith by appropriate procedures and with a reasonable prospect of success;

(f) any Security arising in the ordinary course of business and securing amounts not more than 90 days overdue or if more than 90 days overdue, the original deferral was not intended to exceed 90 days and such amounts are being contested in good faith;

(g) a lien arising under statute or by operation of law (or by agreement having substantially the same effect) and in the ordinary course of business provided that such lien is discharged within 30 days of the Issuer or Intermediate HoldCo (as relevant) becoming aware that the amount owing in respect of such lien has become due;

(h) any payment or close-out netting or set-off arrangement pursuant to any Treasury Transaction or foreign exchange transaction entered into by the Issuer that constitutes Permitted Financial Indebtedness, excluding any Security or Quasi Security under a credit support arrangement; and

(i) Security incurred in the ordinary course of business of the Issuer or Intermediate HoldCo with respect to obligations that do not exceed £5 million (or the equivalent thereof in any other currency or currencies) at any one time outstanding.

"**Permitted Shareholders**" means:

(a) each Investor and each of their Affiliates; or

(b) any trust of which an Investor or any of their Affiliates is a trustee, any partnership of which any Investor or any of their Affiliates is a partner and any trust, fund or other entity which is managed by, or is under the control of, any Investor or any of their Affiliates.

"**Person**" means any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality).

"**Pro Forma Group RAR**" shall be determined using Senior Net Debt, Junior Debt, CCFF Debt and Issuer Net Debt (as applicable) and RAB set out in the most recent financial statements (which may include monthly management accounts) available to the Issuer, adjusted to take into account the relevant transaction and any other such transactions since the date to which those accounts were prepared.

"**Quasi Security**" has the meaning given to that term in paragraph (a) of Condition 4.7 (*Negative Pledge*).

"**RAB**" has the meaning given to that term in the Master Definitions Agreement.

"**Relevant Taxing Jurisdiction**" has the meaning given to that term in Condition 10 (*Taxation*).

"**Request**" has the meaning given to that term in the Intercreditor Agreement.

"**Request Instruction**" has the meaning given to that term in paragraph (a) of Condition 12 (*Enforcement of Security*).

"**Restricted Payment**" has the meaning given to that term in the Master Definitions Agreement.

"**Restricted Payment Condition**" means each of:

(a) the conditions set out in the definition of "Restricted Payment Condition" in the Master Definitions Agreement; and

(b) the restrictions on making Restricted Payments set out in the amendment and waiver agreement between, among others, Gatwick Airport Limited and the Borrower Security Trustee (as defined in the Master Definitions Agreement) dated 21 September 2020.

"**S&P**" means S&P Global Ratings UK Limited or any successor to the rating business of S&P Global Ratings UK Limited.

"**Security**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Security Agent**" means Deutsche Trustee Company Limited, and its successors, as security trustee and security agent in respect of the Transaction Security under the Intercreditor Agreement and the Transaction Security Documents.

"**Security Group**" has the meaning given to that term in the Master Definitions Agreement.

"**Senior Debt**" has the meaning given to that term in the Master Definitions Agreement.

"**Senior Finance Documents**" means the "Finance Documents" as defined in the Master Definitions Agreement.

"**Senior Net Debt**" means the sum of: (i) Senior Debt (other than amounts committed but not outstanding under an Authorised Credit Facility); plus (ii) amounts drawn on the Liquidity Facility (other than in respect of a Standby Drawing) and amounts drawn from the Liquidity Standby Account; plus (iii) any Permitted Financial Indebtedness (as defined in the Master Definitions Agreement) (other than the CCFF Debt) incurred pursuant to paragraphs (a)(iv) to (a)(viii) of the definition thereof that is not, pursuant to the STID, subordinated to the Senior Debt; *less* amounts held in Authorised Investments or cash in any Borrower Account (excluding any Excluded Cash). Terms used in this definition but not defined have the meanings given to them in the Master Definitions Agreement.

"**Sterling**" or "**£**" means the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

"**STID**" has the meaning given to that term in the Master Definitions Agreement.

"**Subsidiary**" means:

(a) a subsidiary within the meaning of section 1159 of the Companies Act; and

(b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act.

"**Subsidiary Group Company**" means each direct or indirect Subsidiary of the Issuer.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest) and Taxes, taxation, taxable and comparable expressions will be construed accordingly.

"**Transaction Security**" means the Security created or expressed to be created in favour of the Security Agent pursuant to the Transaction Security Documents.

"**Transaction Security Documents**" means:

(a) the debenture of the Issuer (including a first-ranking charge of all the issued share capital of the Intermediate HoldCo);

(b) the debenture of the Parent (constituting a first-ranking charge of all the issued share capital of the Issuer and an assignment of its rights in respect of Parent Liabilities); and

(c) any other document entered into by the Issuer or the Parent creating or expressed to create any Security over all or any part of the Parent's or the Issuer's assets in respect of Permitted Issuer Debt, in each case, as amended, waived, restated, novated, replaced and/or supplemented from time to time.

"**Treasury Transaction**" means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index-linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap or combined similar agreement or any derivative transaction protecting against or benefitting from fluctuations in any rate or price.

22. GOVERNING LAW

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with the Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law.

23. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Global Certificate which will be registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg on or around the Issue Date.

The Global Certificate will become exchangeable in whole, but not in part, for individual Note Certificates ("**Individual Note Certificates**") in the denominations of £100,000 and integral multiples of £1,000 in excess thereof, up to and including £199,000 if either of the following events (each, an "**Exchange Event**") occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (b) any of the circumstances described in Condition 11 (*Events of Default*) occurs.

So long as the Notes are represented by a Global Certificate and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of £100,000 and integral multiples of £1,000 in excess thereof, notwithstanding that no Individual Note Certificates will be issued with a denomination above £199,000.

Whenever the Global Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure the prompt delivery (free of charge to the registered holder) of such Individual Note Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the Global Certificate to the registered holder of the Global Certificate. A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Note Certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Certificate will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Certificate, the Issuer shall procure that the payment is noted in a schedule thereto.

Payments on business days: In the case of all payments made in respect of the Global Certificate "**business day**" means any day which is a day on which dealings in foreign currencies may be carried on in London.

Payment Record Date: Each payment in respect of a Global Certificate will be made to the person shown as the Noteholder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment where "**Clearing System Business Day**" means a day on which Euroclear, Clearstream, Luxembourg and/or other relevant clearing system is open for business

Exercise of put option: In order to exercise the option contained in Condition 7 (*Redemption and Purchase – Purchase of Notes Upon a Change of Control*) the bearer of the Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent, in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and/or other relevant clearing system, specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by the Global Certificate and the Global Certificate is registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices are deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

Electronic Consent and Written Resolution: While any Global Certificate is held on behalf of a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the

Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which a special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and will be binding on all Noteholders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee are entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee are entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner is binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer or the Trustee are not liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

TAXATION

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs' practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes, which may be subject to change (sometimes with retrospective effect). The comments below may not apply to certain classes of person (such as dealers and persons connected to the Issuer). The following is not exhaustive and does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Payment of Interest on the Notes

The Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**") (for the purposes of section 987 of the Act) or admitted to trading on a "multilateral trading facility" operated by a regulated recognised stock exchange (within the meaning of section 987 of the Act). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they carry a right to interest and are and continue to be included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange.

Interest on the Notes may also be paid without withholding or deduction of or on account of United Kingdom income tax where the maturity of the Notes is less than 365 days from the date of issue and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes that have a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 14 (*Substitution*) of the Notes or otherwise and does not consider the tax consequences of any such substitution.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, IGAs, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under Condition 19 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Banco Santander, S.A., Barclays Bank PLC and NatWest Markets Plc (the "**Joint Global Co-ordinators**") and Crédit Agricole Corporate and Investment Bank, Lloyds Bank Corporate Markets plc and National Australia Bank Limited (ABN 12 004 044 937) (together with the Joint Global Co-ordinators, the "**Joint Bookrunners**") have, in a subscription agreement dated 6 April 2021 (the "**Subscription Agreement**") and made between the Issuer and the Joint Bookrunners upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their issue price of 100 per cent. of their principal amount. The Issuer has also agreed to reimburse the Joint Bookrunners for certain of their expenses incurred in connection with the management of the issue of the Notes. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Bookrunners has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes within the United States. In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; and/or

(b) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; and/or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other

Each Joint Bookrunner has further represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended (the "**FIEA**")). Accordingly, each Joint Bookrunner has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell the Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

Each Joint Bookrunner has represented, warranted and agreed that it has (to the best of its knowledge and belief) complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 19 March 2021.

Listing and Trading

2. Applications have been made for the Notes to be admitted to listing on the Official List of the FCA and to trading on the Main Market of the London Stock Exchange of the London Stock Exchange. The total expenses related to the admission to trading are expected to be £5,515.

Legal and Arbitration Proceedings

3. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and the Group.

Significant/Material Change

4. Save as disclosed in "*Risk Factors – Covid-19*" in this Prospectus and save as disclosed in note 1 (*Basis of preparation*) to the notes to the consolidated financial statements of the Issuer on pages F-15 and F-16 of this Prospectus regarding the existence of a material uncertainty which may cast significant doubt about the Group's ability to adopt a going concern basis of preparation for the financial statements, there has been no material adverse change in the prospects of the Issuer since 31 December 2020.

5. Save as disclosed in "*Risk Factors – Covid-19*" in this Prospectus and save as disclosed in note 1 (*Basis of preparation*) to the notes to the consolidated financial statements of the Issuer on pages F-15 and F-16 of this Prospectus regarding the existence of a material uncertainty which may cast significant doubt about the Group's ability to adopt a going concern basis of preparation for the financial statements, there has been no significant change in the financial position or financial performance of the Group since 31 December 2020.

Auditors

6. The auditors of the Issuer are PricewaterhouseCoopers LLP at The Portland Building, 25 High Street, Crawley, West Sussex, RH10 1BG.

7. PricewaterhouseCoopers LLP have audited the accounts of the Issuer for the year ended 31 December 2020 and the nine months ended 31 December 2019, in each case, without qualification, in accordance with International Finance Reporting Standards. The unqualified auditor's report from PricewaterhouseCoopers LLP on the financial statements of the Issuer with respect to the financial year ended 31 December 2020 contains an emphasis of matter paragraph relating to the general uncertainties related to the effects of Covid-19. The emphasis of matter paragraph in that opinion reads: "Management's forecasts assume that as the vaccine roll out extends through the UK and overseas there is a reasonable prospect of a relaxing of current lockdown and travel restrictions by the summer of 2021. However, should they extend, or be reimposed, in key summer trading months, this would likely significantly adversely impact projected passenger numbers through the airport. This would reduce cash flows from operations and as a consequence could result in the Group breaching its senior interest cover ratio covenant when next assessed as at 31 December 2021. This in turn would expose the Group to the risk that all the existing debt would fall due for immediate repayment. In addition, the Group's £300 million term loan facility currently falls due for repayment in October 2021 albeit this date can be extended, at the Group's option, to April 2022. Whilst the directors are confident that they will be able to refinance this debt this has not been agreed as at the date of approval of these financial statements. Given the existence of these risks and the fact that any remedies that could be needed have not been executed as at the date of this report this represents a material uncertainty that may cast significant doubt upon the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.". PricewaterhouseCoopers LLP has no material interest in the Issuer.

8. PricewaterhouseCoopers LLP have also given, and have not withdrawn, their consent to the inclusion of their report on the Pro Forma Financial Information in this Prospectus in the form and context in which it is included.

9. KPMG LLP at 1 Forest Gate, Brighton Road, Crawley, West Sussex, RH11 9PT audited the accounts of the Issuer for the financial year ended 31 March 2019, without qualification, in accordance with International Finance Reporting Standards. KPMG LLP has no material interest in the Issuer.

Availability of Financial Statements

10. The audited annual financial statements of the Issuer will be prepared as at 31 December in each year. The Issuer intends to provide semi-annual unaudited financial information under the terms of the Conditions. The unaudited interim financial information of the Issuer will be prepared as at 30 June in each year. All future audited annual financial statements (and any published interim financial information) of the Issuer will be available free of charge at www.gatwickairport.com/investor.

Documents on Display

11. For the twelve months from the date of this Prospectus, copies of the following documents will, when available, be available on the websites identified below:

    (a) the Memorandum and Articles of Association of the Issuer (available at https://find-and-update.company-information.service.gov.uk/);

    (b) the audited consolidated financial statements for the Issuer (and audit reports thereon), for the financial years ended 31 March 2019, 31 December 2019 and 31 December 2020 (available at www.gatwickairport.com/investor);

    (c) a copy of this Prospectus (available at www.gatwickairport.com/investor); and

    (d) the Trust Deed (available at www.gatwickairport.com/investor).

    The Intercreditor Agreement and the Transaction Documents (other than the Dealership Agreement) (as the same may be amended, varied, supplemented or novated from time to time), and the Intercreditor Agreement and the Transaction Documents will be available for inspection during normal business hours by Noteholders at the office of the Trustee.

Credit Ratings

12. The Notes are expected to be rated Ba3 (negative outlook) by Moody's and BB- (negative outlook) by Fitch. In accordance with Fitch's ratings definitions available as at the date of this Prospectus on https://www.fitchratings.com/products/rating-definitions, a rating of "BB" indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments. In accordance with Moody's ratings definitions available as at the date of this Prospectus on https://www.moodys.com/ratings-process/Ratings-Definitions/002002, obligations rated "Ba3" are judged to be speculative and are subject to substantial credit risk.

Yield

13. On the basis of the issue price of the Notes of 100 per cent. of their principal amount, the yield of the Notes is 4.375 per cent. per annum on a semi-annual basis.

Third Party Information

14. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where it is used.

ISIN and Common Code

15. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS2329602135 and the common code is 232960213.

The Legal Entity Identifier

16. The Legal Entity Identifier (LEI) code of the Issuer is 213800BDRHDHRGTQ1D63.

Conflicts of Interest

17. Certain of the Joint Bookrunners have engaged, and may in the future engage, in investment banking, hedging and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Joint Bookrunners and their affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

    In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. Certain of the Joint Bookrunners of their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Validity of the Prospectus and Prospectus Supplements

18. This Prospectus is valid for twelve months. For the avoidance of doubt, the Issuer has no obligation to supplement this Prospectus after the end of the offer or admission to trading of the Notes.

SELECTED DEFINITIONS

The definitions appearing in this chapter are taken from and relate to the section entitled "Description of Indebtedness". For all other definitions applicable to the Notes, please see "Terms and Conditions of the Notes".

"**Accepted Restructuring Event**"	has the meaning given to it on page 102 of the Prospectus;
"**ACF Agent**"	National Westminster Bank Plc or any successor thereto appointed under the Authorised Credit Facility Agreement;
"**ACF Arrangers**"	those financial institutions listed in part 5 of schedule 11 to the Common Terms Agreement;
"**ACF Finance Party**"	the ACF Agent, the ACF Arrangers, the Borrower Security Trustee, a Lender or an Ancillary Lender;
"**Additional Borrower Secured Creditors**"	any person not already a Borrower Secured Creditor which becomes a Borrower Secured Creditor pursuant to the provisions of clause 2 (*Accession*) of the STID;
"**Additional Indebtedness Tests**"	for the purposes of the definition of Permitted Financial Indebtedness, in order to satisfy the Additional Indebtedness Tests to incur additional Senior Debt, the Senior RAR as at the date such Financial Indebtedness is to be incurred, by reference to the most recently delivered audited annual financial statements or unaudited semi-annual financial statements of the Security Group pursuant to Paragraph 1(a) or (b) (Financial Statements) of Part 1 (Information Covenants) of schedule 2 (Covenants) to the Common Terms Agreement or, if more recent, the latest management accounts of the Security Group, taking into account the proposed additional Financial Indebtedness, must be less than 0.70, except in the case of a drawing used to fund RAB-Eligible Capex under the Capex Facility, in which case the Senior RAR as at the date such Financial Indebtedness is to be incurred must be less than 0.725;
"**Additional SP Contributions**"	(a) any loan made by a Subordinated Intragroup Creditor to Security Parent and which will upon the making of such loan constitute a Subordinated Intragroup Liability; and (b) the proceeds of any subscription for shares issued by Security Parent to its Holding Company;
"**Advance**"	the principal amount lent by GFL to the Borrower under a Borrower Loan Agreement in respect of bonds issued on the related Issue Date;
"**Affected Borrower Secured Creditor**"	each Borrower Secured Creditor (and where GFL is the relevant Affected Borrower Secured Creditor, each GFL Secured Creditor (the "**Affected GFL Secured Creditor**")) who is affected by an Entrenched Right;
"**Agent**"	each of the Paying Agents, the Principal Paying Agent, the Transfer Agents, the Calculation Agent, the Agent Bank, the Registrar and the Exchange Agent or any other agent appointed by GFL pursuant to the Bond Agency Agreement or a Calculation Agency Agreement and "**Agents**" means all of them;
"**Agent Bank**"	Deutsche Bank AG, London Branch (or any successor thereto) in its capacity as agent bank under the Bond Agency Agreement;
"**Applicable Accounting Principles**"	UK GAAP or IFRS (as applicable);
"**Authorised Credit Facility**" or "**ACF**"	any facility, agreement or finance lease entered into by the Borrower for Senior Debt or Junior Debt as permitted by the terms of the Common Terms Agreement the providers of which are parties to or have acceded to the STID and the Common Terms Agreement, and

includes a Borrower Loan Agreement, the Initial Facilities, the Liquidity Facility and: (a) any fee letter or commitment letter entered into in connection with the foregoing facilities or agreements or the transactions contemplated in the foregoing facilities; and (b) any other document (not being a Common Document) that has been entered into in connection with the foregoing facilities or agreements or the transactions contemplated thereby that has been designated as a document that should be deemed to be an Authorised Credit Facility for the purposes of this definition by the parties thereto (including at least one Senior Obligor);

"**Authorised Credit Provider**" a lender or other provider of credit or financial accommodation under any Authorised Credit Facility;

"**Authorised Investments**"

(a) securities issued by the government of the UK; or

(b) demand or time deposits, certificates of deposit and short term unsecured debt obligations, including commercial paper, **provided that** the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated at least the Minimum Short-term Rating; or

(c) any other obligations, **provided that** in each case the relevant investment has at least the Minimum Short-term Rating and is either denominated in pounds sterling or (following the date on which the UK becomes a Participating Member State) euro or has been hedged in accordance with the Hedging Policy; or

(d) any money market funds or equivalent investments which have a rating of at least AAA by S&P, AAA by Fitch and Aaa by Moody's.

For the avoidance of doubt, "**Authorised Investments**" shall not include:

(i) any structured or asset-backed securities or instruments, including collateralised debt obligations, securities or instruments backed by mortgages, mortgage-related instruments, home equity loans, credit card receivables, automobile receivables, student loans or other securities or assets;

(ii) any derivatives, hedging instruments, credit linked notes or similar instruments;

(iii) any securities or instruments issued by any structured vehicle, including any structured investment vehicle or limited purpose company generally formed for the purpose of undertaking arbitrage activities by purchasing mostly medium and long-term assets and funding itself with mostly short-term securities or instruments such as commercial paper and medium-term notes; or

(iv) investments in any money market or liquidity funds that target investment in or hold any such securities or instruments referenced in paragraphs (i), (ii) or (iii) above;

"**Available Standby Amount**" an amount equal to the aggregate of all outstanding Standby Drawings less an amount equal to the aggregate of all withdrawals made by the Borrowers from the Liquidity Standby Account in respect of amounts funded by way of Standby Drawings;

"**Bearer Bonds**" those Bonds which are in bearer form;

"Bearer Definitive Bond" a Bearer Bond in definitive form issued or, as the case may require, to be issued by GFL in accordance with the provisions of the Dealership Agreement or any other agreement between GFL and the relevant Dealer(s), the Bond Agency Agreement and these presents in exchange for either a Temporary Bearer Global Bond or part thereof or a Permanent Bearer Global Bond (all as indicated in the applicable Final Terms or Pricing Supplement (as the case may be)), such Bearer Bond in definitive form being in the form or substantially in the form set out in part 3 (*Form of Bearer Definitive Bond*) of the schedule 2 (*Form of Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed with such modifications (if any) as may be agreed between GFL, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant stock exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms or Pricing Supplement (as the case may be) and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms or Pricing Supplement (as the case may be) endorsed thereon or attached thereto and (except in the case of a Zero Coupon Bond in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue;

"Bond Agency Agreement" the agreement dated on the Establishment Date (as amended, restated, novated and/or supplemented from time to time) between GFL and the Agents referred to therein under which, amongst other things, the Principal Paying Agent is appointed as issuing agent, principal paying agent and agent bank for the purposes of the Programme;

"Bond Enforcement Notice" a notice delivered by the Bond Trustee to GFL in accordance with the terms and conditions of the Bonds which declares the Bonds to be immediately due and payable;

"Bond Event of Default" the events of default in respect of the Bonds set out in the terms and conditions of the Bonds following which the Bonds can be declared immediately due and payable;

"Bond Trust Deed" the bond trust deed dated on the date of the Common Terms Agreement (as amended, restated, novated and/or supplemented from time to time) between, GFL and the Bond Trustee under which Bonds will, on issue, be constituted and any deed supplemental thereto;

"Bond Trustee" Deutsche Trustee Company Limited or any other or additional trustee appointed pursuant to the Bond Trust Deed, for and on behalf of the Bondholders, the Receiptholders and the Couponholders;

"Bondholders" the several persons who are for the time being holders of the outstanding Bonds (being, in the case of Bearer Bonds, the bearers thereof and, in the case of Registered Bonds, the several persons whose names are entered in the register of holders of the Registered Bonds as the holders thereof) save that, in respect of the Bonds of any Class or Sub-Class, for so long as such Bonds or any part thereof are represented by a Global Bond deposited with a common depositary (in the case of a classic global bond) or common safekeeper (in the case of a new global bond or a Registered Global Bond) for Euroclear and Clearstream, Luxembourg or so long as DTC or its nominee is the registered holder of a Registered Global Bond, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) or, as the case may be, DTC as the holder of a particular nominal amount of the Bonds of such Class or Sub-Class shall be deemed to be the holder of such principal amount of such Bonds (and the holder of the relevant Global Bond shall be deemed not to be the holder) for all purposes of the Bond Trust Deed and the Conditions other than with respect to the payment of principal or interest on such nominal amount of such Bonds and, in the case of DTC or its nominee, voting, giving consents and making requests pursuant to the Bond Trust Deed and the Conditions, the rights to which shall be vested, as against GFL and the Bond Trustee, solely in such common depositary, common safekeeper or, as the case may be, DTC or its nominee and for which purpose such common depositary, common safekeeper or, as the case may be, DTC or its nominee shall be deemed to be the holder of such nominal amount of such Bonds in accordance with and subject to its terms and the provisions of the Bond Trust Deed and the Conditions; and the expressions "**Bondholder**", "**holder**" and "**holder of the Bonds**" and related expressions shall (where appropriate) be construed accordingly;

"**Bonds**" the Class A Bonds and/or the Class B Bonds, as the context may require and "**Bond**" shall be construed accordingly;

"**Borrower**" Gatwick Airport Limited, Ivy Bidco Limited (other than in respect of the Hedging Policy, any Hedging Agreement and certain amendments provisions of the STID) and any entity which accedes to the Common Terms Agreement and the STID as a Borrower;

"**Borrower Accounts**" the Operating Accounts together with any other account of the Borrower that may be opened from time to time (including any Borrower Hedge Collateral Accounts, the Mandatory Standby Repayment Account and any Borrower Liquidity Reserve Account but excluding any Liquidity Standby Account) pursuant to and/or in accordance with any Transaction Document and includes any sub-account or sub-accounts relating to that account and any replacement account from time to time (each a "**Borrower Account**");

"**Borrower Account Bank**" Santander UK or any successor account bank appointed pursuant to the Borrower Account Bank Agreement;

"**Borrower Account Bank Agreement**" the account bank agreement dated on the Establishment Date (as amended, restated, novated and/or supplemented from time to time) between the Borrower, the Borrower Account Bank and the Borrower Security Trustee;

"**Borrower Excess Hedge Collateral**" an amount equal to the value of the collateral (or the applicable part of any collateral) provided by any Borrower Hedge Counterparty to the Borrower in respect of the relevant Borrower Hedge Counterparty's obligations to transfer collateral to the Borrower under the relevant Borrower Hedging Agreement (as a result of the ratings downgrade provisions in that Borrower Hedging Agreement), which is in excess of that Borrower Hedge Counterparty's liability to that Borrower under the relevant Borrower Hedging Agreement, or which the relevant Borrower Hedge Counterparty is otherwise entitled to have returned to it under the terms of the relevant Borrower Hedging Agreement;

"**Borrower Hedge Collateral Account**" each account in the name of the Borrower titled "Borrower Hedge Collateral Account" opened at the Borrower Account Bank in accordance with the provisions of the Common Terms Agreement and the Borrower Account Bank Agreement and includes any sub-account or any securities account or any other custody account relating to that account and any replacement account from time to time;

"**Borrower Hedge Counterparty**" a Hedge Counterparty who is a party to a Borrower Hedging Agreement (together, the "**Borrower Hedge Counterparties**");

"**Borrower Hedge Replacement Premium**"	a premium or upfront payment received by the Borrower from a replacement hedge counterparty under a replacement hedge agreement entered into with the Borrower to the extent of any termination payment due to a Borrower Hedge Counterparty under a Borrower Hedging Agreement;
"**Borrower Hedging Agreement**"	a Hedging Agreement entered into by the Borrower with a Borrower Hedge Counterparty;
"**Borrower Liquidity Reserve Account**"	an account opened in the name of the Borrower and maintained by the Borrower Account Bank pursuant to the terms of the Borrower Account Bank Agreement and credited with a cash reserve for the purpose of satisfying the minimum debt service funding requirements set out in paragraph 3.3 of part 3 (*Trigger Event Remedies*) of schedule 3 (*Trigger Event*) to the Common Terms Agreement or such other account as may be opened, with the consent of the Borrower Security Trustee, at any branch of the Borrower Account Bank in replacement of such account;
"**Borrower Loan Agreement(s)**"	any loan agreement entered into between GFL and the Borrower;
"**Borrower Post-Enforcement Priority of Payments**"	the Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments and the Borrower Post- Enforcement (Post-Acceleration) Priority of Payments and "**Borrower Post-Enforcement Priority of Payments**" means any of them, as the context requires;
"**Borrower Post-Enforcement (Post-Acceleration) Priority of Payments**"	the provisions relating to the order of priority of payments in respect of Senior Debt, Junior Debt and Second Lien Debt following the delivery of a Loan Acceleration Notice as set out in part 2 of schedule 2 (*Borrower Post-Enforcement Priority of Payments*) to the STID;
"**Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments**"	the provisions relating to the order of priority of payments in respect of Senior Debt, Junior Debt and Second Lien Debt following the delivery of a Loan Enforcement Notice but prior to the delivery of a Loan Acceleration Notice as set out in part 2 of schedule 2 to the STID;
"**Borrower Secured Creditor(s)**"	the Borrower Security Trustee (in its own capacity and on behalf of the other Borrower Secured Creditors), GFL, each Hedge Counterparty under each Borrower Hedging Agreement, each Liquidity Facility Provider and the Liquidity Facility Agent (in respect of the GAL Proportion), each other Authorised Credit Provider, the Borrower Account Bank, any Permitted Secured Guarantee Beneficiaries, any Second Lien Creditor and any Additional Borrower Secured Creditors;
"**Borrower Secured Liabilities**"	all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Senior Obligor to any Borrower Secured Creditor under each Finance Document to which such Senior Obligor is a party except for any obligation which, if it were secured under the Borrower Security Agreement, would result in a contravention of Sections 678 and 679 of the Companies Act 2006;
"**Borrower Security**"	the security constituted by the Security Documents including any guarantee or obligation to provide cash collateral or further assurance thereunder;
"**Borrower Security Agreement**"	the deed of charge and guarantee executed in favour of the Borrower Security Trustee by each of the Senior Obligors on the Establishment Date and any other deed of charge supplemental thereto;
"**Borrower Security Trustee**"	Deutsche Trustee Company Limited or any successor appointed pursuant to the STID;

"**Borrower Subordinated Hedge Amounts**"

any termination payment due or overdue to a Borrower Hedge Counterparty under any Borrower Hedging Agreement which arises as a result of the occurrence of an Event of Default (as defined in the relevant Hedging Agreement) where the relevant Borrower Hedge Counterparty is the Defaulting Party (as defined in the relevant Borrower Hedging Agreement) or the occurrence of an Additional Termination Event (as defined in the relevant Borrower Hedging Agreement) following the failure of the relevant Borrower Hedge Counterparty to take action in accordance with the terms of the relevant Borrower Hedging Agreement within the required period following a credit rating downgrade of such Borrower Hedge Counterparty (other than any amount attributable to the return of collateral or any premium or other upfront payment paid to the relevant Borrower to enter into a transaction to replace a Borrower Hedging Agreement (in whole or in part) which shall be paid directly to the Borrower Hedge Counterparties and not in accordance with the Borrower Post-Enforcement Priorities of Payments);

"**BSC Instruction Notice**"

the notice which may be given by any Qualifying Borrower Secured Creditor or Qualifying Borrower Secured Creditors which in aggregate represent at least 10% of the total Outstanding Principal Amount of all Qualifying Borrower Debt (and for this purpose the provisions of Clause 11.2 (*Voting of Bonds by Bondholders*) of the STID shall be deemed to apply, *mutatis mutandis*) to the Borrower Security Trustee under the Common Documents (save in respect of the taking of Enforcement Action or the delivery of a Loan Enforcement Notice or a Loan Acceleration Notice) and the following additional rights:

(a) to appoint a person specified by such Qualifying Borrower Secured Creditor(s) to investigate the calculations contained in any Compliance Certificate or accompanying statement and to call for other substantiating evidence if such Qualifying Borrower Secured Creditor certifies in the BSC Instruction Notice that it has reason to believe that the historical or forward-looking ratios or, with respect to any Compliance Certificate, confirmation of compliance with the financial ratios set out in the statement are incorrect or misleading in accordance with schedule 2, part 1 (Information Covenants), paragraph 2.1 (Compliance Certificate) of the Common Terms Agreement (save for any calculation which has been the subject of a recalculation in accordance with schedule 2, part 1 (Information Covenants), paragraph 2.1(b) (Compliance Certificate) of the Common Terms Agreement); and

(b) following delivery of a Loan Enforcement Notice but prior to delivery of a Loan Acceleration Notice to instruct the Borrower Security Trustee to send a Further Enforcement Instruction Notice in accordance with Clause 18.2 (Enforcement Instruction Notices) of the STID;

"**Calculation Agency Agreement**"

in relation to the Bonds of any Series, means an agreement in or substantially in the form of schedule 1 (*Form of Calculation Agency Agreement*) to the Bond Agency Agreement;

"**Calculation Agent**"

in relation to any Series of Bonds, the person appointed as calculation agent in relation to the Bonds by GFL pursuant to the provisions of a Calculation Agency Agreement (or any other agreement) and shall include any successor calculation agent appointed in respect of the Bonds;

"**Calculation Date**" (other than in any Hedging Agreement where "**Calculation Date**" has the meaning given to it in that Hedging Agreement) 31 December and 30 June (and at the option of a Senior Obligor, if a Senior Obligor wishes to make distributions on an Issue Date or on a quarterly basis in any quarter ending in March or September, each Issue Date, 31 March or 30 September (as applicable)) in each year starting on 31 March 2011 or any other date as may be agreed as a result of a change in the financial year end or regulatory year end date of the Senior Obligor;

"**Capex Facility**" the term loan facility made available under the Initial Authorised Credit Facility Agreement and any replacement capex facility;

"**Capital Expenditure**" or "**Capex**" any investment expenditure (net of associated grants and contributions) incurred (or, in respect of any future period, forecast to be incurred) relating to maintaining base service levels or increases in capacity or enhancement of service levels, quality or security;

"**Carpark Asset Value**" £20,770,000;

"**Cashflow from Operations**" for the purposes of the Common Terms Agreement, the amount of cash flow from operations, including dividends received by any Senior Obligor from any Subsidiary which is not an Senior Obligor, but excluding interest paid, interest received and taxes on income paid as provided in the cash flow statements delivered pursuant to the Common Terms Agreement subject to certain adjustments and limitations provided by paragraph 9 (*Acquisitions, Investments and Joint Ventures*) of part 2 (*Covenants*) of schedule 2 (*Operating and Financial Covenants of the Obligors*) to the Common Terms Agreement;

"**CCFF**" the Joint HM Treasury and Bank of England Covid Corporate Financing Facility;

"**Class**" each class of Bonds, the available Classes of Bonds at the Issue Date being Class A Bonds and Class B Bonds;

"**Common Documents**" the Security Documents, the Common Terms Agreement, the Master Definitions Agreement, the STID, the Borrower Account Bank Agreement and the Tax Deed;

"**Common Terms Agreement**" or "**CTA**" the common terms agreement entered into on the Establishment Date (as amended, restated, novated and/or supplemented from time to time) between, among others, the Senior Obligors, GFL and the Borrower Security Trustee;

"**Compliance Certificate**" a certificate, substantially in the form of schedule 6 (*Form of Compliance Certificate*) to the Common Terms Agreement in which the Borrower periodically provides certain financial information and statements to the Borrower Security Trustee and the Rating Agencies as required by the Common Terms Agreement;

"**Coupon**" an interest coupon appertaining to a Definitive Bond, such coupon being:

(a) if appertaining to a Fixed Rate Bond, a Floating Rate Bond or an Indexed Bond, in the form or substantially in the form set out in part 5 (*Form of Coupon*) of schedule 2 (*Forms of Global and Definitive Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed or in such other form, having regard to the terms of issue of the Bonds of the relevant Sub-Class, as may be agreed between GFL, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s); or

(b) if appertaining to a Definitive Bond which is neither a Fixed Rate Bond nor a Floating Rate Bond nor an Indexed Bond, in such form as may be agreed between GFL, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s),

and includes, where applicable, the Talon(s) appertaining thereto and any replacements for Coupons and Talons issued pursuant to Condition 13 (*Replacement of Bonds, Coupons, Receipts and Talons*);

"**CP Agreement**" the conditions precedent agreement entered into on the Establishment Date between, among others, the Initial ACF Agent, the Liquidity Facility Agent, the Bond Trustee, the Borrower Security Trustee, the GFL Security Trustee, the Agents, the Arranger, the Dealers, GFL, the GFL Cash Manager, the Hedge Counterparties and the Senior Obligors;

"**Cross Currency Hedge Counterparties**" (a) the GFL Hedge Counterparties which are party to a Cross Currency Hedging Agreement and which are party to the STID; and (b) any counterparty to a Cross Currency Hedging Agreement which is or becomes party to the STID in accordance with the STID and "***Cross Currency Hedge Counterparty***" means any of such parties;

"**Cross Currency Hedging Agreement**" any Hedging Agreement in respect of a Treasury Transaction which is a currency swap or exchange transaction;

"**Dealers**" NatWest Markets Plc and any New Dealer (as defined in the Dealership Agreement) appointed in accordance with clause 11 of the Dealership Agreement and excludes any entity whose appointment has been terminated pursuant to clause 10 of the Dealership Agreement and references in the Dealership Agreement to the relevant Dealer shall, in relation to any Bond, be references to the Dealer or Dealers with whom GFL has agreed the initial issue and purchase of such Bond;

"**Dealership Agreement**" the agreement dated on the Establishment Date (as amended, restated, novated and/or supplemented from time to time) between GFL, the Senior Obligors and the Dealers named therein (or deemed named therein) concerning the purchase of Bonds to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto;

"**Decision Period**" the period of time within which the approval of the Borrower Security Trustee is sought as specified in relation to each type of voting matter in the STID;

"**Definitive Bond**" a Bearer Definitive Bond and/or, as the context may require, a Registered Definitive Bond;

"**Discretion Matter**" a matter in which the Borrower Security Trustee may exercise its discretion to approve any request made in a STID Proposal without any requirement to seek the approval of any Borrower Secured Creditor or any of their representatives;

"**Distressed Disposal**" a disposal of an asset of a member of the Security Group which is:

(a) being effected at the request of the Secured Creditor Representative of the relevant Borrower Secured Creditors in circumstances where the Borrower Security has become enforceable;

(b) being effected by enforcement of the Borrower Security; or

(c) being effected, after the occurrence of an Enforcement Action, by a Senior Obligor to a person or persons outside of the Security Group;

has the meaning given to that term in Regulation S under the Securities Act;

"**Enforcement Action**" any step (other than a Permitted Hedge Termination) that a Borrower Secured Creditor is entitled to take to enforce its rights against a Senior Obligor under a Finance Document following the occurrence of a Loan Event of Default including the declaration of a Loan Event of Default, the institution of proceedings, the making of a demand for payment under a guarantee, the making of a demand for cash collateral under a guarantee or the acceleration of Borrower Secured Liabilities by a Borrower Secured Creditor or Borrower Secured Creditors pursuant to the terms of the applicable Senior Finance Documents or the enforcement of the Borrower Security;

"**Enforcement Instruction Notice**" a notice from the Borrower Security Trustee requesting an instruction from the Qualifying Borrower Secured Creditors (through their Secured Creditor Representatives), at any time at which the Borrower Security Trustee has actual notice of the occurrence of a Loan Event of Default under the Common Terms Agreement, as to whether the Borrower Security Trustee should: (i) deliver a Loan Enforcement Notice to enforce all or any part of the Borrower Security; and/or (ii) deliver a Loan Acceleration Notice to accelerate all of the obligations secured under the Borrower Security;

"**Entrenched Rights**" any modification to, consent or waiver under or in respect of, any term of any Common Document if the proposed modification, consent or waiver:

(a) would delay the date fixed for payment of principal, interest or Make-Whole Amount in respect of the relevant Borrower Secured Creditor's debt or would reduce the amount of principal, the rate of interest or the Make-Whole Amount (if any) payable in respect of such debt;

(b) would bring forward the date fixed for payment of principal, interest or Make-Whole Amount in respect of a Borrower Secured Creditor's debt or would increase the amount of principal, the rate of interest or the Make-Whole Amount (if any) payable on any date in respect of the Borrower Secured Creditor's debt;

(c) would have the effect of adversely changing any of the Borrower Post-Enforcement Priorities of Payments or application thereof in respect of a Borrower Secured Creditor (including, in the case of GFL, any GFL Secured Creditor that would be adversely affected by such change);

(d) would have the effect of adversely changing any of the Borrower Pre-Enforcement Priorities of Payments or application thereof in respect of a Borrower Secured Creditor (including, in the case of GFL, any GFL Secured Creditor that would be adversely affected by such change);

(e) would change or would have the effect of changing: (i) any of the following definitions: Affected Borrower Secured Creditor, Qualifying Borrower Debt, Qualifying Borrower Secured Creditors, Qualifying Borrower Senior Debt, Qualifying Borrower Junior Debt, STID Proposal, Discretion Matter, Ordinary Voting Matter, Extraordinary Voting Matter, Voted Qualifying Debt, Reserved Matter, Entrenched Right, Borrower Secured Liabilities, Distressed Disposal; (ii) the Decision Period, Quorum Requirement or voting majority required in respect of any Ordinary Voting Matter, Extraordinary Voting Matter, Enforcement Instruction Notice or Further Enforcement Instruction Notice; (iii) any of the matters that give rise to Entrenched Rights under the STID; or (iv) clause 16.1 (*Scope of Entrenched Rights*) of the STID;

(f) would result in the exchange of the relevant Borrower Secured Creditor's debt for, or the conversion of such debt into, shares, bonds or other obligations of any other person;

(g) would have the effect of changing or would relate to the currency of payment due under the relevant Borrower Secured Creditor's debt (other than due to the United Kingdom becoming one of the countries participating in the third stage of European economic and monetary union pursuant to the Treaty or otherwise participating in European economic and monetary union in a manner with similar effect to such third stage);

(h) would have the effect of changing or would relate to the rights of the relevant debt provider to receive any sums owing to it for its own account in respect of fees, costs, charges, liabilities, taxes, damages, proceedings, claims and demands in relation to any Transaction Document to which it is a party;

(i) would change or would relate to any existing obligation of a Senior Obligor to gross up any payment in respect of the relevant Borrower Secured Creditor's debt in the event of the imposition of withholding taxes (including, in the case of the GFL, any GFL Secured Creditor that would be adversely affected by such change);

(j) would change or have the effect of changing clause 10.3 (*Participating QBS Creditors*) of the STID;

(k) would change or have the effect of changing schedule 3 (*Reserved Matters*) to the STID;

(l) would change or have the effect of changing any trigger event or event of default in respect of financial covenants relating to the Class B Bonds set forth in the Final Terms or Pricing Supplement (as the case may be) of such Class B Bonds;

(m) would release any of the Borrower Security (unless equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the Common Documents;

(n) in respect of each Hedge Counterparty (but in respect of (v) below, each Cross Currency Hedge Counterparty only),

   (i) would change or would have the effect of changing any of the following definitions: Borrower Excess Hedge Collateral, Borrower Hedge Replacement Premium, Borrower Subordinated Hedge Amount, GFL Excess Hedge Collateral, GFL Hedge Replacement Premium, GFL Subordinated Hedge Amount, Hedging Agreement or GFL Secured Creditor Entrenched Right; or

(ii) would change or have the effect of changing the definition of Hedging Limit or would change any term forming part of such definition other than where the effect of such change would be to decrease the Hedging Limit; or

(iii) would change or have the effect of changing the definition of Permitted Hedge Termination or any of the Hedge Counterparties' rights to terminate the Hedging Agreements as set out in the Hedging Policy; or

(iv) would change or have the effect of changing subclause 7.1(b) of the Common Terms Agreement; or

(v) would change or have the effect of changing clause 11.3 (*Voting of Cross Currency Hedging Agreements by GFL Hedge Counterparties*) of the STID; or

(vi) would change or have the effect of changing the definition of Loan Acceleration Notice or would change or have the effect of changing clause 19.2 (*Consequences of Delivery of Loan Notice Acceleration*) of the STID; or

(vii) would change or have the effect of changing the purpose of the Liquidity Facility as is described in paragraph 2 of schedule 9 (*Liquidity Facility*) to the Common Terms Agreement; or

(viii) would change or have the effect of changing paragraph 6 (*Disposals*) of part 2 (*Operating and Financial Covenants of the Senior Obligors*) of schedule 2 (*Covenants*), or paragraph 6 (*Application of Borrower Post-Enforcement (Pre Acceleration) Priorities of Payments in certain circumstances*) of schedule 8 (*Borrower Cash Management*) to the Common Terms Agreement, clause 7.4 (*Prepayment for Illegality*) of the Borrower Loan Agreement or clause 20.4 (*Borrower Post-Enforcement (Post Acceleration) Priority of Payments*) to the STID;

(o) in respect of each Liquidity Facility Provider,

(i) would change or have the effect of changing subclause 7.1(b) (*Loan Events of Default*) of the Common Terms Agreement; or

(ii) would change or have the effect of changing the definition of Loan Acceleration Notice or would change or have the effect of changing clause 19.2 (*Consequences of Delivery of Loan Notice Acceleration*) of the STID; or

(iii) would change or have the effect of changing paragraph 6 (*Disposals*) of part 2 (*Operating and Financial Covenants of the Senior Obligors*) of schedule 2 (*Covenants*), or paragraph 6 (*Application of Borrower Post-Enforcement (Pre Acceleration) Priorities of Payments in certain circumstances)* of schedule 8 (*Borrower Cash Management*) to the Common Terms Agreement, clause 7.4 (*Prepayment for Illegality*) to the Borrower Loan Agreement or clauses 20.4 (*Borrower Post-Enforcement (Post Acceleration) Priority of Payments*) of the STID; or

(iv) would affect the ability of such Liquidity Facility Provider to enforce its rights under the Liquidity Facility Agreement; or

(v) would change or have the effect of changing the purpose of the Liquidity Facility as is described in paragraph 2 of schedule 9 (*Liquidity Facility*) to the Common Terms Agreement;

(p) in respect of GFL, would relate to the waiver of the Loan Event of Default set out in paragraph 16 (*Bond Event of Default*) of schedule 4 (*Loan Events of Default*) to the Common Terms Agreement, **provided that** the Borrower Security Trustee shall be required to provide such waiver if, following delivery of an Enforcement Instruction Notice by the Borrower Security Trustee, no instruction to deliver a Loan Enforcement Notice, take any other kind of Enforcement Action or deliver a Loan Acceleration Notice is given by the Qualifying Borrower Secured Creditors in accordance with the procedures set out in the STID;

(q) in respect of any Permitted Secured Guarantee Beneficiary: (i) may impose new, increased or additional obligations on or reduce the rights of such Permitted Secured Guarantee Beneficiary (**provided, however, that** with regard to any reduction of rights relating to the Borrower Post-Enforcement Priorities of Payments, the right of such Permitted Secured Guarantee Beneficiary shall be to rank *pari passu* with the repayments of principal in respect of the Borrower Loans relating to the Class A Bonds for an aggregate amount up to the Permitted Secured Guarantee Maximum Amount but the Borrower Post-Enforcement Priorities of Payments may otherwise be amended without the consent of any Permitted Secured Guarantee Beneficiary except where sub-paragraph (iii) of this paragraph (q) applies); (ii) would result in the Permitted Secured Guarantee Beneficiaries being entitled to be paid an aggregate amount under the STID of less than the Permitted Secured Guarantee Maximum Amount; (iii) would have the effect of granting security to any person that would rank in priority to the security granted to the Permitted Secured Guarantee Beneficiaries other than in respect of those classes of Borrower Secured Creditor ranking in priority to the Permitted Secured Guarantee Beneficiary as at the Establishment Date; and/or (iv) would amend or result in an amendment to this paragraph (q) or would change or would have the effect of changing the definitions of Permitted Secured Guarantee Liabilities or Permitted Secured Guarantee Maximum Amount;

"**Establishment Date**" the date on which all conditions precedent to the establishment of the Programme as set forth in part 1 (*Conditions Precedent Documents and Evidence*) of schedule 1 (*Conditions Precedent Programme Establishment*) to the CP Agreement were satisfied, being 15 February 2011;

"**Exchange Agent**" Deutsche Bank AG, London Branch (or any successor thereto) in its capacity as exchange agent under the Bond Agency Agreement in respect of the Bonds;

"Excluded Cash"

(a) any insurance proceeds required to be applied in reinstatement of any assets; and

(b) any cash required to meet any permitted Restricted Payment declared but not yet paid;

in each case including any related costs, fines, penalties or interest (if any);

"Extraordinary Voting Matters" are matters which:

(a) would change: (i) any provision (including any definition) which would materially affect the voting mechanics in relation to the Extraordinary Voting Matters; or (ii) any of the matters constituting Extraordinary Voting Matters;

(b) would change any Loan Events of Default or any Trigger Events each in relation to non-payment, the making of Restricted Payments, financial ratios or credit rating downgrade;

(c) would relate to the waiver of the Loan Event of Default in respect of any Senior Obligor or a waiver of any Trigger Events in relation to non-payment, credit rating downgrade or financial ratios or the making of Restricted Payments;

(d) would change in any adverse respect the restriction on any disposal of Gatwick Airport Limited or Gatwick or relate to a consent in respect of any such disposal;

(e) would materially change or have the effect of materially changing the definition of Permitted Business;

(f) would change or have the effect of changing the provisions or would relate to a waiver of the Additional Indebtedness Tests set out in paragraph 7.2 of part 2 of schedule 2 (*Covenants*) to the Common Terms Agreement;

(g) would result in the sum of the then undrawn GFL Proportion under the Liquidity Facility, the balance on the Liquidity Standby Account (if any) then attributable to the GFL Proportion and the balance on the GFL Liquidity Reserve Account (if any) being less than the aggregate amount of the GFL's estimated recurring fees and expenses, interest and equivalent finance charges for the 12 months following the most recently occurring Calculation Date on GFL Senior Debt; or

(h) would result in the sum of the then undrawn GAL Proportion under the Liquidity Facility, the balance on the Liquidity Standby Account (if any) then attributable to the GAL Proportion and the balance on the Borrower Liquidity Reserve Account (if any) being less than the aggregate amount of the Borrower's estimated recurring fees and expenses, interest and equivalent finance charges for the 12 months following the most recently occurring Calculation Date on Senior Debt;

"Final Terms" the final terms issued in relation to each Tranche or Sub-Class of Bonds as a supplement to the Conditions and giving details of the Tranche or Sub-Class;

"Finance Documents"

(a) the Security Documents;

(b) the Common Terms Agreement;

(c) any Borrower Loan Agreement;

(d) the Master Definitions Agreement;

(e) the Borrower Account Bank Agreement;

(f) the Liquidity Facility Agreement;

(g) any fee letter, commitment letter or utilisation request entered into in connection with the facilities referred to in paragraphs (f) and (l) or the transactions contemplated in such facilities and any other document that has been entered into in connection with such facilities or the transactions contemplated thereby that has been designated as a Finance Document by the parties thereto (including at least one Senior Obligor);

(h) each Hedging Agreement entered into by the Borrower;

(i) each Hedging Agreement entered into by GFL;

(j) the Initial Authorised Credit Facility Agreement;

(k) any other Authorised Credit Facilities and any transfer certificates or other documents entered into in connection with such facilities or the transactions contemplated thereby that has been designated as a Finance Document by the parties thereto (including at least one Senior Obligor);

(l) the CP Agreement;

(m) the Tax Deed;

(n) each agreement or other instrument between the Borrower or GFL (as applicable) and an Additional Borrower Secured Creditor designated as a Finance Document by the Borrower or the Issuer (as applicable), the Borrower Security Trustee and such Additional Borrower Secured Creditor in the Accession Memorandum for such Additional Borrower Secured Creditor;

(o) any document evidencing a Permitted Second Lien Guarantee;

(p) any back-to-back hedging agreement between GFL and the Borrower; and

(q) any amendment and/or restatement agreement relating to any of the above documents;

“**Finance Party(/ies)**” any person providing credit pursuant to an Authorised Credit Facility including all arrangers, agents, representatives and trustees appointed in connection with any such Authorised Credit Facilities;

“**Financial Indebtedness**” (without double counting) any indebtedness for or in respect of:

(a) moneys borrowed or raised (whether or not for cash);

(b) any documentary or standby letter of credit facility;

(c) any acceptance credit;

(d) any bond, note, debenture, loan stock or other similar instrument;

(e) any finance or capital lease or hire purchase contract which would, in accordance with Applicable Accounting Principles, be treated as such;

(f) any amount raised pursuant to any issue of shares which are capable of redemption;

(g) receivables sold or discounted (other than on a non-recourse basis to any Senior Obligor);

(h) the amount of any liability in respect of any advance or deferred purchase agreement if either one of the primary reasons for entering into such agreement is to raise finance or the relevant payment is advanced or deferred for a period in excess of 90 days;

(i) any termination amount due from any Senior Obligor in respect of any Treasury Transaction that has terminated;

(j) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing (other than any trade credit or indemnity granted in the ordinary course of the Borrower's trading and upon terms usual for such trade);

(k) any counter indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; and

(l) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in paragraphs (a) to (k) (other than any guarantee or indemnity given in respect of obligations owed by one Senior Obligor to another);

"**Fixed Rate Bond**" a Bond on which interest is calculated at a fixed rate payable in arrear on a fixed date or fixed dates in a year and/or redemption or such other dates as may be agreed between GFL and the relevant Dealer(s) (as indicated in the relevant Final Terms or Pricing Supplement (as the case may be));

"**Fixed-rate Debt**" the aggregate, at the time, of the outstanding Relevant Debt that bears either a fixed rate of interest or inflation-linked return;

"**Floating Rate Bond**" a Bond on which interest is calculated at a floating rate payable in arrear in respect of such period or on such date(s) as may be agreed between GFL and the relevant Dealer(s) (as indicated in the applicable Final Terms or Pricing Supplement (as the case may be));

"**Form of Transfer**" the form of transfer endorsed on a Registered Definitive Bond in the form or substantially in the form set out in part 8 (*Form of Definitive Bond*) of schedule 2 (*Form of Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed;

"**FSMA**" the Financial Services and Markets Act 2000, as amended;

"**Further Enforcement Instruction Notice**" a notice from the Borrower Security Trustee requesting an instruction from the Qualifying Borrower Secured Creditors (through their Secured Creditor Representatives) at any time following the delivery of a Loan Enforcement Notice, following receipt by the Borrower Security Trustee of a BSC Instruction Notice pursuant to paragraph (b) of Clause 21.1 (Entitlement to direct Borrower Security Trustee) of the STID, as to whether the Borrower Security Trustee should deliver a Loan Acceleration Notice to accelerate all of the obligations secured under the Borrower Security;

"**GAL**" Gatwick Airport Limited;

"**GAL Liquidity Shortfall**"	after taking into account funds available for drawing from the Borrower Liquidity Reserve Account with respect to any Payment Date, there will be insufficient funds in the Operating Account to pay on such Payment Date any of the amounts scheduled to be paid in respect of items (i) to (vi) (inclusive) of paragraph 3(d) of schedule 8 (*Borrower Cash Management*) of the CTA (excluding items (A), (C) and (D) of paragraph (vi) in section 3(d) of Schedule 8 (*Borrower Cash Management*) to the CTA);
"**GAL Proportion**"	the proportion which the Outstanding Principal Amount under the Authorised Credit Facilities (excluding such Outstanding Principal Amount which corresponds to Class A Bonds under a Borrower Loan Agreement), which constitutes Senior Debt, bears to the Senior Debt amount;
"**Gatwick's Capital Investment Programme**" or "**Capital Investment Programme**"	is a programme of investment which GAL spent £211.4 million in the 12 months ended 31 March 2011, and which has recently been revised for consultation;
"**GFL**"	Gatwick Funding Limited;
"**GFL Account Bank**"	Santander UK or any successor account bank appointed pursuant to the GFL Account Bank Agreement;
"**GFL Account Bank Agreement**"	the account bank agreement between, among others, the GFL Account Bank, GFL and the GFL Security Trustee dated on the Establishment Date (as amended, restated, novated and/or supplemented from time to time);
"**GFL Accounts**"	the GFL Dollar Account, the GFL Euro Account and the GFL Sterling Account together with any other account of GFL that may be opened from time to time (including any GFL Collateral Accounts and any GFL Liquidity Reserve Account but excluding any Liquidity Standby Account) pursuant to and/or in accordance with any GFL Transaction Document and includes any sub-account or sub-accounts relating to that account and any replacement account from time to time (each an "GFL Account");
"**GFL Cash Management Agreement**"	the cash management agreement dated on the Establishment Date (as amended, restated, novated and/or supplemented from time to time) between, among others, GFL, the GFL Cash Manager and the GFL Security Trustee;
"**GFL Cash Manager**"	Gatwick Airport Limited and any successor thereto;
"**GFL Collateral Accounts**"	each account of GFL titled "GFL Collateral Account" opened at the GFL Account Bank in accordance with the provisions of the GFL Cash Management Agreement and includes any sub-account or any securities account or any other custody account relating to that account and any replacement account from time to time;
"**GFL Corporate Administration Providers**"	the Jersey Corporate Administration Provider and the UK Corporate Administration Provider and any successors thereto;
"**GFL Deed of Charge**"	the deed of charge entered into between GFL and the GFL Security Trustee dated on the Establishment Date (as amended, restated, novated and/or supplemented from time to time);
"**GFL Dollar Account**"	the dollar account as specified in schedule 1 (*Accounts*) to the GFL Account Bank Agreement and includes any sub-account or sub-accounts relating to that account or such other dollar denominated account as may be opened, with the consent of the GFL Security

Trustee, at any branch of the GFL Account Bank in replacement of such account;

"**GFL Euro Account**"	the euro account as specified in schedule 1 (*Accounts*) to the GFL Account Bank Agreement and includes any sub-account or sub-accounts relating to that account or such other euro denominated account as may be opened, with the consent of the GFL Security Trustee, at any branch of the GFL Account Bank in replacement of such account;
"**GFL Excess Hedge Collateral**"	an amount equal to the value of the collateral (or the applicable part of any collateral) provided by any GFL Hedge Counterparty to GFL in respect of the relevant GFL Hedge Counterparty's obligations to transfer collateral to GFL under the relevant GFL Hedging Agreement (as a result of the ratings downgrade provisions in that GFL Hedging Agreement), which is in excess of that GFL Hedge Counterparty's liability to GFL under the relevant GFL Hedging Agreement, or which the relevant GFL Hedge Counterparty is otherwise entitled to have returned to it under the terms of the relevant GFL Hedging Agreement;
"**GFL Hedge Counterparty/(ies)**"	a Hedge Counterparty who is party to an GFL Hedging Agreement;
"**GFL Hedge Replacement Premium**"	a premium or upfront payment received by GFL from a replacement hedge counterparty under a replacement hedge agreement with GFL to the extent of any termination payment due to an GFL Hedge Counterparty under an GFL Hedging Agreement;
"**GFL Hedging Agreement**"	each Hedging Agreement entered into by GFL and a GFL Hedge Counterparty;
"**GFL Junior Debt**"	the Class B Bonds and the Cross Currency Hedging Agreements between GFL and the Cross Currency Hedge Counterparties in respect of the Class B Bonds;
"**GFL Liquidity Reserve Account**"	an account opened in the name of GFL and maintained by the GFL Account Bank pursuant to the terms of the GFL Account Bank Agreement and credited with a cash reserve for the purpose of satisfying the minimum debt service funding requirements set out in paragraph 3.3 of part 3 (*Trigger Event Remedies*) of schedule 3 (*Trigger Event*) to the Common Terms Agreement or such other account as may be opened, with the consent of the GFL Security Trustee, at any branch of the GFL Account Bank in replacement of such account;
"**GFL Liquidity Shortfall**"	(after taking into account funds available for drawing from the GFL Accounts) with respect to any Interest Payment Date (as determined by the LF Cash Manager (as GFL Cash Manager) or, in the absence of determination by the LF Cash Manager, by GFL on the Business Day immediately preceding the determination date) there will be insufficient funds in the relevant GFL Accounts to pay on such Interest Payment Date any of the amounts scheduled to be paid in respect of items (a) to (f) (inclusive) of the GFL Pre-Enforcement Priority of Payments (excluding, for the avoidance of doubt, any termination payments and all other unscheduled amounts payable to any GFL Hedge Counterparty);
"**GFL Payment Priorities**"	the GFL Pre-Enforcement Priority of Payments and the GFL Post-Enforcement Priority of Payments;
"**GFL Post-Enforcement Priority of Payments**"	the provisions relating to the order of priority of payments set out in the GFL Deed of Charge;

"**GFL Pre-Enforcement Priority of Payments**"	the provisions relating to the order of priority of payments from the GFL Accounts set out in schedule 1 to the GFL Cash Management Agreement;
"**GFL Qualifying Debt**"	a. for so long as any Class A Bonds remain outstanding, the sum of: (i) the Principal Amount Outstanding of the Class A Bonds; and (ii) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Class A Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions; or b. if there are no Class A Bonds then outstanding and for so long as any Class B Bonds remain outstanding, the sum of: (i) the Principal Amount Outstanding of the Class B Bonds; and (ii) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Class B Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions;
"**GFL Secured Creditors**"	a. the GFL Security Trustee (for itself and the other GFL Secured Creditors) under the GFL Deed of Charge; b. the Bond Trustee (for itself and on behalf of the Bondholders) under the Bond Trust Deed; c. the Bondholders and the Couponholders; d. each GFL Hedge Counterparty under its GFL Hedging Agreement; e. each Liquidity Facility Provider and the Liquidity Facility Agent under the Liquidity Facility Agreement in respect of the GFL Proportion; f. the GFL Account Bank under the GFL Account Bank Agreement; g. the Principal Paying Agent, Paying Agents, Transfer Agent, Exchange Agent, Registrar and Agent Bank under the Bond Agency Agreement and any Calculation Agent under a Calculation Agency Agreement; h. the GFL Cash Manager under the GFL Cash Management Agreement; and i. the GFL Corporate Administration Providers under the GFL Corporate Administration Agreements;
"**GFL Secured Creditor Entrenched Right**"	in respect of an GFL Secured Creditor, any modification, consent, direction or waiver in respect of an GFL Transaction Document that would: (a) result in an increase in or would adversely modify such GFL Secured Creditor's obligations or liabilities under such GFL Transaction Document; (b) have the effect of adversely changing the GFL Payment Priorities or application thereof in respect of such GFL Secured Creditor where "**adversely**" means, in respect of any change to the GFL Payment Priorities, a change which has the effect of changing the priority of the GFL Secured Creditors relative to each other **provided that** the creation of payments which rank subordinate to an GFL Secured Creditor shall not be an adverse change in respect

of such GFL Secured Creditor; (c) release any GFL Security (except where such release is expressly permitted by the GFL Deed of Charge); (d) alter adversely the voting entitlement of such GFL Secured Creditor under the STID, the Bond Trust Deed or the Conditions; (e) in respect of an GFL Hedge Counterparty, constitute an Entrenched Right pursuant to paragraph (k) of the definition of Entrenched Right; (f) amend clause 6.7 (Permitted Enforcement – Liquidity Facility Agent and GFL Hedge Counterparties) of the GFL Deed of Charge; or (g) amend this definition;

"**GFL Security**"	the fixed and floating security granted by GFL to the GFL Security Trustee pursuant to the GFL Deed of Charge;
"**GFL Security Trustee**"	Deutsche Trustee Company Limited (and its successors) or any other security trustee appointed in its capacity as security trustee pursuant to the GFL Deed of Charge;
"**GFL Senior Debt**"	the Class A Bonds, the Rate Hedging Agreements between GFL and the Hedge Counterparties in respect of the Class A Bonds and the Cross Currency Hedging Agreements between GFL and the Cross Currency Hedge Counterparties;
"**GFL Sterling Account**"	the sterling account as specified in schedule 1 (*Accounts*) to the GFL Account Bank Agreement and includes any sub-account or sub-accounts relating to that account or such other sterling denominated account as may be opened, with the consent of the GFL Security Trustee, at any branch of the GFL Account Bank in replacement of such account;
"**GFL Subordinated Hedge Amounts**"	any termination payment due or overdue to an GFL Hedge Counterparty under any GFL Hedging Agreement which arises as a result of the occurrence of an Event of Default (as defined in the relevant GFL Hedging Agreement) where the relevant GFL Hedge Counterparty is the Defaulting Party (as defined in the relevant Hedging Agreement) or the occurrence of an Additional Termination Event (as defined in the relevant GFL Hedging Agreement) following the failure of the relevant GFL Hedge Counterparty to take action in accordance with the terms of the relevant GFL Hedging Agreement within the required period following a credit rating downgrade of such GFL Hedge Counterparty (other than any amount attributable to the return of collateral or any premium or other upfront payment paid to the GFL to enter into a transaction to replace an GFL Hedging Agreement (in whole or in part) which shall be paid directly to the relevant GFL Hedge Counterparty and not in accordance with the GFL Payment Priorities);
"**GFL Transaction Documents**"	the Bonds, the Coupons and any Final Terms or Pricing Supplement (as the case may be) relating to the Bonds, the Bond Trust Deed (including the Conditions), the Tax Deed, the Dealership Agreement, each relevant Subscription Agreement, the Bond Agency Agreement, the GFL Deed of Charge, the GFL Cash Management Agreement, the GFL Account Bank Agreement, the Common Terms Agreement, the STID, the Master Definitions Agreement, each Borrower Loan Agreement, the Liquidity Facility Agreement, the GFL Hedging Agreements, the GFL Corporate Administration Agreements, the Liquidity Standby Account Declaration of Trust, and any other agreement, instrument or deed designated as such by GFL and the GFL Security Trustee;
"**Global Bond**"	a Temporary Bearer Global Bond and/or a Permanent Bearer Global Bond issued in respect of the Bonds of any Class or Sub-Class and/or

a Registered Global Bond and/or a Regulation S Global Bond and/or a Rule 144A Global Bond, as the context may require;

"**Good Industry Practice**"	those levels of skill, care, expertise and standards of good trade practice as may reasonably be expected of an experienced entity which is not state-owned or operated (whether by a government, a public administration or any other state entity whatsoever) operating and developing leading international airports of a size broadly comparable to Gatwick and providing the same or substantially similar services (taking into consideration regulatory, legal and planning constraints applicable to Gatwick);
"**Hedge Counterparties**"	(a) the GFL Hedge Counterparties, (b) the Borrower Hedge Counterparties; and (c) any counterparty which accedes as hedge counterparty to the STID and the Common Terms Agreement and, in the case of any Treasury Transaction with GFL, the GFL Deed of Charge and "**Hedge Counterparty**" means any of such parties;
"**Hedging Agreement**"	any Treasury Transaction entered or to be entered into by GFL or the Borrower with a Hedge Counterparty in accordance with the Hedging Policy to hedge interest rate exposure, index exposure and currency risk in relation to the Relevant Debt or the Bonds;
"**Hedging Limit**"	102.5% of the sum of the Relevant Debt;
"**IFRS**"	International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);
"**Indexed Bond**"	a Bond in respect of which the amount payable in respect of principal and interest is calculated by reference to an index and/or formula as GFL and the relevant Dealer(s) may agree (as indicated in the relevant Final Terms or Pricing Supplement (as the case may be));
"**Initial Authorised Credit Facility Agreement**"	the ACF entered into on the Establishment Date between the Borrower, the Initial ACF Agent, the Initial ACF Arrangers and the Original ACF Lenders;
"**Initial Date Representation**"	in respect of the entering into of a new Authorised Credit Facility after the Establishment Date, each of the representations in schedule 1 (*General Representations*) to the Common Terms Agreement, or in respect of the Senior Obligors as may be agreed and amended by the Senior Obligors and the relevant Authorised Credit Provider in accordance with paragraph 4.1(c) (*Representations*) of the Common Terms Agreement, **provided that** the representations contained in paragraphs 6 (*Validity and admissibility in evidence*), 7 (*Authorisations*) and 21 (*Choice of Law*) of schedule 1 (*General Representations*) to the Common Terms Agreement shall be limited and refer only to the new Authorised Credit Facility, the representations contained in paragraph 9 (Full Disclosure) of schedule 1 (*General Representations*) to the Common Terms Agreement shall be limited to the new Authorised Credit Facility (as the case may be) and the investor presentation (if any, **provided that** such investor presentation was expressly authorised by the Borrower) prepared in respect of such Authorised Credit Facility (as the case may be);
"**Initial Facilities**"	the Capex Facility, the Term Facility and the Revolving Credit Facility;
"**Initial Issue Date**"	the date upon which the first Series of Bonds was issued by GFL;

"**Initial Liquidity Facility Providers**" those financial institutions listed in part 1 (*Initial Liquidity Facility Providers*) of schedule 11 (*Financial Institutions*) to the Common Terms Agreement or any other party that accedes to the Liquidity Facility Agreement as a Liquidity Facility Provider;

"**Insolvency Event**" in respect of any company:

(a) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition or application for the making of an administration order which proceedings (other than in the case of GFL) are not, in the opinion of the Borrower Security Trustee, being disputed in good faith with a reasonable prospect of success;

(b) the giving of notice of appointment of an administrator or the making of an administration order or an administrator being appointed in respect of such company or the company becomes bankrupt within the meaning of the Interpretation (Jersey) Law 1954;

(c) an encumbrancer (excluding, in relation to GFL, the GFL Security Trustee or any receiver appointed by the GFL Security Trustee) taking possession of the whole or any part of the undertaking or assets of such company;

(d) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any substantial part of the undertaking or assets of such company (excluding, in relation to GFL, by the GFL Security Trustee or any receiver appointed by the GFL Security Trustee) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days;

(e) the making of an arrangement, composition, scheme of arrangement, reorganisation with or conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally;

(f) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up, liquidation or dissolution of such company (except, in the case of GFL, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the GFL Security Trustee or by an Extraordinary Resolution of the Bondholders of each Class or Sub-Class of Bonds);

(g) subject to the other paragraphs of this definition, the appointment of an Insolvency Official in relation to such company or in relation to the whole or any substantial part of the undertaking or assets of such company;

(h) save as permitted in the STID, the cessation or suspension of payment of its debts generally or a public announcement by such company of an intention to do so; or

(i) save as provided in the STID, a moratorium is declared in respect of any indebtedness of such company;

"Intellectual Property Right" any right in:

(a) copyright (including rights in software and preparatory design materials), get-up, trade names, internet domain names, patents, inventions, rights in confidential information, database rights, moral rights, semiconductor topography rights, trade secrets, know-how, trademarks, service marks, logos and registered designs and design rights (each whether registered or unregistered);

(b) applications for registration and the right to apply for registration, for any of the above; and

(c) all other intellectual property rights in each case whether registered or unregistered and including applications for registration and all rights or equivalent or similar forms of protection having equivalent or similar effect anywhere in the world;

"Interest Commencement Date" in the case of interest-bearing Bonds, the date specified in the applicable Final Terms or Pricing Supplement (as the case may be) from (and including) which such Bonds bear interest, which may or may not be the Issue Date;

"Issue Date" in respect of any Bond, the date of issue and purchase of such Bond pursuant to and in accordance with the Dealership Agreement or any other agreement between GFL and the relevant Dealer(s) being, in the case of any Definitive Bond represented initially by a Global Bond, the same date as the date of issue of the Global Bond which initially represented such Bond;

"Issue Price" the price as stated in the relevant Final Terms or Pricing Supplement (as the case may be), generally expressed as a percentage of the nominal amount of the Bonds, at which the Bonds will be issued;

"Jersey Corporate Administration Agreement" the corporate administration agreement dated on the Establishment Date (as amended, restated, novated and/or supplemented from time to time) between the GFL and the Jersey Corporate Administration Provider;

"Jersey Corporate Administration Provider" Intertrust Offshore Limited (formerly known as Structured Finance Management Offshore Limited) appointed pursuant to the Jersey Corporate Administration Agreement or any successor thereto;

"Junior Debt" any financial accommodation that is, for the purposes of the STID, to be treated as Junior Debt;

"LF Mandatory Cost" the cost of complying with certain regulatory requirements, expressed as a percentage rate per annum and calculated by the Liquidity Facility Agent under Schedule 6 of the Liquidity Facility Agreement;

"LF Notice of Drawing" a request for a Liquidity Loan Drawing in the form of schedule 2 (LF Notice of Drawing) to the Liquidity Facility Agreement;

"Liquidity Facility" the committed sterling revolving liquidity facility made available under the Liquidity Facility Agreement as described in clause 3.1 (*Grant of the Facility*) of the Liquidity Facility Agreement;

"Liquidity Facility Agent" National Westminster Bank Plc or any successor agent appointed pursuant to the Liquidity Facility Agreement;

"Liquidity Facility Agreement" the liquidity facility agreement which has the characteristics set out in schedule 9 (*Liquidity Facility*) to the Common Terms Agreement, which GAL and GFL entered into on the Establishment Date (as amended, restated, novated and/or supplemented from time to time);

"**Liquidity Facility Amount**" at any time, the aggregate of the available commitments under the Liquidity Facility Agreement;

"**Liquidity Facility Provider(s)**" the Initial Liquidity Facility Providers and any bank or financial institution which has become a party to the Liquidity Facility Agreement in accordance with clause 25 (*Assignments and Transfers*) of the Liquidity Facility Agreement or as a result of an amendment of the Liquidity Facility Agreement in accordance with clause 30 (*Amendments*) of the Liquidity Facility Agreement which in each case has not ceased to be a party in accordance with the terms of the Liquidity Facility Agreement, or any bank or financial institution party to any replacement or substitute liquidity facility agreement;

"**Liquidity Loan Drawing**" unless otherwise stated in the Liquidity Facility Agreement, the principal amount of each Standard Liquidity Loan Drawing and/or a Liquidity Standby Account Drawing (and for the avoidance of doubt, a Liquidity Loan Drawing shall not include a Standby Drawing);

"**Liquidity Standby Account**" an account held in the name of GAL with:

(a) the Borrower Account Bank; or

(b) if the Borrower Account Bank ceases to have the Minimum Short-term Rating or any such other short-term ratings as are otherwise acceptable to the Rating Agencies, then a bank which has such ratings,

in each case so long as the Liquidity Standby Account is subject to the Liquidity Standby Account Declaration of Trust;

"**Liquidity Standby Account Declaration of Trust**" the declaration of trust entered into on the Initial Issue Date between GAL, GFL, the Borrower Security Trustee and the GFL Security Trustee under which GAL agrees to hold on trust certain property, including any balance standing from time to time to the credit of the Liquidity Standby Account for itself and GFL;

"**Liquidity Standby Account Drawing**" in relation to a Liquidity Loan Drawing, a withdrawal of sums standing to the credit of the Liquidity Standby Account funded by way of Standby Drawing, the amount of such withdrawal to be equal to the amount of that Liquidity Loan Drawing multiplied by the proportion that the Available Standby Amount bears to the aggregate of the Available Standby Amount and the Liquidity Facility Amount (including any Liquidity Facility Amount under any Substitute Liquidity Facility Agreement);

"**Liquidity Subordinated Amounts**" all amounts payable under, or in any way in connection with, the Liquidity Facility Agreement, other than:

(a) principal and interest in respect of the Liquidity Loan Drawing or a Standby Drawing, except that part of the interest (in each case, for the relevant LF Interest Period) on the Liquidity Loan Drawing or a Standby Drawing which represents a LF Mandatory Cost in excess of 0.20% per annum on the maximum amount then available to be drawn under the Liquidity Facility Agreement;

(b) the LF Commitment Fee; and

(c) any costs payable in accordance with Clause 13 (Increased Costs) of the Liquidity Facility Agreement;

"**Loan Acceleration Notice**"	a notice delivered by the Borrower Security Trustee pursuant to the STID by which the Borrower Security Trustee declares that all Borrower Secured Liabilities shall be accelerated;
"**Loan Enforcement Notice**"	a notice delivered by the Borrower Security Trustee in accordance with clause 18.5 (*Loan Enforcement Notice*) of the STID by which the Borrower Security Trustee declares that the Borrower Security has become enforceable;
"**Loan Event of Default**"	an event specified as such in schedule 4 (*Loan Events of Default*) to the Common Terms Agreement;
"**London Stock Exchange**"	the London Stock Exchange plc or any other body to which its functions have been transferred;
"**Make-Whole Amount**"	any amount above par payable on redemption of any GFL Senior Debt or GFL Junior Debt except where such amount is limited to accrued interest;
"**Master Definitions Agreement**"	the master definitions schedule entered into by, among others, GFL and the Borrower dated on the Establishment Date (as amended, restated, novated and/or supplemented from time to time);
"**Material Adverse Effect**"	a material adverse effect on: (a) the business, assets or financial condition of the Senior Obligors taken as a whole; or (b) (taking into account the resources available to a Senior Obligor from other Senior Obligors and any guarantees given by other Senior Obligors) the ability of such Senior Obligor (and in respect of the Dealership Agreement only, GFL) to perform any of its payment obligations under any of the Transaction Documents; or (c) the legality, validity or enforceability of, any of the Transaction Documents in a manner which is prejudicial in any material respect to the interests of the Bondholders, **provided that** any such effect will not be deemed to occur where it occurs as a result of regulations or legislation introduced to implement specific proposals in the Department of Transport publications entitled "*Reforming the Framework for Economic Regulation of Airports: Decision Document*" published in December 2009 and "*Promoting Financial Resilience for Major Airports: Analysis of Consultation Responses and Government's Decision*" published in July 2010; however, the previous proviso will not apply if such effect occurs in circumstances which result in the Loan Event of Default in paragraph 12.2 (*Change in Law*) of schedule 4 (*Loan Events of Default*) to the Common Terms Agreement;
"**Most Senior Class**"	the Class A Bonds for so long as there are any Class A Bonds outstanding and thereafter the Class B Bonds for so long as there are any Class B Bonds outstanding;
"**Non-ACF Financial Indebtedness**"	any Financial Indebtedness (including any Second Lien Debt) owing to any person which is not an Authorised Credit Provider (other than Financial Indebtedness owing by any member of the Security Group to any person under any loan, debenture, guarantee or otherwise granted to any creditor subordinated to the Borrower Secured Creditors whether pursuant to the STID or any other deed of subordination on terms satisfactory to the Borrower Security Trustee);

“**Obligor Accounts**”	the Operating Accounts and any Borrower Hedge Collateral Accounts, and “**Obligor Account**” means any of them;
“**Official List**”	the official list of the FCA referenced in section 103 of FSMA;
“**Operating Account**”	the account of the Borrower with the following title: “Gatwick Trading Account”, held at the Borrower Account Bank and any sub-account or sub-accounts relating to those accounts including any operating account denominated in a currency other than sterling and any replacement account or accounts from time to time;
“**Ordinary Voting Matters**”	are matters which are not Discretion Matters or Extraordinary Voting Matters;
“**Outstanding Principal Amount**”	(a) in respect of any Authorised Credit Facilities that are loans, the principal amount (or the Equivalent Amount) of any drawn amounts that are outstanding or committed under such Authorised Credit Facility; (b) in respect of each Cross Currency Hedging Agreement, the Equivalent Amount (representing the mark-to-market value of any transaction or transactions arising under such Cross Currency Hedging Agreement) of the amount (if any) that would be payable to the relevant Cross Currency Hedge Counterparty if an early termination date was designated on the date referred to below in respect of the transaction or transactions arising under the relevant Cross Currency Hedging Agreement pursuant to the ISDA Master Agreement governing such transaction or transactions and subject to schedule 5 (*Hedging Policy and Overriding Provisions Relating to Hedging Agreements*) to the Common Terms Agreement and which are closed out at such time; (c) in respect of any other Borrower Secured Liabilities, the Equivalent Amount of the outstanding principal amount of such debt on such date in accordance with the relevant Finance Document, on the date on which the Qualifying Borrower Secured Creditors have been notified of a STID Voting Request, an Enforcement Instruction Notice, a Further Enforcement Instruction Notice, a BSC Instruction Notice or a Direction Notice or on such other date that the same falls to be determined, as the case may be, all as most recently certified or notified to the Borrower Security Trustee, where applicable, pursuant to clause 10.2 (*Notification of Outstanding Principal Amount of Qualifying Borrower Debt*) of the STID;
“**Participating QBS Creditors**”	the Qualifying Borrower Secured Creditors which participate in a vote on any STID Proposal or other matter pursuant to the STID;
“**Paying Agents**”	in relation to all or any Sub-Classes of the Bonds, the several institutions (including, where the context permits, the Principal Paying Agent and/or the Registrar) at their respective specified offices initially appointed as paying agents in relation to such Bonds by GFL pursuant to the Bond Agency Agreement and/or, if applicable, any Successor paying agents at their respective specified offices in relation to all or any Sub-Classes of the Bonds;
“**Payment Date**”	each date on which a payment is made or is scheduled to be made by a Senior Obligor in respect of any obligations or liability under any Authorised Credit Facility;

"Permanent Bearer Global Bond" a global bond in the form or substantially in the form set out in part 2 (*Form of Permanent Bearer Global Bond*) of the schedule 2 (*Form of Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed with such modifications (if any) as may be agreed between GFL, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), together with the copy of the applicable Final Terms or Pricing Supplement (as the case may be) annexed thereto, comprising some or all of the Bearer Bonds of the same Class or Sub-Class, issued by GFL pursuant to the Dealership Agreement or any other agreement between GFL and the relevant Dealer(s) relating to the Programme, the Bond Agency Agreement and these presents either on issue or in exchange for the whole or part of any Temporary Bearer Global Bond issued in respect of such Bearer Bonds;

"Permitted Business"

(a) the business of owning, operating and developing Gatwick undertaken by the Senior Obligors as carried on at the Establishment Date (including the provision of facilities for and connected with aeronautical activities, including retail, car parks, surface transport, advertising, property development, letting and management) and

(b) (i) any business undertaken by the Senior Obligors the revenues from which:

(A) would be brought into account by the applicable Regulator for the purpose of imposing price caps pursuant to Section 40(4) of the Airports Act or any other applicable statutory provision in relation to Gatwick; or

(B) the Senior Obligors reasonably believe would have been brought into account by the applicable Regulator, according to the rules and policies applied by such Regulator as at the Establishment Date, for the purpose of imposing price caps pursuant to Section 40(4) of the Airports Act or any other applicable statutory provision in relation to Gatwick notwithstanding that at the time of undertaking such business Gatwick is no longer subject to regulation or is subject to rules and policies of regulation different from those which applied to Gatwick or those revenues as at the Establishment Date; and

(ii) any other business approved or consented to by the Borrower Security Trustee;

"Permitted Financial Indebtedness" in the case of:

(a) the Borrower or GFL, that the Borrower or GFL will be permitted to incur or allow to remain outstanding only the following financial indebtedness after the Establishment Date:

(i) Financial Indebtedness to the extent of the issue by the Issuer of further series and tranches of Bonds and under the subsequent advance under the Borrower Loan Agreement;

(ii) Financial Indebtedness under ACFs the providers of which have acceded to the Common Terms Agreement and the STID, which, in either case (above), will not result in a breach of the Additional Indebtedness Tests;

(iii) any Financial Indebtedness arising under Treasury Transactions to which the Borrower and/or GFL is a party and Borrower Hedging Agreements and GFL Hedging Agreements, in each case entered into in accordance with the Hedging Policy and, on or prior to the Initial Issue Date, any Hedging Agreement (as defined in the Existing Facilities Agreement);

(iv) any Financial Indebtedness pursuant to such other arrangements as have been approved by the Qualifying Borrower Secured Creditors by way of an Extraordinary Voting Matter;

(v) the amount of any liability under an advance or deferred purchase agreement if either: (A) one of the primary reasons behind entering into the agreement is to raise finance; or (B) the relevant payment is advanced or deferred for a period in excess of 90 days; and

(vi) any overdraft owing to any bank, up to a maximum aggregate amount at any time of an amount up to 0.5% of RAB net of all current account balances held with such bank (it being understood that the provider(s) of any such overdraft will not be required to accede to the STID);

(vii) any Financial Indebtedness under any finance leases, up to a maximum aggregate capitalised amount of 0.5% of RAB (such finance lessor in respect of such finance leases shall not be required to accede to the STID); and

(viii) any Financial Indebtedness arising in the ordinary course of business of the Borrower under any standby letter of credit facility or similar ancillary facility up to a maximum aggregate amount at any time of up to 0.5% of RAB;

(ix) Financial Indebtedness incurred under a Liquidity Facility Agreement;

(x) in the case of the issue of Class B Bonds, if the Borrower has first obtained a Ratings Confirmation in respect of the Class A Bonds then outstanding;

(xi) Financial Indebtedness incurred under a Permitted Secured Guarantee, **provided that** the aggregate value of all such Permitted Secured Guarantees does not exceed the Permitted Secured Guarantee Maximum Amount;

(xii) Financial Indebtedness of any person acquired by a member of the Security Group after the Establishment Date which is incurred under arrangements in existence at the date of acquisition, but not incurred or increased or having its maturity date extended in contemplation of, or since, that acquisition, and outstanding only for a period of 60 days following the date of acquisition;

(xiii) the provision of cash collateral by the Borrower which falls within paragraph (c) of the definition of Capex Independent LC Arrangements in clause 1.1 of the Initial Authorised Credit Facility Agreement and the grant of a Security Interest or Quasi-Security over such cash collateral; or

(xiv) on or prior to the Initial Issue Date, Financial Indebtedness under the Existing Facilities Agreement; and

(b) a Senior Obligor (including, for the avoidance of doubt, the Borrower), that the relevant Senior Obligor will be permitted to incur or to allow to remain outstanding only the following financial indebtedness after the Establishment Date:

(i) any Financial Indebtedness constituted by the guarantee of the Borrower's obligations under the Borrower Loan Agreements, the Capex Facility, the Revolving Credit Facility, the Term Facility and any other ACF;

(ii) in respect of any Financial Indebtedness owed to any other Senior Obligor;

(iii) in respect of any Financial Indebtedness under any Subordinated Intragroup Liabilities;

(iv) any Bankers Automated Clearing System indebtedness owed to any bank of which it is a customer and which provides payment clearing services to it;

(v) the amount of any liability under an advance or deferred purchase agreement if either: (A) one of the primary reasons behind entering into the agreement is to raise finance; or (B) the relevant payment is advanced or deferred for a period in excess of 90 days;

(vi) any Permitted Second Lien Guarantee, subject to the Borrower first obtaining a Ratings Confirmation; and

(vii) on or prior to the Initial Issue Date, Financial Indebtedness under the Existing Facilities Agreement;

"**Permitted Hedge Termination**" the termination of a Hedging Agreement in accordance with the provisions of schedule 5 (*Hedging Policy and Overriding Provisions Relating to Hedging Agreements*) to the Common Terms Agreement;

"**Permitted Second Lien Guarantee**" those amounts under a secured guarantee granted by any Senior Obligor in favour of a Second Lien Creditor;

"**Permitted Secured Guarantee**" those amounts under a secured guarantee granted by any Senior Obligor in favour of a Permitted Secured Guarantee Beneficiary;

"**Permitted Secured Guarantee Beneficiary**" any party who is owed amounts by the Senior Obligors under any Permitted Secured Guarantee and "**Permitted Secured Guarantee Beneficiaries**" means all of them;

"**Permitted Secured Guarantee Liabilities**" the amounts owed by the Senior Obligors to the Permitted Secured Guarantee Beneficiaries under any Permitted Secured Guarantee;

"**Permitted Secured Guarantee Maximum Amount**" the aggregate amount payable to the Permitted Secured Guarantee Beneficiaries from the proceeds of realisation or enforcement of all or part of the Borrower Security which shall not exceed £40 million;

"**Permitted Transaction**"	means: (a) any disposal required, Financial Indebtedness incurred, guarantee, indemnity or Security or Quasi-Security given, or other transaction arising or permitted under the Finance Documents; (b) any payments or other transactions expressly contemplated in the Reorganisation Steps; and (c) any other transaction approved or consented to by the Borrower Security Trustee;
"**Potential Bond Event of Default**"	any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Bond Event of Default, and assuming no intervening remedy), will become a Bond Event of Default;
"**Potential Loan Event of Default**"	any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Loan Event of Default, and assuming no intervening remedy), will become a Loan Event of Default;
"**Projected Excess Cashflow**"	for the Relevant Period means the Borrower's projection as to the amount of surplus cash that, absent a Trigger Event, will be available to pay Restricted Payments in respect of the Relevant Period;
"**Qualifying Borrower Debt**"	has the meaning given to it in sub-clause 10.1(c) (*Relationship between Qualifying Borrower Senior Debt and Qualifying Borrower Junior Debt*) of the STID;
"**Qualifying Borrower Secured Creditors**"	has the meaning given to it in sub-clause 10.1(c) (*Relationship between Qualifying Borrower Senior Debt and Qualifying Borrower Junior Debt*) of the STID;
"**RAB**" or "**Regulatory Asset Base**"	in respect of the Borrower as at any date, the sum of: (a) the Regulatory RAB as at such date (no longer applicable); and (b) the Transfer RAB as at such date;
"**RAB-Eligible Capex**"	any Capital Expenditure which the Borrower reasonably expects to be brought into account by the relevant Regulator in the RAB as at the following Review Date;
"**Receipts**"	a receipt attached on issue to a Definitive Bond redeemable in instalments for the payment of an instalment of principal and includes any replacements for Receipts and Talons issued pursuant to Condition 13 (*Replacement of Bonds, Coupons, Receipts and Talons*);
"**Registered Bonds**"	those Bonds which are for the time being in registered form;
"**Registered Definitive Bond**"	a Registered Bond in definitive form issued or, as the case may require, to be issued by GFL in accordance with the provisions of the Dealership Agreement or any other agreement between GFL and the relevant Dealer(s), the Bond Agency Agreement and these presents either on issue or in exchange for a Registered Global Bond or part thereof (all as indicated in the applicable Final Terms or Pricing Supplement (as the case may be)), such Registered Definitive Bond being in the form or substantially in the form set out in part 8 of the schedule 2 to the Bond Trust Deed with such modifications (if any) as may be agreed between GFL, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed

	thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms or Pricing Supplement (as the case may be) and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms or Pricing Supplement (as the case may be) endorsed thereon or attached thereto and having a Form of Transfer endorsed thereon;
"**Registered Global Bond**"	a Regulation S Global Bond and/or a Rule 144A Global Bond, as the context may require;
"**Registrar**"	Deutsche Bank Trust Company Americas as registrar under the Bond Agency Agreement and any other entity appointed as a registrar under the Bond Agency Agreement;
"**Regulation S**"	Regulation S under the Securities Act;
"**Regulation S Global Bond**"	a registered global note in the form or substantially in the form set out in part 7 of the schedule 2 to the Bond Trust Deed with such modifications (if any) as may be agreed between GFL, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), together with the copy of the applicable Final Terms or Pricing Supplement (as the case may be) annexed thereto, comprising some or all of the Registered Bonds of the same Class or Sub-Class sold to non-US persons outside the United States in reliance on Regulation S under the Securities Act, issued by GFL pursuant to the Dealership Agreement or any other agreement between GFL and the relevant Dealer(s) relating to the Programme, the Bond Agency Agreement and the Bond Trustee;
"**Regulators**"	the CAA and the Competition Commission, and any other additional or replacement governmental authority which may from time to time regulate the Borrower's businesses or who promulgates regulations with which the Borrower is required to comply;
"**Relevant Debt**"	(without double counting) the aggregate, at the time, of the outstanding: (a) Qualifying Borrower Senior Debt, excluding for these purposes any mark-to market value of any transactions under Cross Currency Hedging Agreements and the principal amount outstanding under the Revolving Credit Facility at such time; (b) Qualifying Borrower Junior Debt, excluding for these purposes any mark-to market value of any transactions under Cross Currency Hedging Agreements; (c) the Principal Amount Outstanding under the Class A Bonds; and (d) the Principal Amount Outstanding under the Class B Bonds. **provided that** for the purposes of calculating Relevant Debt only, non-sterling denominated debt shall be deemed to be converted to sterling at the rate specified in the relevant Cross-Currency Hedging Agreement related to the relevant non-sterling denominated debt;
"**Relevant EBITDA**"	means consolidated earnings before interest, tax, depreciation and amortisation and pre-exceptional costs (revenues minus expenses) in respect of the business carried out within the Senior Borrower Group insofar as such business was brought into account or not expressly disallowed by the CAA for any price determination previously published by the Regulator for GAL for the purpose of imposing price caps pursuant to section 40(4) of the Airports Act prior to its repeal;

"Relevant Multiple" means 11.1, being the multiple determined by dividing the Relevant Transfer Value by the sum of the Relevant EBITDA for the three financial years of GAL prior to 1 April 2014 as determined by reference to the audited financial statements of GAL for such financial years divided by three;

"Relevant Period" in respect of,

(a) any Calculation Date which falls in the month of December:

(i) the period of 12 months ending on that Calculation Date in December;

(ii) the period of 12 months starting on that Calculation Date in December; and

(iii) each of the two subsequent 12 month periods immediately following the end of the period referred to in (ii) above,

provided that, in respect of the Calculation Date which falls in December 2019, (a)(i) above refers to the period of 9 months ending on that Calculation Date in December 2019, or

(b) any Calculation Date which falls in a month other than December:

(i) the period of 12 months ending on that Calculation Date;

(ii) the period of 12 months ending on 31 December in the same calendar year; and

(iii) each of the two subsequent 12 month periods immediately following the end of the period referred to in (ii) above,

provided that the Relevant Period in respect of the Calculation Date which falls in March 2020 is limited to the 12 months ending on that Calculation Date;

"Relevant Transfer Value" in respect of any business of the Borrower which was brought into account by the CAA for the price determination for any Regulatory Period for the purpose of imposing price caps pursuant to Section 40(4) of the Airports Act and which ceases to be brought into account for such purpose, unless and until a transfer value has been published by the CAA for such business representing the reduction in the regulatory asset base of the Borrower as determined by the CAA, the transfer value attributed by the Borrower to such business in its most recent Regulatory Accounts and, following publication by the CAA of a transfer value for such business, such published transfer value excluding, in either case, the transfer value published by the CAA or attributed by the Borrower to any assets which are held by a Joint Venture;

"Repeated Representations" the representations set out in paragraphs 1 (*Status*) to 4 (*Non-conflict*) inclusive, 6 (*Validity and admissibility in evidence*), 26 (*Centre of Main Interests*) and 30 (*Property*) of schedule 1 (*General Representations*) to the Common Terms Agreement;

"Requisite Rating" a minimum long-term rating from each of the Rating Agencies of at least BBB+ or, in each case, such other lower rating which is consistent with the published criteria (relevant for the applicable counterparty) of the relevant Rating Agencies;

"**Reserved Matter(s)**" has the meaning given to it in schedule 3 to the STID;

"**Restricted Payment**" (i) any payment under or in respect of any guarantee granted to any creditor subordinated to the Borrower Secured Creditors pursuant to the STID; (ii) any payment (including any payments of distributions, dividends, bonus issues, return of capital, fees, interest, principal, payments for the surrender of group relief or other amounts whatsoever) (by way of loan or repayment of any loan or otherwise) (in cash or in kind) to any direct or indirect affiliate of a Senior Obligor which is not itself a Senior Obligor or GFL (excluding any such payment made on the Initial Issue Date out of part of the proceeds of the initial issuance of Bonds); and (iii) any payment under or in respect of Second Lien Debt, other than:

(a) payments made pursuant to and in accordance with any contracts entered into with any sponsor in compliance with the covenants set out in the Common Terms Agreement **provided that** the aggregate value of such payments are no greater than 0.25% of RAB per calendar year;

(b) payments made pursuant to any Permitted Inter-Company Loan between Senior Obligors; or

(c) Tax payments expressly contemplated by the Reorganisation Steps;

"**Restricted Payment Condition**" a condition which will be satisfied if:

(a) no Loan Event of Default or Potential Loan Event of Default is subsisting or would result from the making of the Restricted Payment;

(b) no Trigger Event is subsisting or would result from the making of the Restricted Payment;

(c) the Restricted Payment is made within:

(i) in respect of a Calculation Date falling in December or June the 90 day period commencing on the date of delivery of the most recent Compliance Certificate or, if later, the date on which any Financial Statements required to be delivered with such Compliance Certificate are delivered;

(ii) in respect of a Calculation Date falling in September or March, within the 60 day period commencing on such Calculation Date; or

(iii) in respect of a Calculation Date falling on an Issue Date, within the 15 day period commencing on such Calculation Date,

and **provided that** the most recent Compliance Certificate and any Financial Statements required to be delivered with such Compliance Certificate are delivered within such period and on or prior to the date on which the Restricted Payment is made;

"**Revolving Credit Facility**" the revolving loan facility made available under the Initial Authorised Credit Facility Agreement;

"**Rule 144A Global Bond**" any Rule 144A Bonds represented by a Global Bond;

"**Scheduled Redemption Date**" has the meaning given to it in Condition 5(j) (*Definitions*);

"**Second Lien Creditor**"	each Borrower Secured Creditor to which Second Lien Debt is owed;
"**Second Lien Debt**"	any Financial Indebtedness incurred by a holding company (direct or indirect) of the Security Parent, the creditors in respect of which have acceded to the STID as Qualifying Borrower Second Lien Secured Creditors;
"**Secured Creditor Representative**"	the representative of a Borrower Secured Creditor appointed in accordance with clause 9 (*Appointment of Representatives*) of the STID;
"**Secured Creditors**"	the Borrower Secured Creditors and the GFL Secured Creditors;
"**Security Documents**"	means: (a) the Borrower Security Agreement; (b) the Jersey Security Interest Agreement; (c) the STID and each deed of accession thereto, together with any deed supplemental to the STID and referred to in the STID as a "Supplemental Deed"; and (d) any other document evidencing or creating security over any asset of a Senior Obligor to secure any obligation of any Senior Obligor to a Borrower Secured Creditor in respect of the Borrower Secured Liabilities;
"**Security Group**"	the Security Parent, GAL, Ivy Bidco Limited and any other Subsidiary of any member of the foregoing (other than GFL) which accedes, *inter alia*, to the Common Terms Agreement and the STID in accordance with the terms of the Transaction Documents;
"**Security Parent**"	Ivy Holdco Limited;
"**Senior Debt**"	(a) any financial accommodation that is, for the purposes of the STID, to be treated as Senior Debt and includes: (b) all Qualifying Borrower Senior Debt; (c) all Permitted Secured Guarantee Liabilities; (d) the amount owed by the Borrower to GFL in respect of the mark-to-market value of any transaction or transactions arising under Hedging Agreements (other than Cross Currency Hedging Agreements) in respect of the Class A Bonds or any Authorised Credit Facility to the extent that such value represents an amount which would be payable to the relevant Hedge Counterparties on an early termination date designated at such time (if any) in respect of such transaction or transactions and which are closed out at such time; (e) the mark-to-market value of any transaction or transactions arising under Hedging Agreements (other than Cross Currency Hedging Agreements) between a Hedge Counterparty and the Borrower to the extent that such value represents an amount which would be payable to the relevant Hedge Counterparties on an early termination date designated at such time (if any) in respect of such transaction or transactions and which are closed out at such time; (f) the aggregate amount of all accretions by indexation to the notional amount of any inflation-linked Treasury Transactions;

"**Senior ICR**"	for any Relevant Period, the ratio of: (a) Cashflow from Operations of the Borrower (after adding back any cash outflows of a one-off, non-recurring extraordinary or exceptional nature in respect of the Borrower and excluding extraordinary revenues), less corporation tax paid to HMRC, less two per cent. of RAB; to (b) interest, commitment fees and equivalent recurring finance charges (excluding, for the avoidance of doubt, amounts used to repay accretions by indexation to the notional amount of any inflation-linked Treasury Transactions) paid or, in the case of forward looking ratios, forecasted to be paid on Senior Debt, the Liquidity Facility and any Permitted Financial Indebtedness that is not, pursuant to the STID, subordinated to such Senior Debt (less all interest received or, in the case of forward looking ratios, interest forecasted to be received by any Senior Obligor from any third party other than pursuant to a Permitted Inter-Company Loan);
"**Senior RAR**"	the ratio of: (a) the sum of: (i) Senior Debt (other than amounts committed but not outstanding under an Authorised Credit Facility); plus (ii) amounts drawn on the Liquidity Facility (other than in respect of a Standby Drawing) and amounts drawn from the Liquidity Standby Account; plus (iii) any Permitted Financial Indebtedness (other than the CCFF Debt) incurred pursuant to paragraphs (a)(iv) to (a)(viii) of the definition thereof that is not, pursuant to the STID, subordinated to the Senior Debt; less (iv) amounts held in Authorised Investments or cash in any Borrower Account (excluding any Excluded Cash); to (b) RAB;
"**Series**"	a Tranche of Bonds together with any further Classes, Sub-Classes or Tranches of Bonds which: are (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions "**Bonds of the relevant Series**", "**holders of Bonds of the relevant Series**" and related expressions shall (where appropriate) be construed accordingly;
"**Standard Liquidity Loan Drawing**"	in relation to a Liquidity Loan Drawing, the amount of that Liquidity Loan Drawing multiplied by the proportion that the Liquidity Facility Amount bears to the aggregate of the Available Standby Amount and the Liquidity Facility Amount;
"**Standby Drawing**"	a drawing made under the Liquidity Facility Agreement as a result of a downgrade of a Liquidity Facility Provider below the Requisite Rating in accordance with clause 9 (*Rating Downgrade*) of the Liquidity Facility Agreement or in the event that the Liquidity Facility Provider fails to renew its Commitment pursuant to clause 3.5 (*Substitute Liquidity Facility*) of the Liquidity Facility Agreement;
"**STID**"	a security trust and intercreditor deed;
"**STID Proposal**"	a proposal or request made by the Borrower in accordance with the STID proposing or requesting the Borrower Security Trustee to concur in making any modification, giving any consent or granting any waiver under or in respect of any Common Document;
"**STID Voting Request**"	has the meaning given to it in clause 12.7 (*STID Voting Request*) of the STID;
"**Sub-Class**"	with respect to a Class of Bonds, those Bonds which are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Price, such Sub-Class comprising one or more Tranches of Bonds;

"**Sub-Advance**"	a sub-division of any Advance made under the relevant Borrower Loan Agreement;
"**Subordinated Intragroup Creditor**"	Bidco and any entity which accedes to the STID as a Subordinated Intragroup Creditor in the form set out in part 4 (*Form of Accession Memorandum (New Subordinated Intragroup Creditor)*) of schedule 1 (*Form of Accession Memorandum*) to the STID;
"**Subordinated Intragroup Liabilities**"	all present and future liabilities any time of the Security Parent to a Subordinated Intragroup Creditor, in respect of any Financial Indebtedness;
"**Substitute Liquidity Facility Agreement**"	has the meaning given to it in clause 3.5 (*Substitute Liquidity Facility*) of the Liquidity Facility Agreement;
"**Talons**"	the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the Definitive Bonds, such talons being in the form or substantially in the form set out in part 6 (*Form of Talon*) of schedule 1 (*Form of Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed or in such other form as may be agreed between GFL, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and includes any replacements for Talons issued pursuant to Condition 13 (*Replacement of Bonds, Coupons, Receipts and Talons*);
"**Tax Deed**"	the Tax Deed to be entered into on the Establishment Date (as amended, restated, novated and/or supplemented from time to time) by (among others) the Senior Obligors, GFL, Borrower Security Trustee and Bond Trustee, covering, in particular, the past, present and future grouping and other tax-related arrangements of the Senior Obligors and GFL;
"**Temporary Bearer Global Bond**"	a temporary global bond in the form or substantially in the form set out in part 1 (*Form of Temporary Bearer Global Bond*) of schedule 2 (*Form of Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed together with the copy of the applicable Final Terms or Pricing Supplement (as the case may be) annexed thereto with such modifications (if any) as may be agreed between GFL, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Bearer Bonds of the same Class or Sub-Class, issued by GFL pursuant to the Dealership Agreement or any other agreement between GFL and the relevant Dealer(s) relating to the Programme, the Bond Agency Agreement and the Bond Trust Deed;
"**Term Facility**"	the term loan facility made available under the Initial Authorised Credit Facility Agreement as described in paragraph (a)(i) of the clause 2.1 (*The Facilities*) of the Initial Authorised Credit Facility Agreement;
"**Total Notional Hedged Amount**"	the aggregate, at the time, of (a) the outstanding Notional Amount (as defined in the relevant Hedging Agreements) of Treasury Transactions which are interest rate swap transactions and inflation swap transactions (excluding, prior to (but including upon and following) any Loan Event of Default, any Pre-hedges and excluding the Notional Amount of any Treasury Transactions which are inflation swap transactions which do not provide for any payment obligations referenced to floating rate) entered into between GFL and the Hedge Counterparties or the Borrower and the Hedge Counterparties (as applicable) under the relevant Hedging Agreements; and (b) the outstanding principal amount of the Fixed-rate Debt and **provided that** the Total Notional Hedged Amount shall be calculated by netting the Notional Amount (as defined in the relevant Hedging Agreements) of

any Treasury Transaction to which the Security Parent or any of its Subsidiaries is a party against the Notional Amount (as defined in the relevant Hedging Agreements) of any Treasury Transaction to which the Security Parent or any of its Subsidiaries is a party and which provide for opposite payment obligations.

"**Tranche**" all Bonds which are identical in all respects (save for the Issue Date, Interest Commencement Date and Issue Price);

"**Transaction Documents**" each Senior Finance Document and each GFL Transaction Document;

"**Transfer Agent**" in relation to all or any Class or Sub-Class of the Registered Bonds, the several institutions at their respective specified offices initially appointed as transfer agents in relation to such Bonds by GFL pursuant to the relative Bond Agency Agreement and/or, if applicable, any Successor transfer agents at their respective specified offices in relation to all or any Class or Sub-Class of the Bonds;

"**Transfer RAB**"

(a) in respect of the Calculation Dates from (and excluding) 30 June 2021 to (and including) 30 June 2023, at any date, the aggregate of the product of: (a) the sum of the Relevant EBITDA for the previous three consecutive periods of twelve months preceding such date (subject to the proviso below) as determined by reference to the most recent financial statements delivered pursuant to paragraph 1 (*Financial Statements*) of Part 1 (*Information Covenants*) of Schedule 2 (*Covenants*) to the Common Terms Agreement for such consecutive periods of twelve months divided by three; and (b) the Relevant Multiple, provided that for the purposes of this calculation, the Relevant EBITDA in respect of each calendar quarter during the period from (and including) 1 April 2020 to (and including) 31 March 2021 shall be replaced by the following:

1 April 2020 to 30 June 2020 (inclusive)	£134,430,291
1 July 2020 to 30 September 2020 (inclusive)	£187,907,418
1 October 2020 to 31 December 2020 (inclusive)	£76,978,795
1 January 2021 to 31 March 2021 (inclusive)	£42,025,921

and

(b) in respect of any other Calculation Date, at any date, the aggregate of the product of: (a) the sum of the Relevant EBITDA for the previous three consecutive periods of twelve months preceding such date as determined by reference to the most recent financial statements delivered pursuant to paragraph 1 (*Financial Statements*) of Part 1 (*Information Covenants*) of Schedule 2 (*Covenants*) to the Common Terms Agreement for such consecutive periods of twelve months divided by three; and (b) the Relevant Multiple;

"**Treasury Transaction**" any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index-linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap or combined similar agreement or any derivative transaction protecting against or benefitting from fluctuations in any rate or price;

"**Trigger Event**" any of the events or circumstances identified as such in part 1 of schedule 3 (*Trigger Events*) to the Common Terms Agreement;

"**UK Corporate Administration Provider**"	Intertrust Management Limited (formerly known as Structured Finance Management Limited), a company incorporated in England and Wales with limited liability (registered number 03853947) or any successor thereto;
"**UK GAAP**"	generally accepted accounting principles in the United Kingdom;
"**Voted Qualifying Debt**"	the Participating QBS Creditors voting in accordance with clause 10.3 (*Participating QBS Creditors*) of the STID;
"**Zero Coupon Bond**"	a Bond on which no interest is payable.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Part A: Unaudited pro forma information

The unaudited pro forma information of the Issuer (the "**Pro Forma Financial Information**") has been prepared on the basis of the notes set out below to illustrate the effect of the issuance of the Notes on the net assets of the Issuer as if it had occurred on 31 December 2020.

The Pro Forma Financial Information is only intended to describe a hypothetical situation and has been produced for illustrative purposes only and, therefore, does not in any way reflect the Issuer's actual financial position or results. It is not intended to show the financial position or the result for the period if the above events had occurred at the above-mentioned date. It also does not show the financial position or the results of the business at a future point in time.

The Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006. Investors should read the whole of this Prospectus and not rely solely on the information in this section "*Unaudited Pro Forma Financial Information*". The reporting Accountants' report on the Pro Forma Financial Information is set out in Part B of this section "*Unaudited Pro Forma Financial Information*".

Pro Forma Statement of Net Assets

	Gatwick Airport Finance plc as at 31 December 2020 (note 1)	Adjustment (note 2)	Pro forma
		(£ millions)	
Assets			
Non-current assets			
Property, plant and equipment	2,308.6	–	2,308.6
Investment properties	1,016.0	–	1,016.0
Intangible assets	23.3	–	23.3
Goodwill	51.8	–	51.8
Lease receivables	16.7	–	16.7
	3,416.4	**–**	**3,416.4**
Current Assets			
Inventories	7.0	–	7.0
Trade and other receivables	58.2	–	58.2
Corporation tax receivable	29.1	–	29.1
Cash and cash equivalents	293.7	445.0	738.7
	388.0	**445.0**	**833.0**
Total assets	**3,804.4**	**445.0**	**4,249.4**
Liabilities			
Non-current liabilities			
Non-current borrowings	(3,354.4)	(450.0)	(3,804.4)
Derivative financial liabilities	(193.0)	–	(193.0)
Lease liabilities	(60.8)	–	(60.8)
Deferred tax liabilities	(268.6)	–	(268.6)
Retirement benefit obligations	(38.1)	–	(38.1)
	(3,914.9)	**(450.0)**	**(4,364.9)**
Current liabilities			
Current borrowings	(174.4)	–	(174.4)
Lease liabilities	(2.9)	–	(2.9)
Trade and other payables	(157.9)	–	(157.9)
Current tax liabilities	(1.8)	–	(1.8)
Deferred income	(6.8)	–	(6.8)
	(343.6)	**–**	**(343.6)**
Total liabilities	**(4,258.5)**	**(450.0)**	**(4,708.5)**
Net assets/(liabilities)	**(454.1)**	**(5.0)**	**(459.1)**

Notes

1. The results have been extracted, without material adjustment, from the consolidated financial statements of the Issuer as at 31 December 2020.
2. The net proceeds of the issuance of the Notes are expected to be £445.0 million. This reflects the principal amount of the Notes to be issued of £450.0 million, less the payment of fees and expenses in respect of the issuance of the Notes which are expected to be £5.0 million.
3. The unaudited pro forma statement of net assets does not reflect any trading or other transactions undertaken by the Issuer since 31 December 2020.
4. The Pro Forma Financial Information has been prepared in accordance with Annex 20 of the PR Regulation and in a manner consistent with the accounting policies adopted by the Group in preparing its audited consolidated financial statements for the year ended 31 December 2020.

Part B: Independent auditors assurance report on the compilation of the unaudited pro forma financial information included in this Prospectus

The Directors
Gatwick Airport Finance plc
8th Floor
20 Farringdon Street
London
EC4A 4AB

6 April 2021

Dear Ladies and Gentlemen

Gatwick Airport Finance plc (the "Company")

We report on the pro forma financial information (the "**Pro Forma Financial Information**") set out in Part A (*Unaudited Pro Forma Financial Information*) of the section entitled "*Unaudited Pro Forma Financial Information*" of the Company's prospectus dated 6 April 2021 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed issue of £450,000,000 4.375 per cent. Senior Secured Notes due 2026 might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for year ended 31 December 2020. This report is required by section 3 of Annex 20 to the PR Regulation and is given for the purpose of complying with that PR Regulation and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with section 3 of Annex 20 of the PR Regulation.

It is our responsibility to form an opinion, as required by section 3 of Annex 20 of the PR Regulation as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.5R(2)(f) of the Prospectus Regulation Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 7 to the PR Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of

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comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

a) the Pro Forma Financial Information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.5 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.3 of Annex 7 to the PR Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

Note on 17 March 2021, the Issuer re-registered as a public limited company and changed its name from Ivy Midco Limited to Gatwick Airport Finance plc.

IVY MIDCO LIMITED

Annual Report and the Consolidated and Parent Company Financial Statements for the year ended 31 December 2020

Company Registration Number 06894065

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY MIDCO LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Ivy Midco Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and the Consolidated and Parent Company Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2020; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated and Company Cash Flow Statements for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the preparation of the financial statements on a going concern basis.

Management's forecasts assume that as the vaccine role out extends through the UK and overseas there is a reasonable prospect of a relaxing of current lockdown and travel restrictions by the summer of 2021. However, should they extend, or be reimposed, in key summer trading months, this would likely significantly adversely impact projected passenger numbers through the airport. This would reduce cash flows from operations and as a consequence could result in the Group breaching its senior interest cover ratio covenant when next assessed as at 31 December 2021. This in turn would expose the Group to the risk that all the existing debt would fall due for immediate repayment. In addition, the Group's £300 million term loan facility currently falls due for repayment in October 2021 albeit this date can be extended, at the Group's option, to April 2022. Whilst the directors are confident that they will be able to refinance this debt this has not been agreed as at the date of approval of these financial statements.

Given the existence of these risks and the fact that any remedies that could be needed have not been executed as at the date of this report this represents a material uncertainty that may cast significant doubt upon the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

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

Audit procedures performed

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. In concluding there is a material uncertainty, our audit procedures evaluated the Directors' assessment of anticipated passenger numbers and associated revenues and some downside sensitivities they had modelled for reasonableness having regard to other externally available estimates as to the potential recovery of the UK aviation sector in 2021. We further considered available funding to the Group for a period of at least a year from the date of approval of these financial statements, and any associated financial covenants related to this debt, to assess the level of available liquidity to the Group and any risk of potential covenant breaches, in particular as at the next measurement date of 31 December 2021. Recognising the highly uncertain environment affecting the sector at present, due to the pandemic, we then assessed to what level passenger numbers would need to fall in order to potentially breach the debt covenants. Whilst this was not triggered in management's anticipated forecasts in a severe but plausible scenario whereby extended government restrictions over travel significantly impacted the summer, we assessed it as being plausible that the senior interest cover ratio could be breached.

In addition to the above referenced assessment over passenger numbers and associated revenues we performed various tests to assess the integrity of management's forecast cash flow models including assessing the integrity of the model, its mathematical accuracy and the reasonableness of other key assumptions such as over cash costs and working capital movements reflected in the model. We also assessed the terms and maturities of all debt agreements and any associated covenants to ensure they were appropriately considered as part of our work. Finally, we carefully reviewed the directors' conclusions and explanations of the matter as set out in note 1 to the financial statements.

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

Our audit approach

Overview

Audit scope

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

Key audit matters

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

Materiality

- Overall Group materiality: £10.6 million (2019: £10.6 million) based on the assessment described in the materiality table below.
- Overall Company materiality: £6.84 million (2019: £6.84 million) based on approximately 1% of total assets of the Company.
- Performance materiality: £8.0 million (Group) and £5.13 million (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

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

Our audit approach (continued)

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Group's compliance with their aerodrome license to operate regulated by the CAA, including the commitments made within, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management's incentives, which are tied to achieving adjusted EBITDA set out in the annual budget. This could be achieved primarily through manual adjustments to revenue, or through the manipulation of operating expenses. The two ways operating expenses could be manipulated is through inappropriate capitalisation of expenses or through reclassifying operating expenses to categories excluded from adjusted EBITDA. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by unexpected users;
- Assessed management's compliance with the commitments under the aerodrome operator license;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing the Group's litigation register as far as it related to non-compliance with laws and regulations and fraud; and
- Reviewing relevant meeting minutes, including those of the Board of Directors and the Audit Committee.

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

COVID-19 is a new key audit matter this year. Capital expenditure, which was a key audit matter last year, is no longer included because of the impact of COVID-19 has significantly reduced both the quantum of capital expenditure in the year, and reduced the inherent level of judgement surrounding capital expenditure. Otherwise, the key audit matters below are consistent with last year.

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

Our audit approach (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (Group) The Group holds investment properties totalling £1,016.0 million at 31 December 2020 (2019: £1,173.0 million), including Car Parks, Offices and Non-Operational land, which represents a significant proportion of the Group's total assets of £3,804.4 million (2019: £3,744.4 million). The carrying value of these investment properties is based on valuations carried out by independent third party valuers Jones Lang LaSalle ("JLL") as at the year end. JLL was engaged by the Directors and performed their work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards and the requirements of International Accounting Standard 40 'Investment Property'. JLL included a material valuation uncertainty clause in their valuation reports as at 31 December 2020. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of investment properties. The valuation of the Group's investment property portfolio was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, and the valuation is sensitive to changes in assumptions, particularly: • Changes in the estimated rental value of the underlying property, and management's plan to utilise the properties in the future; • The rental yields that are achievable from the use of the property, particularly the estimate of future cash flows associated with the profitability of the car parks; and • The discount rate and comparable transactions used to support the fair value analysis.	In respect of the valuation of investment properties, we engaged PwC real estate valuation experts to assist us in evaluating the JLL valuation assumptions including: • assessing the valuation approach used and any changes in the approach from prior years; ensuring the valuation approach is consistent with professional valuation standards; • evaluating significant assumptions and judgements made in the model; and • we had particular regard to the material uncertainty reference in the JLL valuation and ensured that we and our PwC valuation team assessed whether the values in the JLL report were reasonable to include in the financial statements. As part of this assessment we considered the adequacy of the disclosures made in Note 16 (Investment Properties) to the financial statements. This included ensuring that due attention was brought to the reader's attention of the fact that the valuers had included a material valuation uncertainty in their report and consequently that less certainty and a higher degree of caution should be attached to the valuations as at 31 December 2020. We discussed this clause with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the reasonableness of the inclusion of the valuation in the consolidated statement of financial position and disclosures made in the financial statements are appropriate. We obtained supporting documentation to test the key inputs into the valuation including validating input data such as future cash flows associated with rental income, revenues growth assumptions and yields. We tested the mathematical accuracy of the valuation models. We assessed the disclosures of the methodologies used, assumptions adopted and the associated judgements with reference to relevant accounting standards. We did not identify any material exceptions and, whilst cogniscent of the material uncertainty clause, felt it was the best available estimate of an appropriate valuation to include in the financial statements albeit heightened caution was flagged by JLL in relation to the level of judgement involved given the unique current economic environment.

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

Our audit approach (continued)

Key audit matter	*How our audit addressed the key audit matter*
Recoverability of investment in Gatwick Airport Limited (Company) The Company holds an investment in Gatwick Airport Limited ("GAL") of £604.9 million (2019: £604.9 million). Given the size and nature of the investment, there is judgement required by management to determine whether or not there is any indication of impairment in value. Due to COVID-19, which was considered a triggering event for the impairment evaluation, management performed an assessment of the recoverability of its investment in GAL. Valuations of this nature are inherently judgmental and require management to use a variety of estimates, in particular the assessment of future cash flows of the airport, discount rates based on their regulatory weighted average cost of capital and perpetual growth rates in relation to a value in use, and the valuation a third party would be willing to pay to acquire the operations in the case of fair value less cost to sell.	We obtained management's impairment assessment, noting the discounted cash flow model contained significant headroom. The key judgements underpinning the model was the recovery of passenger numbers over the next four years and the impact this has on projected revenues and costs, projected capital expenditure, the discount rate and the perpetuity growth rate. To assess these assumptions, we performed the following: • Engaged industry specialists to support in the evaluation of management's passenger recovery scenario, including comparison to industry data available; • Assessed the reasonableness of the rate per passenger used within the revenue and cost models; • Compared the projected capital expenditure with expected project costs, and management's regulatory commitment; • Assessed the discount rate against the regulatory WACC, compared to the existing capital structure of other similar sized airports, and assessed the sensitivity of the discount rate to the headroom within the model; • Assessed the reasonableness of the perpetuity growth rate, comparing to United Kingdom GDP forecasts, and sensitised the assumption against the headroom in the model; • Compared the model to the requirements of IAS 36; and • Tested the mathematical accuracy of the model. We did not identify any material exceptions.
COVID-19 (Group and Company) Since the outbreak of COVID-19 the Group and Company have continued to operate and trade, albeit including a period with extended periods of significantly reduced passenger traffic when compared to historic levels. This reduction in traffic has continued into the first quarter of the year ending 31 December 2021. Management has considered the impact of COVID-19 on the Group and Company financial statements. Primarily these considerations related to the possible impairment of intangible and tangible assets, the revaluation of investment properties, the recognition of income from furlough and temporary government unemployment support schemes, the appropriate accounting for revised revenue contracts and the Board's going concern assessment. There is a risk that the financial impact arising from COVID-19 which has been recorded by management is inappropriate or that we might not able to obtain sufficient audit evidence in order to support our conclusions in respect of this assessment. Our audit focused on those areas where management identified potential financial impacts arising as a result of the pandemic which, based on our independent risk assessment, could have given rise to a risk of material misstatement. Refer to note 1 Basis of preparation, note 6, note 15, note 16, and as well as the Strategic Report - Response to COVID-19, for management's disclosures of the relevant judgements, estimates and impacts related to these items.	In advance of the year end and throughout the course of the audit we continued to assess the risks arising from the COVID-19 pandemic. We focussed on areas where significant additional audit effort might be required as well as those areas which might be susceptible to a material financial impact on the performance and position of the Group or Company for the year ended 31 December 2020. Other than as already described in the section on going concern and the key audit matters above, having regard to the key areas impacted by COVID-19 as set out in the column to the left, we performed additional procedures as set out below: • With regard to asset valuations, where relevant, various recovery scenarios were modelled by management in the cash flow models used to assess for possible impairments of intangible and tangible assets. We evaluated management's assumptions in light of expectations of recovery from the pandemic as well as historical results and post year end performance and concluded these to be reasonable and consistent with other evidence obtained during the course of our audit work; • Engaged industry specialists to support in comparing recovery scenarios against available industry information; • With regard to furlough we verified furlough receipts have been received through inspection of bank statements and checked that the Group has met the required eligibility criteria in respect of schemes in territories where claims or receipts were outstanding at the year-end date: and

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

Our audit approach (continued)

Key audit matter	*How our audit addressed the key audit matter*
COVID-19 (Group and Company) (continued)	• With regard to amended revenue contracts, we performed a test across all revenue contracts to identify amended contracts and evaluate whether the revenue recognition model was updated to reflect the amendment, if applicable. Despite undertaking our year end work remotely, we did not encounter any significant difficulties in performing our audit testing or in obtaining the required evidence to support our audit conclusions. We reviewed the disclosures in the financial statements in respect of the impact of COVID-19 and concluded that these are appropriate. Based on the work performed, as summarised above, we found that the Group's conclusions in respect of the impact of COVID-19 are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	**Financial statements - Company**
Overall materiality	£10.6 million (2019: £10.6 million).	£6.84 million (2019: £6.84 million)
How we determined it	In determining materiality for the Group for the current year we had regard to the highly unusual year which resulted in significant pre-tax losses of £542.1 million as well as the fact that EBITDA had dramatically reduced compared to the prior year. Given the highly unusual year none of the standard benchmarks typically used to determine materiality felt appropriate in isolation albeit we had regard to them. We had a detailed discussion on the topic with the Audit Committee, which included representatives of the investors, and after some debate agreed that a materiality of £10.6 million, equating to 2% of the loss before tax, was an appropriate level to apply.	Approximately 1% of total assets having due regard to the users of the financial statements and the level of focus on company standalone numbers.

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

Our audit approach (continued)

Materiality (continued)

	Financial statements - Group	Financial statements - Company
Rationale for benchmark applied	As noted above due to the highly unusual year subject to audit we do not believe that any standard benchmark in isolation is appropriate instead we have had careful regard to what level of adjustment to the reported results would materially impact the assessment of any users of the accounts. In this context we considered adjusted EBITDA but rejected this due to it dramatically falling away and being of limited relevance, as agreed with the audit committee, in the context of the current year. We then had regard to other often used benchmarks namely net assets and loss before tax. Applying standard benchmarks of 1% and 5% in relation to these would, in our view, lead to too high a materiality and hence we determined materiality at a level equivalent to the prior year equivalent was appropriate and equates to circa 2% of the loss before tax for the year.	As the Company is a holding company, its most significant balance is its investment in Ivy Super Holdco Limited. Therefore, we have utilised an asset-based measure for materiality. It was agreed with the audit committee that given the underlying investment fundamentally remained the same we should keep materiality at the same level as the prior year.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £6.84 million to £9.1 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £8.0 million for the Group financial statements and £5.13 million for the Company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £0.5 million (Group audit) (2019: £0.5 million) and £0.34 million (Company audit) (2019: £0.34 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Reporting on other information (continued)

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report

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

certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

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

We have no exceptions to report arising from this responsibility.

Andrew Latham

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Crawley
16 March 2021

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2020

	Note	**Year ended 31 December 2020 £m**	Period ended 31 December 2019 £m
Revenue	4	**217.0**	719.6
Other operating income	5	**-**	3.9
Operating costs	6	**(465.1)**	(444.8)
Operating (loss)/profit		**(248.1)**	278.7
Analysed as:			
Operating (loss)/profit before exceptional items		**(205.5)**	297.4
Operating costs – exceptional	7	**(42.6)**	(18.7)
Investment property revaluation	16	**(159.7)**	15.8
Loss on disposal of fixed assets	9	**(0.9)**	(1.4)
Financing			
Fair value loss on derivative financial instruments	10	**(0.6)**	(0.3)
Finance income	11	**20.4**	15.6
Finance costs	12	**(153.2)**	(124.5)
(Loss)/profit before tax		**(542.1)**	183.9
Income tax credit/(charge)	13	**60.4**	(40.3)
(Loss)/profit for the period		**(481.7)**	143.6

The notes on pages 67 to 105 form an integral part of these financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	**Year ended 31 December 2020 £m**	Period ended 31 December 2019 £m
(Loss)/profit for the period		**(481.7)**	143.6
Other comprehensive (expense)/income			
Items that will not be reclassified to the consolidated income statement			
Actuarial (loss)/gain on retirement benefit obligations	24	**(33.5)**	1.6
Tax credit/(charge)	22	**7.2**	(0.3)
Other comprehensive (expense)/profit for the period		**(26.3)**	1.3
Total comprehensive (expense)/income for the period		**(508.0)**	144.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Note	**Share capital £m**	**Share Premium £m**	**Retained earnings £m**	**Total £m**
Balance at 1 April 2019		5.2	2.8	(393.2)	(385.2)
Profit for the period		-	-	143.6	143.6
Other comprehensive income		-	-	1.3	1.3
Dividends	14	-	-	(400.0)	(400.0)
Proceeds from shares issued		0.7	693.5	-	694.2
Bonus share issue		693.5	(693.5)	-	-
Share capital reduction		(694.2)	(2.8)	697.0	-
Balance at 31 December 2019		5.2	-	48.7	53.9
Loss for the period		-	-	(481.7)	(481.7)
Other comprehensive expense		-	-	(26.3)	(26.3)
Balance at 31 December 2020		**5.2**	**-**	**(459.3)**	**(454.1)**

The notes on pages 67 to 105 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	**31 December 2020 £m**	31 December 2019 £m
Assets			
Non-current assets			
Property, plant and equipment	15	**2,308.6**	2,396.6
Investment properties	16	**1,016.0**	1,173.0
Intangible assets	17	**23.3**	26.3
Goodwill	17	**51.8**	51.8
Lease receivables	21	**16.7**	16.9
		3,416.4	3,664.6
Current assets			
Inventories		**7.0**	6.1
Trade and other receivables	18	**58.2**	60.9
Corporation tax receivable		**29.1**	2.2
Cash and cash equivalents		**293.7**	10.6
		388.0	79.8
Total assets		**3,804.4**	3,744.4
Liabilities			
Non-current liabilities			
Non-current borrowings	23	**(3,354.4)**	(2,839.6)
Derivative financial liabilities	19	**(193.0)**	(228.9)
Lease liabilities	21	**(60.8)**	(63.4)
Deferred tax liabilities	22	**(268.6)**	(309.7)
Retirement benefit obligations	24	**(38.1)**	(24.7)
		(3,914.9)	(3,466.3)
Current liabilities			
Current borrowings	23	**(174.4)**	-
Lease liabilities	21	**(2.9)**	(2.1)
Trade and other payables	25	**(157.9)**	(206.2)
Current tax liabilities		**(1.8)**	(4.2)
Deferred income		**(6.6)**	(11.7)
		(343.6)	(224.2)
Total liabilities		**(4,258.5)**	(3,690.5)
Net (liabilities)/assets		**(454.1)**	53.9
Equity			
Share capital	26	**5.2**	5.2
Retained earnings		**(459.3)**	48.7
Total equity		**(454.1)**	53.9

The financial statements on pages 63 to 105 were approved by the Board of Directors on 16 March 2021 and signed on its behalf by:

Marten Soderbom
Director

Rémi Maumon de Longevialle
Director

CONSOLIDATED CASH FLOW STATEMENT
For year ended 31 December 2020

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Cash flows from operating activities		
(Loss)/profit before tax	**(542.1)**	183.9
Adjustments for:		
Investment property revaluation	**159.7**	(15.8)
Loss on disposal of fixed assets	**0.9**	1.4
Fair value loss on financial instruments	**0.6**	0.3
Finance income	**(20.4)**	(15.6)
Finance costs	**153.2**	124.5
Depreciation and amortisation	**180.4**	134.9
Increase in inventories, trade and other receivables	**(6.3)**	(4.7)
(Decrease)/increase in trade and other payables	**(27.4)**	16.2
Defined benefit pension contributions	**(20.4)**	(11.8)
Other non-cash movements	**(0.3)**	-
Cash generated from operations	**(122.1)**	413.3
Corporation tax paid	**(0.5)**	(40.2)
Net cash from operating activities	**(122.6)**	373.1
Cash flows from investing activities		
Interest received	**0.7**	1.0
Purchase of fixed assets	**(108.2)**	(188.6)
Sale of tangible fixed assets	**0.1**	0.1
Net cash from investing activities	**(107.4)**	(187.5)
Cash flows from financing activities		
Interest paid	**(134.5)**	(33.7)
Payment of lease liabilities	**(1.0)**	(1.8)
Increase in external borrowings	**470.2**	292.3
Increase/(decrease) in revolving credit facility	**215.0**	(35.0)
Payment of inflation accretion	**(36.6)**	-
Equity dividends paid	**-**	(400.0)
Net cash from financing activities	**513.1**	(178.2)
Net increase in cash and cash equivalents	**283.1**	7.4
Cash and cash equivalents at the beginning of the period	**10.6**	3.2
Cash and cash equivalents at the end of the period	**293.7**	10.6

The notes on pages 67 to 105 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. BASIS OF PREPARATION

The Directors have prepared the financial statements on a going concern basis. In assessing the going concern position of the Group, the Directors have considered the potential impact of COVID-19 on the cash flow and liquidity of the Group over the next 12 months, and the corresponding impact on the covenants associated with the Group's financing arrangements.

In forming this view, the Directors have noted that 2020 was an unprecedented year in the aviation sector but that the actions taken throughout the year have managed the impact and put the Group in a strong position for recovery. Whilst, the early success of the vaccination programme in the UK and significant progress made abroad gives confidence to the Directors on a significant traffic recovery in 2021 there remains a degree of uncertainty over forecasts for 2021.

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 23.

The Group has taken steps to increase the availability of cash and committed funding available. On 3 April 2020, the Group entered into a new £300 million Term Loan (due for repayment in October 2021, extendable for an additional 6 months at the Group's option such that it would not fall due for repayment until April 2022). As at 31 December 2020, the Group held cash of £293.1 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 was approved to draw up to £300 million under the Bank of England Covid Corporate Financing Facility ("CCFF"). £175 million was drawn on 10 November 2020. The loan was repaid in January 2021 and a further £250 million was drawn on 14 January 2021 to both provide additional working capital to the Group and to extend the maturity of the facility to January 2022. The Group's forecasts demonstrate that the Group continues to have liquidity headroom for at least the next 12 months.

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

The Group has been granted a covenant waiver and amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes : a) any Default relating to Senior ICR and Senior RAR levels is waived in respect of the calculation dates falling on December 2020 and June 2021; and b) a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace the April 2020 to March 2021 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

The Group's most recent forecast assumes a steady increase in passengers as the vaccination program in the UK continues to roll out and reduces levels of serious infection such that we expect total passenger numbers of 2021 to be circa 40% compared to 2019. Following the granting of the covenant waiver, the Group anticipates compliance with all covenant tests at the relevant calculation dates. However, it should be noted that the ICR is particularly sensitive to the concentrated loss of revenues and cash flows within a trailing 12 month period, while the Senior RAR is impacted for longer since it incorporates a 3 year trailing average EBITDA component. Given the recent rise in COVID-19 cases and the action taken by both the UK Government and other nations, there remains short term uncertainty in the passenger forecasts for 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

1. BASIS OF PREPARATION (continued)

The impact of COVID-19 creates considerable uncertainty for the aviation industry. The Directors nevertheless consider that the Group can maintain sufficient liquidity over the next 12 months and, given the underlying credit quality of the business, can secure the necessary and timely support of its debtholders, and that it is accordingly appropriate to adopt a going concern basis for the preparation of these financial statements. Our term loan facility falls due no later than April 2022, and accordingly will require refinancing before then which, whilst we believe should be achievable, has not been completed as at the date of approval of these financial statements. Whilst there are a number of severe but plausible downside scenarios, particularly if severe government restrictions impacting travel were to extend into the summer, there remains a risk to the Group's covenant ratios. Whilst the Group has a number of options to mitigate or remedy any potential covenant breaches and refinance its term loan, there remains the existence of a material uncertainty which may cast significant doubt about the Group's ability to adopt a going concern basis of preparation for the financial statements. These financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the financial statements had not been prepared on a going concern basis.

The financial statements were approved by the Directors on 16 March 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Ownership

On 13 May 2019, Ivy Guernsey Holding L.P completed the sale of 50.01% of Ivy Topco Limited (parent of Ivy Midco Limited) to CRUISER Bidco Limited, a UK incorporated company. CRUISER Bidco Limited is ultimately owned by VINCI SA, a company incorporated in France.

Ivy Midco Limited, a United Kingdom ("UK") incorporated company, is ultimately owned by VINCI SA and a combination of separate accounts and limited partnerships, all of which will be managed by Global Infrastructure Management, LLC.

Ivy Midco Limited ("the Company") has seven wholly-owned subsidiaries: Ivy Super Holdco Limited, Ivy Holdco Limited ("IHL"), Ivy Property Holdings Limited, Gatwick Airport Limited ("Gatwick", "GAL", "the Airport"), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively "the Group".

(b) Revenue

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue (continued)

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

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

(c) Exceptional Items

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

(d) Property, Plant and Equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

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

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

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

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

(e) Investment Properties

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

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

(f) Goodwill

Goodwill arising on acquisitions of subsidiary undertakings or business assets represents a difference between the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ('CGU'). CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Positive goodwill is capitalised as an asset in the Group's Consolidated Statement of Financial Position and is subject to annual impairment reviews. An impairment loss is recognised in the Group's Consolidated Statement of Comprehensive Income if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible Assets

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

(h) Impairment of Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the asset does not generate cash flows that are independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

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

(i) Leases

As a lessee

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

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

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

As a lessor

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

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

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

(j) Inventories

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

(k) Cash and Cash Equivalents

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

(l) Provisions

Provisions are recognised when the Group 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.

(m) Financial Instruments

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

Financial Assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

Financial Assets (continued)

1. Amortised cost

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

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

2. Impairment of financial assets

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

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

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

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

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

Financial Liabilities

Financial liabilities are classified as either:

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

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

1. Borrowings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

Financial Liabilities (continued)

2. Debt issue costs and arrangement fees

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

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

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

3. Trade and other payables

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

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

4. Derivative financial instruments

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

Financial liabilities (continued)

4. Derivative financial instruments (continued)

The Group's current derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9. The periodic amounts of interest payable and receivable on interest rate and index-linked swaps, and the periodic change in the accrued amount of inflation accretion on the notional principal value of the index-linked swaps, are taken to the Income Statement; accrued interest payable and receivable is included in current creditors or debtors, and the inflation accretion accrual is included in non-current debt in the Statement of Financial Position.

(n) Retirement Benefit Obligations

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

Current service costs, a net interest charge on plan assets and plan administration expenses are recognised within the Income Statement as they are incurred. Re-measurements on retirement benefit obligations are recognised in Other Comprehensive Income under IAS 19 *Employee Benefits*.

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

(o) Current and Deferred Taxation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) Dividend Distribution

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

(r) Government grants

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

a) Estimates

1) Investment Properties

Investment properties were valued at fair value at 31 December 2020 by Jones Lang LaSalle Limited (31 December 2019: Jones Lang LaSalle Limited). The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence. As at the valuation date, there is a shortage of market evidence for comparison purposes, to inform opinions of value on the majority of the Group's portfolio. The Jones Lang Lasalle valuation of these assets was therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Further details are available in note 16.

Investment property classification and valuation are areas of judgement. The directors have defined specific criteria required to be met for assets to be classified as investment property. The directors consider car park assets meet this classification criteria therefore hold them as investment property. Further details are available in note 16.

2) Fair Value of Derivative Financial Instruments

The fair value of derivative financial instruments is determined by using valuation techniques. These techniques require judgement and make assumptions that are mainly based on market conditions existing at each reporting date. The valuation technique used is a discounted cash flow methodology. Sensitivity analysis over the key inputs which create estimate uncertainty has been performed to assess the impact of changes in market conditions (note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

a) Estimates (continued)

3) Retirement Benefit Obligations

Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at period end and future returns on pension scheme assets and charges to the Income Statement. The factors have been determined in consultation with the Group's actuary taking into account market and economic conditions. Changes in assumptions can vary from period-to-period as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the Statement of Comprehensive Income. Further details are available in note 24.

b) Judgements

1) Capitalisation

Management are required to make judgements in relation to the capitalisation of costs in relation to assets in the course of construction. This relates to both when amounts may begin to be capitalised and where there may be doubt about the ultimate completion of the asset, for example as a consequence of regulatory requirements such as planning consents.

2) Taxation

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. On this basis, the recognition of a deferred tax asset in the financial statements requires judgement from management. Management make an assessment of forecast profits in future years and use this as the basis for their decision as to whether or not to recognise the deferred tax asset. Further details are available in note 13.

4. REVENUE

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

(a) Nature of services

The Group's main revenue streams are:

- Airport and other traffic charges
- Retail income
- Car parking income
- Property income
- Operational facilities, utilities and other income

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

4. REVENUE (continued)

(a) Nature of services (continued)

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

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

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

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

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

Disaggregation of revenue

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

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Airport and other traffic charges	**89.7**	405.2
Retail	**49.8**	159.4
- Duty and tax-free	**13.2**	47.8
- Specialist shops	**11.6**	36.9
- Catering	**12.2**	37.5
- Bureaux de change	**5.0**	21.4
- Other retail	**7.8**	15.8
Car parking	**17.7**	70.6
Property income	**30.6**	24.5
Operational facilities and utilities income	**12.7**	27.1
Other	**16.5**	32.8
	217.0	719.6

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

4. REVENUE (continued)

(b) Contract balances

	31 December 2020 £m	31 December 2019 £m
Receivables (note 18)	**19.9**	28.3
Contract assets	**2.2**	19.9
Contract liabilities	**(6.6)**	(11.7)

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

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

The amount of revenue recognised in the period to 31 December 2020 from performance obligations satisfied in previous periods is £14.7 million (31 December 2019: £2.1 million). This is due to a revision in estimated passenger numbers in respect to the annual assessment of various aeronautical and retail contracts.

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

	31 December 2020 £m		31 December 2019 £m	
	Contract assets	**Contract liabilities**	Contract assets	Contract liabilities
Revenue recognised that was included in contract liability balance at the beginning of the period	**-**	**10.9**	-	14.1
Increases due to cash received (excluding amounts recognised as revenue in the period)	**-**	**(5.9)**	-	(10.9)
Transfers from contract assets recognised at the beginning of the period to receivables	**(19.9)**	**-**	(16.6)	-
Increases as a result of changes in the measure of progress	**2.2**	-	19.9	-

Transaction price allocated to the remaining performance obligations

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

5. OTHER OPERATING INCOME

During the period ended 31 December 2019 the Group received other income in the form of insurance proceeds.

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Other income	**-**	3.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

6. OPERATING COSTS

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Wages and salaries [(a)]	**74.7**	124.5
Social security costs	**10.5**	12.1
Pension costs	**8.1**	7.8
Other staff related costs	**3.8**	5.2
Staff costs	**97.1**	149.6
Retail expenditure	**2.3**	3.4
Car parking expenditure	**6.9**	15.3
Depreciation and amortisation	**180.4**	134.9
Maintenance and IT expenditure	**30.2**	34.7
Rent and rates	**30.7**	20.9
Utility costs	**16.7**	17.7
Police costs	**12.9**	10.5
Other operating expenses [(b)]	**30.6**	28.9
Aerodrome navigation service costs	**14.7**	10.2
Exceptional costs	**42.6**	18.7
	465.1	444.8

(a) Wages and salaries includes government grants relating to the Coronavirus Job Retention Scheme amounting to £25.8 million in the year (2019: nil)

(b) Other operating expenses includes impairment of trade receivables amounting to £5.4 million in the year (2019: £2.3 million)

Average full-time equivalent (“FTE”) employee numbers decreased from 3,052 for the period ended 31 December 2019 to 2,515 for the year ended 31 December 2020. Average operational FTE employees decreased from 2,565 to 2,091 during the year, and non-operational FTE employees decreased from 487 to 424. At 31 December 2020 there were 1,768 FTE employees (2019: 3,154).

Costs in respect of the Group’s auditors in relation to audit services to the Group totalled £0.4 million in the period (31 December 2019: £0.3 million). Costs in respect of the Group’s auditors in respect of non-audit services totalled £0.1 million in the period (31 December 2019: £nil).

7. OPERATING COSTS - EXCEPTIONAL

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Transaction costs [(a)]	**3.2**	13.9
Reorganisation costs [(b)]	**39.4**	4.8
	42.6	18.7

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

(b) Reorganisation costs relate to the reorganisation of the business following the impact of COVID-19 in 2020. In the prior period they related to the Operational Change Programme designed to deliver an enhanced passenger journey and create new leadership roles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

8. DIRECTORS' EMOLUMENTS

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Directors' emoluments		
Aggregate emoluments	**4.0**	9.8

An amount of £nil (31 December 2019: £nil) was paid into money purchase schemes in respect of the Directors. Aggregate amounts receivable under long-term incentive schemes were £nil (2019: £0.2 million).

	Year ended 31 December 2020 £m	**Period ended 31 December 2019** £m
Highest paid Director		
Aggregate emoluments and benefits	**2.3**	5.8

During the year, the Directors received a reduced salary, consistent with other staff members within the group and no bonuses were payable for 2019 or 2020 as part of the ongoing actions to mitigate the financial impacts of COVID-19.

Nine Directors (31 December 2019: five) were not remunerated during the period for services to the Group. No Directors exercised share options during the period (31 December 2019: nil). No Directors are members of the Gatwick Airport Limited defined benefit pension plan (31 December 2019: nil). No compensation was received by former Directors for loss of office during the year (31 December 2019: nil). No Directors had awards receivable in the form of shares under the Group's LTIP (31 December 2019: two).

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

9. LOSS ON DISPOSAL OF FIXED ASSETS

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

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Loss on disposal of fixed assets	**0.9**	1.4

10. FAIR VALUE MOVEMENT ON DERIVATIVE FINANCIAL INSTRUMENTS

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

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Fair value loss on derivative financial instruments	**(0.6)**	(0.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

11. FINANCE INCOME

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Interest receivable on money markets and bank deposits	**0.2**	0.1
Interest receivable on derivative financial instruments [(a)]	**19.8**	14.9
Lease income	**0.4**	0.6
	20.4	15.6

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

12. FINANCE COSTS

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Interest on fixed rate bonds	**124.4**	91.2
Interest on bank borrowings [(a)]	**7.1**	0.7
Interest on borrowings from other group undertakings [(b)]	**-**	19.1
Interest payable on derivative financial instruments [(c)]	**12.4**	9.2
Amortisation of debt costs	**4.0**	2.0
Non-utilisation fees on bank facilities	**0.9**	0.9
Lease expense	**11.0**	8.1
Net charge on pension scheme	**0.4**	0.6
Capitalised borrowing costs [(d)]	**(7.0)**	(7.3)
	153.2	124.5

(a) These amounts mainly relate to interest payable on loans drawn under the £300.0 million Authorised Credit Facilities Agreement.

(b) These amounts relate to interest payable at 12 per cent on the fixed Rate Unsecured Capital Securities ("the Capital Securities").

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

(d) Borrowing costs have been capitalised using a rate of 4.08% (31 December 2019: 4.62%), which is the weighted average of rates applicable to the Group's overall borrowings outstanding during the period. The capitalised interest amount is calculated by applying the capitalisation rate to the average monthly balance of assets in the course of construction, after deducting the value of construction work undertaken but not paid for, and included in the value of such assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

13. INCOME TAX

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Current tax		
Total current tax credit/(charge)	**22.3**	(31.2)
Adjustment in respect of prior years	**4.2**	-
Total current tax credit/(charge)	**26.5**	(31.2)
Deferred tax		
Current period	**74.3**	(9.8)
Adjustment in respect of prior years	**(3.1)**	-
Effect of change in tax rate	**(37.3)**	0.7
Total deferred tax credit/(charge)	**33.9**	(9.1)
Income tax credit/(charge)	**60.4**	(40.3)

Reconciliation of effective tax rate

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 19% (31 December 2019: 19%). The actual tax charge for the current and prior periods differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
(Loss)/profit before tax	**(542.1)**	183.9
Tax on loss/(profit) at 19%	**103.0**	(35.0)
Effect of:		
Adjustment in respect of prior years	**1.1**	-
Expenses not deductible for tax purposes [a]	**(2.0)**	(4.9)
Movements in deferred tax with no current tax impact	**-**	(0.2)
Tax rate changes	**(37.3)**	0.7
Revaluation on investment property	**(4.4)**	(0.9)
Total tax credit/(charge)	**60.4**	(40.3)

(a) Expenses not deductible for tax purposes is primarily due to capital expenditure which does not qualify for tax relief amounting to £4.1 million (31 December 2019: £2.6 million).

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. During the March 2020 Budget, the UK Government announced that the reduction in corporation tax rate to 17% would be cancelled and the 19% rate retained from 1 April 2020. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

14. DIVIDENDS

The directors have not declared a dividend during the year ended 31 December 2020 (31 December 2019: £58.12 per share on 12 July 2019 amounting to £300.0 million and £19.37 per share on 20 December 2019 amounting to £100.0 million, totalling £400.0 million). The Directors did not recommend the payment of a final dividend (31 December 2019: £nil).

15. PROPERTY, PLANT AND EQUIPMENT

Cost	Terminal complexes £m	Airfield assets £m	Group occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	Total £m
1 April 2019	1,522.3	542.2	139.5	597.0	241.5	3,042.5
Transition to IFRS 16	-	-	13.6	0.8	-	14.4
Additions at cost	-	-	-	-	174.4	174.4
Interest capitalised	-	-	-	-	7.3	7.3
Transfers to completed assets	69.8	31.0	11.7	124.3	(254.7)	(17.9)
Disposals	(1.9)	(1.0)	-	(10.0)	-	(12.9)
31 December 2019	1,590.2	572.2	164.8	712.1	168.5	3,207.8
Additions at cost	-	-	-	-	86.0	86.0
Interest capitalised	-	-	-	-	7.0	7.0
Transfers to completed assets	27.0	9.7	1.1	14.7	(62.7)	(10.2)
Disposals	(0.2)	-	-	(1.2)	-	(1.4)
31 December 2020	**1,617.0**	**581.9**	**165.9**	**725.6**	**198.8**	**3,289.2**
Accumulated Depreciation						
1 April 2019	(353.3)	(146.8)	(22.4)	(172.7)	-	(695.2)
Charge for the year	(59.5)	(24.4)	(5.0)	(38.5)	-	(127.4)
Disposals	0.9	0.6	-	9.9	-	11.4
31 December 2019	(411.9)	(170.6)	(27.4)	(201.3)	-	(811.2)
Charge for the period	(81.8)	(31.7)	(7.0)	(50.1)	-	(170.6)
Disposals	0.1	-	-	1.1	-	1.2
31 December 2020	**(493.6)**	**(202.3)**	**(34.4)**	**(250.3)**	**-**	**(980.6)**
Net book value						
31 December 2020	**1,123.4**	**379.6**	**131.5**	**475.3**	**198.8**	**2,308.6**
31 December 2019	1,178.3	401.6	137.4	510.8	168.5	2,396.6
1 April 2019	1,169.0	395.4	117.1	424.3	241.5	2,347.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation

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

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

Capitalised interest

Interest costs of £7.0 million (31 December 2019: £7.3 million) have been capitalised in the period at a capitalisation rate of 4.08% (31 December 2019: 4.62%) based on a weighted average cost of borrowings.

Security

As part of the financing agreements outlined in note 23, the Group have granted security over its assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

16. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 April 2019	1,148.3
Transfers to completed assets (from Assets in the course of construction)	8.9
Revaluation gain	15.8
31 December 2019	1,173.0
Transfers to completed assets (from Assets in the course of construction)	3.2
Disposals	(0.5)
Revaluation loss	(159.7)
31 December 2020	**1,016.0**
Net book value	
31 December 2020	**1,016.0**
31 December 2019	1,173.0
1 April 2019	1,148.3

Valuation

Investment properties and land held for development were valued at open market value at 31 December 2020 by Jones Lang LaSalle Limited at £1,016.0 million. (31 December 2019: £1,173.0 million valued by Jones Lang LaSalle Limited). These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account, *inter alia,* of planning constraints and reflecting the demand for airport related uses. As a result of the valuation, a loss of £159.7 million is recognised in the income statement (31 December 2019: a gain of £15.8 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

16. INVESTMENT PROPERTIES (continued)

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

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

17. INTANGIBLE ASSETS

Cost	Other intangible assets	Goodwill	Total
	£m	£m	£m
1 April 2019	69.4	51.8	121.2
Transfers to completed assets (from Assets in the course of construction)	9.0	-	9.0
Disposals	(4.3)	-	(4.3)
31 December 2019	74.1	51.8	125.9
Transfers to completed assets (from Assets in the course of construction)	7.0	-	7.0
Disposals	(1.4)	-	(1.4)
31 December 2020	**79.7**	**51.8**	**131.5**
Accumulated Amortisation			
1 April 2019	(44.6)	-	(44.6)
Charge for the year	(7.5)	-	(7.5)
Disposals	4.3	-	4.3
31 December 2019	(47.8)	-	(47.8)
Charge for the period	(9.8)	-	(9.8)
Disposals	1.2	-	1.2
31 December 2020	**(56.4)**	**-**	**(56.4)**
Net book value			
31 December 2020	**23.3**	**51.8**	**75.1**
31 December 2019	26.3	51.8	78.1
1 April 2019	24.8	51.8	76.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

17. INTANGIBLE ASSETS (continued)

Goodwill relates to the purchase consideration paid over the carrying values of the net assets of Gatwick Airport Limited acquired in December 2009. For the purposes of impairment testing, goodwill is allocated to the Airport as a single cash-generating unit. The estimated recoverable amount of the Airport has been determined from value-in-use calculations. Key assumptions for these calculations are those regarding discount rates, expected changes to passenger growth and revenue growth, EBITDA margin and the level of capital expenditure required to support trading. The rate used to discount forecast cash flows is Gatwick's WACC as assumed by the CAA in its regulatory settlement on a pre-tax real basis. Forecast growth of the Airport is considered to be substantially greater than the carrying amount of goodwill. No impairment is identified at 31 December 2020.

18. TRADE AND OTHER RECEIVABLES

	31 December 2020 £m	31 December 2019 £m
Trade receivables	**19.9**	**28.3**
Less: loss allowance	**(1.9)**	**(3.0)**
Net trade receivables	**18.0**	**25.3**
Accrued interest receivable	**16.0**	**16.1**
Other receivables	**4.9**	**1.1**
Prepayments and accrued income [(a)]	**19.3**	**18.4**
	58.2	**60.9**

(a) Includes contract assets.

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

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

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

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

19. DERIVATIVE FINANCIAL LIABILITIES

	31 December 2020 Notional £m	**31 December 2020 Fair value £m**	31 December 2019 Notional £m	31 December 2019 Fair value £m
Variable rate to index-linked swaps	**40.0**	**29.5**	40.0	32.4
Fixed rate to index-linked swaps	**356.0**	**163.5**	356.0	196.5
	396.0	**193.0**	396.0	228.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

19. DERIVATIVE FINANCIAL LIABILITIES (continued)

Variable rate to index-linked swaps

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

Fixed rate to index-linked swaps

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

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

The Group has recognised £0.6 million loss in financial derivatives through the income statement for the year ended 31 December 2020 (31 December 2019: £0.3 million loss).

The Group has recognised a total cumulative gain of £30.4 million at 31 December 2020 (31 December 2019: £28.9 million) to reflect the credit risk on the Group's external swap position.

20. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

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

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

Market risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

20. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

As at 31 December 2020, the Group's fixed: floating interest rate profile, after hedging, on gross debt was 84:16 (31 December 2019: 98:2).

As at 31 December 2020, each 0.5% change in interest rates would have resulted in the following gain/(loss) to pre-tax profit and equity, due to movement in the finance income, finance cost and mark-to-market valuation of derivatives:

	31 December 2020 Income statement impact £m	**31 December 2020 Equity impact £m**	31 December 2019 Income statement impact £m	31 December 2019 Equity impact £m
0.5% increase in interest rates	**2.5**	**-**	2.8	-
0.5% decrease in interest rates	**(2.5)**	**-**	(2.8)	-
0.5% increase in inflation indices	**(50.4)**	**-**	(58.0)	-
0.5% decrease in inflation indices	**47.7**	**-**	54.7	-

Credit risk

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

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

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

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

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

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

The Group has recognised a provision based on current external factors of £6.4 million as at 31 December 2020 (31 December 2019: £3.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

20. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

Movements in impairment allowance for trade receivables are as follows:

	Year ended 31 December 2020	Period ended 31 December 2019
	£m	£m
At 1 January 2020 / 1 April 2019	**3.0**	3.4
Increase during the period	**5.3**	3.5
Receivable written off as uncollectible	**-**	(1.5)
Reversal of amounts previously impaired	**(1.9)**	(2.4)
As at 31 December	**6.4**	3.0

Credit risk exposure

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

	Year ended 31 December 2020	Period ended 31 December 2019
	%	%
Airport and other traffic charges [(a)]	**-**	0.5
Retail	**1.4**	0.2
Car park	**2.1**	0.1
Property [(b)]	**12.4**	-
Other	**0.8**	0.1

(a) Nil for the year ended 31 December 2020 due to reversal of amounts previously impaired.

(b) Nil for the period ended 31 December 2019 due to reversal of amounts previously impaired.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

20. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

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

a) Cash and Cash equivalents

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

b) Debt securities

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

As at 31 December 2020, the Group had no credit risk exposure with derivative counterparties of its interest rate swaps and index-linked swaps due to a liability position on the mark to market (31 December 2019: nil).

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

Liquidity risk

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

Financial instruments by category

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

Amortised cost	**31 December 2020 £m**	31 December 2019 £m
Lease receivables	**16.7**	16.9
Trade receivables	**18.0**	31.7
Other receivables	**4.9**	1.1
Cash and cash equivalents	**293.7**	10.6
Amounts owed by group undertakings	**324.2**	308.6
Total financial assets	**657.5**	368.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

20. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Capital risk management

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

	31 December 2020	**31 December 2020**	31 December 2019	31 December 2019
	Other financial liabilities at amortised cost	**Liabilities at fair value through income statement**	Other financial liabilities at amortised cost	Liabilities at fair value through income statement
	£m	**£m**	£m	£m
Borrowings	**3,528.8**	**-**	2,839.6	-
Derivative financial liabilities	**-**	**193.0**	-	228.9
Lease liabilities	**63.7**	**-**	65.5	-
Trade payables and accruals	**35.0**	**-**	61.7	-
Other payables	**3.3**	**-**	4.8	-
Capital creditors	**21.8**	**-**	43.2	-
Total financial liabilities	**3,652.6**	**193.0**	3,014.8	228.9

Changes in the fair value of derivative financial instruments are recognised immediately in the Income Statement, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9.

The Group has recognised £0.6 million loss (31 December 2019: £0.3 million loss) in financial derivatives through the income statement for the year ended 31 December 2020.

At 31 December 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

20. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Capital risk management (continued)

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and net settled derivative financial instruments as at 31 December 2020 to the contract maturity date. Other non-interest bearing financial liabilities have been excluded.

	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
31 December 2020				
Class A Bonds – Principal payments	**-**	**-**	**300.0**	**2,500.0**
Class A Bonds – Interest payments	**124.3**	**124.3**	**357.0**	**1,432.8**
Derivative financial instruments	**18.3**	**(6.8)**	**19.7**	**130.7**
	142.6	**117.5**	**676.7**	**4,063.5**
31 December 2019				
Class A Bonds – Principal payments	-	-	300.0	2,500.0
Class A Bonds – Interest payments	124.3	124.3	372.8	1,541.3
Derivative financial instruments	29.1	23.9	(18.9)	216.0
	153.4	148.2	653.9	4,257.3

Fair value estimation

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:
- Trade receivables
- Trade payables
- Cash and cash equivalents
- Amounts due to/from group undertakings

	31 December 2020 Book value £m	31 December 2020 Fair value £m
Fair value of borrowings		
Class A Bonds	**2,756.7**	**3,349.9**

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

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

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

The fair value of the Group's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 31 December 2020, 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 (31 December 2019: Level 2 except for Bonds which are valued at Level 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

21. LEASES

A. As a lessee

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

	Note	31 December 2020 £m
Property, plant and equipment owned		**2,135.8**
Right-of-use assets		**172.8**
	15	**2,308.6**

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

Right-of-use assets

Cost

	Group occupied properties £m	Plant and equipment £m	Total £m
1 April 2019	15.9	177.7	193.6
Additions in the period	-	1.4	1.4
31 December 2019	15.9	179.1	195.0
Additions in the year	-	0.9	0.9
Disposals in the year	-	(0.1)	(0.1)
31 December 2020	**15.9**	**179.9**	**195.8**
Accumulated depreciation			
1 April 2019	(0.5)	(14.3)	(14.8)
Charge in the period	(0.8)	(2.7)	(3.5)
31 December 2019	(1.3)	(17.0)	(18.3)
Charge in the period	**(1.1)**	**(3.7)**	**(4.8)**
Disposals in the period	**-**	**0.1**	**0.1**
31 December 2020	**(2.4)**	**(20.6)**	**(23.0)**
Net Book value			
31 December 2020	**13.5**	**159.3**	**172.8**
31 December 2019	14.6	162.1	176.7
1 April 2019	15.4	163.4	178.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

21. LEASES (continued)

A. As a lessee (continued)

Lease liabilities included in the statement of financial position

	31 December 2020 £m	31 December 2019 £m
Current	**2.9**	2.1
Non-current	**60.8**	63.4
Total lease liabilities	**63.7**	65.5

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

	31 December 2020 £m	31 December 2019 £m
Less than one year	**14.3**	13.1
Between one and five years	**50.3**	51.3
More than five years	**654.6**	642.7
Total undiscounted lease payments payable	**719.2**	707.1

Amounts recognised in Income statement

	31 December 2020 £m	31 December 2019 £m
Interest on lease liabilities	**11.0**	8.1
Depreciation expense on right-of-use assets	**4.8**	3.5
Expenses relating to short-term leases [a]	**-**	-
Expenses relating to leases of low-value items [b]	**-**	-
	15.8	11.6

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

(b) Low value assets amount to nil for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

21. LEASES (continued)

B. As a Lessor

The Group leases properties, which have been classified as a finance lease. Please see note 0 for the Group's finance lease income for the period.

Leases included in the statement of financial position

	31 December 2020 £m	31 December 2019 £m
Non-current assets	**16.7**	16.9
Total lease asset	**16.7**	16.9

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

	31 December 2020 £m	31 December 2019 £m
Less than one year	**0.8**	0.9
Between one and five years	**3.6**	3.6
More than five years	**76.0**	76.9
Total undiscounted lease payments receivable	**80.4**	81.4

Lease income from lease contracts in which the Group acts as a lessor for the period is £30.6 million (2019: £24.5 million). The Group classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

22. DEFERRED TAX

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

	Losses £m	Fixed assets £m	Retirement benefit obligations £m	Short term timing differences £m	Total £m
1 April 2019	14.0	(318.3)	6.5	(2.5)	(300.3)
(Charge)/credit to income	(6.8)	(0.7)	(1.9)	0.3	(9.1)
Charge to equity	-	-	(0.3)	-	(0.3)
31 December 2019	7.2	(319.0)	4.3	(2.2)	(309.7)
(Charge)/credit to income	45.3	(7.4)	(4.2)	0.2	33.9
Credit to equity	-	-	7.2	-	7.2
31 December 2020	**52.5**	**(326.4)**	**7.3**	**(2.0)**	**(268.6)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

23. BORROWINGS

	31 December 2020 £m	31 December 2019 £m
Fixed rate borrowings	**2,756.7**	2,756.3
Authorised Credit Facility–Revolving Facility [(a)]	**298.8**	83.3
Term Loan	**298.9**	-
Bank of England Covid Corporate Financing Facility	**174.4**	-
	3,528.8	2,839.6

Maturity Profile:		
Repayable in less than 1 year	**174.4**	-
Repayable between 1 and 2 years	**298.9**	-
Repayable between 2 and 5 years	**597.7**	381.9
Repayable in more than 5 years	**2,457.8**	2,457.7
	3,528.8	2,839.6

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

At the balance sheet date, the Group recognised unamortised capitalised coupon discount and debt issuance costs of £46.2 million (2019: £45.4 million).

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

Ivy Holdco Group Facilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

23. BORROWINGS (continued)

Ivy Holdco Group Facilities (continued)

The ACF Agreement entered into on 21 June 2018 has a Revolving Credit Facility of £300.0 million and a tenor of five years (with two, one year extension options) giving a termination date of 21 June 2023 (and extension options to 21 June 2024 and 21 June 2025 respectively). During the period the Group exercised the first one year extension option, giving a revised termination date of 21 June 2024. There are £300.0 million drawings outstanding on the Revolving Credit Facility at 31 December 2020 (2019: £85.0 million). The Group also has access to a committed £150.0 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months, providing additional assurance to bondholders and banks.

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

The Group was approved to draw up to £300 million under the Bank of England Covid Corporate Financing Facility (“CCFF”). £175 million was drawn on 10 November 2020. The loan was repaid in January 2021 and a further £250 million was drawn on 14 January 2021.

The Group’s subsidiary, Gatwick Funding Limited has issued £2,800.0 million of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2020 £m**	As at 31 December 2019 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	**300.0**	300.0	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	**300.0**	300.0	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	**350.0**	350.0	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	**300.0**	300.0	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	**350.0**	350.0	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	**300.0**	300.0	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	**300.0**	300.0	IHL
Class A 2.875 per cent.	2049	2051	5 July 2019	**300.0**	300.0	GAL
				2,800.0	2,800.0	

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

At 31 December 2020, the average interest rate payable on borrowings was 3.45% p.a. (2019: 4.45% p.a.).

At 31 December 2020, the Group had no (2019: £215.0 million) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

Financial covenants

The Group has been granted a covenant waiver and amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes : a) that any Default relating to Senior ICR and Senior RAR levels shall be waived in respect of the calculation dates falling on December 2020 and June 2021; and b) a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace the April 2020 to March 2021 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

23. BORROWINGS (continued)

Financial covenants (continued)

The following table summarises the Group's financial covenants as at 31 December 2020 under the CTA, and lists the trigger and default levels:

Covenant	**31 December 2020**	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**(1.29)**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.94**	> 0.70	> 0.85

24. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

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

The total cost charged to the Income Statement of £7.1 million (2019: £7.0 million) represents contributions payable to this scheme by the Group at rates specified in the rules of the plans. As at 31 December 2020, £0.4 million of contributions (2019: £0.8 million) due in respect of the current reporting period remain unpaid to the scheme.

Defined benefit pension plan

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

The results of the formal actuarial valuation as at 30 September 2016 were updated to 31 December 2020 by an independent qualified actuary in accordance with IAS 19.

The estimated amount of total employer contributions expected to be paid to the plan during the year ending 31 December 2021 is £0.2 million (actual for period ended 31 December 2020: £20.3 million).

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

	31 December 2020 %	31 December 2019 %
Rate of increase in salaries – to 31 December 2020	**1.5**	1.5
– from 31 December 2020	**1.5**	1.5
– thereafter	**1.5**	1.5
Rate of increase in pensions in payment (RPI)	**2.8**	2.9
Rate of increase in pensions in payment (5% LPI)	**2.7**	2.8
Discount rate	**1.4**	2.2
Retail Prices Index inflation	**2.8**	2.9
Consumer Prices Index inflation	**2.0**	2.1

The majority of the plan's assets are held within instruments with quoted market prices in an active market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

24. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

The mortality assumptions used were as follows:

	31 December 2020 Years	31 December 2019 Years
Life expectancy of male aged 60 at the Statement of Financial Position date	**26.4**	26.3
Life expectancy of male aged 60 in 20 years' time	**27.9**	27.8
Life expectancy of female aged 60 at the Statement of Financial Position date	**28.6**	28.5
Life expectancy of female aged 60 in 20 years' time	**30.1**	30.1

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

Assumptions	Change in assumption	Impact on plan liabilities at 31 December 2020 £m
Discount rate	-0.5%	71.3
Inflation	+0.5%	55.3
Life expectancy	+ 1 year	22.1

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

	31 December 2020 £m	31 December 2019 £m
Present value of plan liabilities	**(596.1)**	(511.7)
Fair value of plan assets	**558.0**	487.0
Deficit	**(38.1)**	(24.7)

Reconciliation of present value of plan liabilities

	31 December 2020 £m	31 December 2019 £m
Opening present value of plan liabilities	**(511.7)**	(495.9)
Current service cost	**(0.2)**	(0.2)
Interest cost	**(11.3)**	(9.5)
GMP equalisation allowance	**-**	-
Contributions from plan members [(a)]	**(0.1)**	(0.1)
Benefits paid	**10.8**	6.7
Actuarial loss	**(83.6)**	(12.7)
Closing present value of plan liabilities	**(596.1)**	(511.7)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

24. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Reconciliation of fair value of plan assets

	31 December 2020 £m	31 December 2019 £m
Opening fair value of plan assets	**487.0**	458.3
Interest on plan assets	**10.9**	8.9
Actuarial gain	**50.5**	14.8
Benefits paid	**(10.8)**	(6.7)
Contributions paid by employer	**20.3**	11.6
Contributions paid by members	**0.1**	0.1
Closing fair value of plan assets	**558.0**	487.0

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

	31 December 2020	31 December 2019
Equities	**24%**	27%
Index-linked gilts	**4%**	4%
Diversified growth funds - emerging market multi-asset funds	**9%**	10%
Diversified growth funds	**29%**	30%
Liability driven investment	**24%**	28%
Cash/other	**10%**	1%
	100%	100%

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

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

The amounts recognised in the income statement are as follows:

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Employer's part of current service cost	**(0.2)**	(0.2)
Net interest charge	**(0.4)**	(0.6)
	(0.6)	(0.8)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

24. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Actuarial gains and losses

The amount recognised in other comprehensive income are as follows:

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Changes in financial assumptions	**(98.9)**	(13.6)
Changes in demographic assumptions	**-**	-
Experience adjustments on benefit obligations	**14.9**	0.4
Return on plan assets less interest on plan assets	**50.5**	14.8
(Loss)/gain recognised in other comprehensive income	**(33.5)**	1.6

Amounts for current period and prior years

	31 December 2020 £m	31 December 2019 £m	31 March 2019 £m	31 March 2018 £m	31 March 2017 £m
Present value of plan liabilities	**(596.1)**	(511.7)	(495.9)	(465.8)	(477.0)
Fair value of plan assets	**558.0**	487.0	458.3	427.9	432.2
Deficit	**(38.1)**	(24.7)	(37.6)	(37.9)	(44.8)

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

25. TRADE AND OTHER PAYABLES

	31 December 2020 £m	31 December 2019 £m
Trade payables	**9.4**	12.0
Accruals	**25.4**	49.7
Capital payables	**21.8**	43.2
Amounts owed to group undertakings – interest free	**0.1**	0.1
Accrued financing charges	**-**	0.2
Accrued interest payable	**97.9**	96.2
Other payables	**3.3**	4.8
	157.9	206.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

26. SHARE CAPITAL

	31 December 2020 £m	31 December 2019 £m
Called up, allotted and fully paid		
5,150,000 (2019: 5,150,000) Ordinary shares of £1.00 each	**5.2**	5.2

27. RECONCILIATION IN NET DEBT

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

	As at 1 January 2020 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 December 2020 £m**
Borrowings	**(2,839.6)**	**(685.2)**	**(4.0)**	**(3,528.8)**
Derivative financial liabilities	**(228.9)**	**36.6**	**(0.7)**	**(193.0)**
Lease liabilities	**(65.5)**	**1.0**	**0.8**	**(63.7)**
Total financing liabilities	**(3,134.0)**	**(647.6)**	**(3.9)**	**(3,785.5)**
Cash and cash equivalents	**10.6**	**283.1**	**-**	**293.7**
Net debt	**(3,123.4)**	**(364.5)**	**(3.9)**	**(3,491.8)**

	As at 1 April 2019 £m	Cash flow £m	Other non-cash changes £m	As at 31 December 2019 £m
Borrowings	(2,580.4)	(257.3)	(1.9)	(2,839.6)
Derivative financial liabilities	(228.6)	-	(0.3)	(228.9)
Other non-current liabilities	(675.0)	-	675.0	-
Lease liabilities	(51.3)	1.8	(16.0)	(65.5)
Total financing liabilities	(3,535.3)	(255.5)	656.8	(3,134.0)
Cash and cash equivalents	3.2	7.4	-	10.6
Net debt	(3,532.1)	(248.1)	656.8	(3,123.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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28. RELATED PARTY TRANSACTIONS

During the period the Group had the following transactions with related parties as follows:

	Income/(Expense) to related party		Amounts owed from/(due to) related party	
	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m	**As at 31 December 2020 £m**	As at 31 December 2019 £m
VINCI Airports SAS [(a)]	**(2.7)**	(4.3)	**(2.7)**	(4.3)
Global Infrastructure Partners [(a)]	**(2.2)**	(3.1)	**(2.2)**	(3.1)
Ivy Topco Limited	**-**	-	**(0.1)**	(0.1)
Ivy Guernsey Holdings, LP. [(b)]	**-**	(19.1)	**-**	-

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

(b) Amounts payable to related party relate to interest.

29. COMMITMENTS

Capital commitments

Contracted commitments for capital expenditure amount to £23.3 million (2019: £71.8 million).

Other commitments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

30. CLAIMS AND CONTINGENT LIABILITIES

As part of the refinancing agreements outlined in note 23, the Group have granted security over their assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

Other than the above and the disclosures in note 13, the Group has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 31 December 2020 (2019: nil).

31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 December 2020 the Group's ultimate parent and ultimate controlling party is VINCI SA, a company incorporated in France.

On 13 May 2019, Global Infrastructure Partners, LP ("GIP 1"), together with its four co-shareholders (Abu Dhabi Investment Authority, National Pension Service of the Republic of Korea, California Public Employees' Retirement System and the Future Fund) completed the sale of a 50.01% interest in the Group to CRUISER Bidco Limited, a wholly owned subsidiary of VINCI SA for a total equity consideration of approximately £3.0 billion.

The Group's results are included in the audited consolidated financial statements of VINCI SA for the year ended 31 December 2020, the largest group to consolidate these financial statements. The consolidated financial statements of VINCI SA can be obtained from the Company Secretary, VINCI, 1 Cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison, Cedex, France.

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	**31 December 2020 £m**	31 December 2019 £m
Assets			
Non-current assets			
Investment in subsidiaries	6	**683.1**	683.1
		683.1	683.1
Current assets			
Cash and cash equivalents		**0.6**	0.6
		0.6	0.6
Total assets		**683.7**	683.7
Liabilities			
Non-current liabilities			
Other non-current liabilities	7	**(0.2)**	(0.2)
Current liabilities			
Trade and other payables		**(0.7)**	(0.7)
Total liabilities		**(0.9)**	(0.9)
Net assets		**682.8**	682.8
Equity			
Share capital	8	**5.2**	5.2
Retained earnings		**677.6**	677.6
Total equity		**682.8**	682.8

The profit for the year ended 31 December 2020 was £nil (2019: £380.7 million).

These parent company financial statements on pages 106 to 113 were approved by the Board of Directors on 16 March 2021 and signed on its behalf by:

Marten Soderbom
Director

Rémi Maumon de Longevialle
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 April 2019		5.2	2.8	(0.1)	7.9
Profit for the period		-	-	380.7	380.7
Dividends	5	-	-	(400.0)	(400.0)
Proceeds from shares issued		0.7	693.5	-	694.2
Bonus share issue		693.5	(693.5)	-	-
Capital reduction		(694.2)	(2.8)	697.0	-
Balance at 31 December 2019		5.2	-	677.6	682.8
Balance at 31 December 2020		**5.2**	**-**	**677.6**	**682.8**

The notes on pages 108 to 113 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT
For the year ended 31 December 2020

	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m
Cash flows from operating activities		
Profit/(loss) before tax	**-**	380.7
Adjustments for:		
Finance expense	**-**	19.2
Increase in trade and other payables	**-**	0.1
Net cash from operating activities	**-**	400.0
Cash flows from financing activities		
Equity dividends paid	**-**	(400.0)
Net cash from financing activities	**-**	(400.0)
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at the beginning of the period	**0.6**	0.6
Cash and cash equivalents at the end of the period	**0.6**	0.6

The notes on pages 108 to 113 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. BASIS OF PREPARATION

Ivy Midco Limited ("the Company") is a private company, limited by shares, and is registered and incorporated in England, United Kingdom. The registered number is 06894065 and the registered address is 8th Floor, 20 Farringdon Street, London, EC4A 4AB.

These financial statements are the financial statements of Ivy Midco Limited ("the Company") for the year ended 31 December 2020. The comparative period is the period ended 31 December 2019. They have been prepared applying the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006 and prepared under the historical cost convention, except for investment properties, available-for-sale assets and derivative financial instruments. These exceptions to the historic cost convention have been measured at fair value in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

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

The impact of COVID-19 creates considerable uncertainty for the aviation industry. The Directors nevertheless consider that the Group can maintain sufficient liquidity over the next 12 months and, given the underlying credit quality of the business, can secure the necessary and timely support of its debtholders, and that it is accordingly appropriate to adopt a going concern basis for the preparation of these financial statements. Our term loan facility falls due no later than April 2022, and accordingly will require refinancing before then which, whilst we believe should be achievable, has not been completed as at the date of approval of these financial statements. Whilst there are a number of severe but plausible downside scenarios, particularly if severe government restrictions impacting travel were to extend into the summer, there remains a risk to the Group's covenant ratios. Whilst the Group has a number of options mitigate or remedy any potential covenant breaches, there remains the existence of a material uncertainty which may cast significant doubt about the Group's ability to adopt a going concern basis of preparation for the financial statements. These financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the financial statements had not been prepared on a going concern basis. See page 67 for further details

As at 31 December 2020 the Company had net assets of £682.8 million (2019: £682.8 million). The Company's existing liabilities are due to subsidiaries within the Group. The uncertainty at a Group level therefore directly affects the Company. Taking into account the Company's current assessment of the impact of COVID-19 and the significant headroom in the valuation, combined with the mitigating actions that are within the Company's control, and access to cash and committed financing, the Directors consider the Company can maintain sufficient liquidity over the next 12 months, and they continue to adopt a going concern basis for the preparation of the Financial Statements.

The financial statements were approved by the Directors on 16 March 2021.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in subsidiaries

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

(b) Receivables

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Current and deferred taxation

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

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

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

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

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

(d) Financial instruments

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

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

(e) Share Capital

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

(f) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

a) Taxation – Judgement

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

b) Investments in subsidiaries – Estimate

Management regularly assesses the performance of the subsidiaries of the Company and takes into account forecast future cash flows and activities. Management believe that the carrying value of the investments are supported by their future trade.

4. COMPANY RESULT FOR THE PERIOD

The profit for the year ended 31 December 2020 was £nil (2019: £380.7 million). As permitted by Section 408 of the Companies Act 2006, no separate income statement is presented in respect of the Company.

Operating costs

Audit fees of £5,000 (2019: £5,000) are borne by Gatwick Airport Limited.

Employee information

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

No Directors were remunerated by the Company during the period.

5. DIVIDENDS

The directors have not declared a dividend during the year ended 31 December 2020 (31 December 2019: £58.12 per share on 12 July 2019 amounting to £300.0 million and £19.37 per share on 20 December 2019 amounting to £100.0 million, totalling £400.0 million). The Directors did not recommend the payment of a final dividend (31 December 2019: £nil).

The Company did not receive dividends from its wholly-owned subsidiary, Ivy Super Holdco Limited, during the year (2019: £300.0 million on 12 July 2019 and £100.0 million on 19 December 2019.)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

6. INVESTMENT IN SUBSIDIARIES

	31 December 2020 £m	31 December 2019 £m
Investment in subsidiaries	**683.1**	683.1

The Company has investments in the following subsidiary undertakings:

Subsidiary Undertakings	**Principal Activity**	**Holding**	**%**
Ivy Super Holdco Limited	Holding company	Ordinary Shares	100%
Ivy Holdco Limited [(a)]	Holding company	Ordinary Shares	100%
Gatwick Airport Limited [(a)]	Airport owner and operator	Ordinary Shares	100%
Gatwick Funding Limited [(a)]	Financing company	Ordinary Shares	100%
Ivy Bidco Limited [(a)]	Property company	Ordinary Shares	100%
Gatwick Airport Pension Trustees Limited [(a)]	Dormant company	Ordinary Shares	100%
Ivy Property Holdings Limited	Dormant company	Ordinary Shares	100%

(a) Held by a subsidiary undertaking

All subsidiaries (except for Gatwick Funding Limited ("GFL")) are incorporated and operate in England, United Kingdom. Gatwick Airport Limited and Gatwick Airport Pension Trustees Limited have registered office 5th Floor Destinations Place, Gatwick Airport, West Sussex, RH6 0NP. Ivy Super Holdco Limited, Ivy Holdco Limited and Ivy Bidco Limited have registered office 8th Floor, 20 Farringdon Street, London, United Kingdom, EC4A 4AB. GFL is incorporated in Jersey and has registered office 44 Esplanade, St Helier, Jersey, JE4 9WG.

7. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities relate to amounts due to group undertakings.

	31 December 2020 £m	31 December 2019 £m
Other non-current liabilities	**0.2**	0.2
	0.2	0.2

8. SHARE CAPITAL

	31 December 2020 £m	31 December 2019 £m
Called up, allotted and fully paid		
5,150,000 (2019: 5,150,000) Ordinary shares of £1.00 each	**5.2**	5.2

9. CLAIMS AND CONTINGENT LIABILITIES

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

Other than the above, the Company has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

10. RECONCILIATION IN NET DEBT

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

	As at 1 January 2020 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 December 2020 £m**
Cash and cash equivalents	**0.6**	**-**	**-**	**0.6**
Other non-current liabilities	**-**	**-**	**-**	**-**
	0.6	**-**	**-**	**0.6**

	As at 1 April 2019 £m	Cash flow £m	Other non-cash changes £m	As at 31 December 2019 £m
Cash and cash equivalents	0.6	-	-	0.6
Other non-current liabilities	(675.0)	-	675.0	-
	(674.4)	-	675.0	0.6

11. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 December 2020 the Company's ultimate parent and ultimate controlling party is VINCI SA, a company incorporated in France.

On 13 May 2019, Global Infrastructure Partners, LP ("GIP 1"), together with its four co-shareholders (Abu Dhabi Investment Authority, National Pension Service of the Republic of Korea, California Public Employees' Retirement System and the Future Fund) completed the sale of a 50.01% interest in the Company to CRUISER Bidco Limited, a wholly owned subsidiary of VINCI SA for a total equity consideration of approximately £3.0 billion.

The Company's results are included in the audited consolidated financial statements of VINCI SA for the year ended 31 December 2020, the largest group to consolidate these financial statements. The consolidated financial statements of VINCI SA can be obtained from the Company Secretary, VINCI, 1 Cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison, Cedex, France.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

12. RELATED PARTY TRANSACTIONS

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

	Interest payable with related party		Amounts owed to related party	
	Year ended 31 December 2020 £m	Period ended 31 December 2019 £m	**As at 31 December 2020 £m**	As at 31 December 2019 £m
Gatwick Airport Limited	**-**	-	**(0.8)**	(0.8)
Ivy Topco Limited	**-**	-	**(0.1)**	(0.1)
Ivy Guernsey Holdings, LP.	**-**	(19.1)	**-**	-

IVY MIDCO LIMITED

Annual Report and the Consolidated and Parent Company Financial Statements for the 9 month period ended 31 December 2019

Company Registration Number 06894065

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IVY MIDCO LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's profit and the Group's and the Company's cash flows for the 9 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated and Parent Company Financial Statements (the "Annual Report"), which comprise: the Consolidated Income Statement and Statement of Comprehensive Income for the 9 months ended 31 December 2019, the Consolidated and Company Statements of Changes in Equity for the 9 months ended 31 December 2019, the Consolidated and Company Statements of Financial Position as at 31 December 2019 and the Consolidated and Company Cash Flow Statements for the 9 months ended 31 December 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the preparation of the financial statements on a going concern basis. Covid-19 has had a significant impact on the trading performance of the Group and as a consequence the Group may breach its senior interest cover ratio covenant for one measurement date in the next 12 months (that being, 31 December 2020) in a period of prolonged closure or slower than expected recovery from the impact of Covid-19.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

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

Material uncertainty related to going concern (continued)

Audit procedures performed

In concluding there is a material uncertainty, our audit procedures evaluated the Directors' assessment of the impact of lower levels of traffic through April and May, and over a potentially longer period, and the impact this would have on revenue and the ability of the Group to manage costs and cashflows. We also considered the covenant calculations and the adjustments that are permitted under financing agreements.

In assessing the impact of the above scenarios, which are referred to in note 1 of the financial statements, we performed the following procedures on the Directors' assessment that the Group and Company will continue as a going concern:

- agreed the underlying cash flow projections to management approved forecasts;
- tested the mathematical accuracy for the forecast models;
- considered the basis for the forecasts by reference to historical performance of the Group and different potential scenarios of how Covid-19 may impact the business;
- evaluated key assumptions regarding the lost revenue, associated EBITDA and cash impact that would result from the current low level of traffic continuing through April and May 2020, with a phased recovery in services starting in June 2020;
- evaluated the assumptions in respect of the costs that could be avoided in a period of reduced activity and traffic;
- assessed the impact of the mitigating factors available to management in respect of the ability to restrict capital expenditure and other cash expense items;
- reviewed the terms of the financing agreements, including the new term loan, and the associated covenants, and tested the calculation of the covenant ratios based on the forecast results and cashflows; and
- reviewed and evaluated the appropriateness of the going concern basis and the related disclosures made in the financial statements in light of the findings of our work.

Our audit approach

Overview

- Overall group materiality: £10.6 million, based on 2.5% of earnings before interest, tax, depreciation and amortisation adjusted for exceptional items and non-cash adjustments for fair value of investment properties and fair value of derivatives.

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

- Valuation of investment property (group)
- Capital expenditure (group)
- Recoverability of investment (parent)
- Going concern (Group & Company) (see material uncertainty related to going concern paragraph above)

Our audit approach (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property The Group holds investment properties totalling £1,173.0 million at 31 December 2019, including Car Parks, Offices and Non-Operational land, which represents a significant proportion of the Group's total assets of £3,744.4 million. The valuation is sensitive to changes in assumptions, particularly: Changes in the estimated rental value of the underlying property, and management's plan to utilise the properties in the future; The rental yields that are achievable from the use of the property, particularly the estimate of future cash flows associated with the profitability of the car parks; and The discount rate and comparable transactions used to estimate the fair value analysis.	In respect of the valuation of investment property, we engaged our valuations experts to assist us in evaluating the valuations assessments including: • Assessing of the valuation approach used and any changes in the approach from prior years; • Ensuring the valuation approach is consistent with professional valuation standards; • Evaluating significant assumptions and judgements made in the model. We obtained supporting documentation to test the inputs into the valuation including validating input data such as future cash flows associated with rental income, revenues and yields. We tested the mathematical accuracy of the valuation models. We assessed the disclosures of the methodologies used, assumptions adopted and the associated judgements with reference to relevant accounting standards. We did not identify any material exceptions.

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

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Capital expenditure Given the size and nature of the Group's operations, there is judgement required to determine the costs which should be capitalised, compared to those which are maintenance in nature and therefore operating costs. The risk impacts both the balance sheet and income statement as costs could be incorrectly classified therefore impacting fixed assets, operating expenses and EBITDA. In addition there is judgment required in assessing the cut-off of accrued capital expenditure of projects in progress at the period end, which totalled £32.3 million.	We evaluated management's accounting policies to ensure they are in accordance with the relevant accounting standards. For a sample of additions, we assessed the nature of the expense that was capitalised and ensured that these are capital in nature as opposed to expense items. We tested a sample of capitalised projects to supporting documentation including contracts with suppliers, invoices, project analysis sheets and approval by cost engineers. In respect of capital projects in progress, we utilised our own specialists to independently assess the estimated completion of the project at period end. We also then assessed the continued viability of these projects to ensure that it is probable that the projects will continue to completion and generate future cash flows in excess of the carrying value of the capital in progress. We performed testing on a sample of capitalised overhead and interest costs and ensured the capitalisation criteria was met, only appropriate costs were included, and the capitalisation calculation was mathematically accurate. We assessed the Group's disclosures of the capitalisation criteria, and the judgements involved with reference to relevant accounting standards. We did not identify any material exceptions.

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of investment The Company holds an investment in Gatwick Airport Limited. Given the size and nature of the investment, there is judgement required by management to determine whether or not these is any indication of impairment in value. In the event of any indicator of impairment management are required to evaluate the carrying value of the investment either by reference to the value in use of the investment or the fair value less cost to sell. Valuations of this nature are inherently judgmental and require management to use a variety of estimates, in particular the assessment of future cash flows of the airport, discount rates and future growth rates in relation to a value in use, and the valuation a third party would be willing to pay to acquire the operations in the case of fair value less cost to sell. Management did not identify any indicators in the carrying value of investments of £683.1 million in the current period.	We evaluated management's assessment of impairment indicators by reference to the consideration paid by VINCI to acquire a 50.01% controlling interest in the Group in the period, and by reference to the performance of the Group since the acquisition. We found management's assessment to be reasonable, noting no exceptions.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Our audit approach (continued)

Materiality (continued)

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements
Overall materiality	£10.6 million
How we determined it	2.5% of earnings before interest, tax, depreciation and amortisation adjusted for exceptional items and non-cash adjustments for fair value of investment properties and fair value of derivatives.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, earnings before interest, tax, depreciation and amortisation is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. We consider it appropriate to exclude exceptional items and non-cash adjustments for fair value of investment properties and fair value of derivatives as it eliminates volatility and maintains the link between materiality and underlying business performance.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £6 million to £9.1 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5 million (Group audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Strategic Report, The Directors' Report and the Financial Statements set out on page 57, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Matthew Hall

Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
23 April 2020

CONSOLIDATED INCOME STATEMENT
For the 9 month period ended 31 December 2019

	Note	**Period ended 31 December 2019 £m**	Year ended 31 March 2019 £m
Revenue	5	**719.6**	810.8
Other operating income	6	**3.9**	-
Operating costs	7	**(444.8)**	(539.5)
Operating profit		**278.7**	271.3
Analysed as:			
Operating profit before exceptional items		**297.4**	271.3
Operating costs – exceptional		**(18.7)**	-
Investment property revaluation	18	**15.8**	126.6
Loss on disposal of fixed assets	10	**(1.4)**	(5.2)
Financing			
Fair value loss on derivative financial instruments	11	**(0.3)**	(20.5)
Finance income	12	**15.6**	20.8
Finance costs	13	**(124.5)**	(207.5)
Profit before tax		**183.9**	185.5
Income tax charge	14	**(40.3)**	(51.8)
Profit for the period		**143.6**	133.7

The notes on pages 69 to 112 form an integral part of these financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period 9 month ended 31 December 2019

	Note	**Period ended 31 December 2019 £m**	Year ended 31 March 2019 £m
Profit for the period		**143.6**	133.7
Other comprehensive income/(loss)			
Items that will not be reclassified to the consolidated income statement			
Actuarial gain/(loss) on retirement benefit obligations	26	**1.6**	(13.6)
Tax (charge)/credit	24	**(0.3)**	2.3
Other comprehensive profit/(loss) for the period		**1.3**	(11.3)
Total comprehensive income for the period		**144.9**	122.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 9 month period ended 31 December 2019

	Note	**Share capital £m**	**Share Premium £m**	**Retained earnings £m**	**Total £m**
Balance at 1 April 2018		5.2	2.8	(366.1)	(358.1)
Profit for the period		-	-	133.7	133.7
Other comprehensive income		-	-	(11.3)	(11.3)
Share based payments	16	-	-	0.5	0.5
Dividends	15	-	-	(150.0)	(150.0)
Balance at 31 March 2018		5.2	2.8	(393.2)	(385.2)
Profit for the period		-	-	143.6	143.6
Other comprehensive income		-	-	1.3	1.3
Dividends	15	-	-	(400.0)	(400.0)
Proceeds from shares issued	29	0.7	693.5	-	694.2
Bonus share issue	29	693.5	(693.5)	-	-
Share capital reduction	29	(694.2)	(2.8)	697.0	-
Balance at 31 December 2019		**5.2**	**-**	**48.7**	**53.9**

The notes on pages 69 to 112 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	**31 December 2019 £m**	31 March 2019 £m
Assets			
Non-current assets			
Property, plant and equipment	17	**2,396.6**	2,347.3
Investment properties	18	**1,173.0**	1,148.3
Intangible assets	19	**26.3**	24.8
Goodwill	19	**51.8**	51.8
Lease receivables	23	**16.9**	16.9
		3,664.6	3,589.1
Current assets			
Inventories		**6.1**	6.0
Trade and other receivables	20	**63.1**	42.7
Cash and cash equivalents		**10.6**	3.2
		79.8	51.9
Total assets		**3,744.4**	3,641.0
Liabilities			
Non-current liabilities			
Borrowings	25	**(2,839.6)**	(2,580.4)
Derivative financial liabilities	21	**(228.9)**	(228.6)
Lease liabilities (a)	23	**(63.4)**	(50.3)
Deferred tax liabilities	24	**(309.7)**	(300.3)
Retirement benefit obligations	26	**(24.7)**	(37.6)
Other non-current liabilities	27	**-**	(675.0)
		(3,466.3)	(3,872.2)
Current liabilities			
Lease liabilities (a)	23	**(2.1)**	(1.0)
Trade and other payables	28	**(206.2)**	(134.0)
Current tax liabilities		**(4.2)**	(4.1)
Deferred income		**(11.7)**	(14.9)
		(224.2)	(154.0)
Total liabilities		**(3,690.5)**	(4,026.2)
Net (liabilities)/assets		**53.9**	(385.2)
Equity			
Share capital	29	**5.2**	5.2
Share premium	29	**-**	2.8
Retained earnings		**48.7**	(393.2)
Total equity		**53.9**	(385.2)

(a) The Group has adopted IFRS 16 using the modified retrospective approach in accordance with IFRS 16:C5(b) with a date of initial application of 1 April 2019. The Group has not restated the comparative information.

The financial statements on pages 65 to 112 were approved by the Board of Directors on 23 April 2020 and signed on its behalf by:

Michael McGhee

Michael McGhee
Director

Rémi Maumon de Longevialle
Director

CONSOLIDATED CASH FLOW STATEMENT
For the 9 month period ended 31 December 2019

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Cash flows from operating activities		
Profit before tax	**183.9**	185.5
Adjustments for:		
Investment property revaluation	**(15.8)**	(126.6)
Loss on disposal of fixed assets	**1.4**	5.2
Fair value loss/(gain) on financial instruments	**0.3**	20.5
Finance income	**(15.6)**	(20.8)
Finance costs	**124.5**	207.5
Depreciation and amortisation	**134.9**	170.0
Increase in inventories, trade and other receivables	**(4.7)**	(0.9)
Increase/(decrease) in trade and other payables	**16.2**	(4.2)
Defined benefit pension contributions	**(11.8)**	(15.0)
Other non-cash movements	**-**	0.1
Cash generated from operations	**413.3**	421.3
Corporation tax paid	**(40.2)**	(12.3)
Net cash from operating activities	**373.1**	409.0
Cash flows from investing activities		
Interest received	**1.0**	0.8
Purchase of fixed assets	**(188.6)**	(256.5)
Sale of tangible fixed assets	**0.1**	1.1
Net cash from investing activities	**(187.5)**	(254.6)
Cash flows from financing activities		
Interest paid	**(33.7)**	(116.9)
Payment of lease liabilities [a]	**(1.8)**	-
Increase in long term external borrowings	**292.3**	-
(Decrease)/increase in revolving credit facility	**(35.0)**	97.6
Equity dividends paid	**(400.0)**	(150.0)
Net cash from financing activities	**(178.2)**	(169.3)
Net increase/(decrease) in cash and cash equivalents	**7.4**	(14.9)
Cash and cash equivalents at the beginning of the period	**3.2**	18.1
Cash and cash equivalents at the end of the period	**10.6**	3.2

(b) The Group has adopted IFRS 16 using the modified retrospective approach in accordance with IFRS 16:C5(b) with a date of initial application of 1 April 2019. The Group has not restated the comparative information.

The notes on pages 69 to 112 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 31 December 2019

1. BASIS OF PREPARATION

Ivy Midco Limited ("the Company") is a private company, limited by shares, and is registered, incorporated and domiciled in England, United Kingdom. The registered number is 06894065 and the registered address is 8th Floor, 20 Farringdon Street, London, United Kingdom, EC4A 4AB

These are the consolidated financial statements of the Company and its subsidiaries ("the Group") for the period ended 31 December 2019. The comparative year is the year ended 31 March 2019. They are presented in sterling and rounded to the nearest £0.1 million. They have been prepared applying the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the EU and prepared under the historical cost convention, except for investment properties, 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 IFRS as adopted by the EU and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

The Directors have prepared the financial statements on a going concern basis. In assessing the going concern position of the Group, the Directors have considered the potential impact of Covid-19 on the cash flow and liquidity of the Group over the next 12 months, and the corresponding impact on the covenants associated with the Group's financing arrangements.

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 25.

The Group's financial modelling assumes significantly reduced passenger numbers and revenue as a result of Covid-19 over the next 12 months, reflecting the current period of near closure of the airport and an assumed recovery starting in the early Summer. Its expectation is that the current low level of traffic will persist through April and May, with a ramp-up during June and into July. Passenger traffic is projected to be c. 28.9m in calendar year 2020, as compared to 46.1m in 2018 and 46.6m in 2019. Consequently, Group EBITDA and cash flow from operations in 2020 is expected to reduce significantly compared to prior expectations.

The Group has acted to reduce operating expenditure. Discretionary spending has been halted; the operational footprint of the airport has been shrunk to a single pier and the hours of operation limited; over 530 employees have permanently left the business through a combination of voluntary and compulsory severance; following consultation with Unions and employees, we have reduced staff costs temporarily by 20%, and approximately 2,025 employees have been furloughed; and we have worked with contractors and other service providers to reduce their costs.

In addition, the Group has reviewed and adjusted its Capital Investment Programme, removing £136 million of the £250 million investment planned in 2020. Specifically, over half of the projects already in delivery have stopped, with only operationally critical projects or those that are near to completion continuing; and 47 of the 49 projects in the design phase have been suspended.

Further details of these actions to reduce operating costs and defer capital expenditure are included in the "Response to Covid-19" section of the Strategic Report and in note 36 "Subsequent events".

The Group has taken steps to increase the availability of cash and committed funding available (refer to note 25). As at 31 March 2020, the Group held cash of £92 million and its £300 million Revolving Credit Facility was fully drawn. As of 3 April 2020, the Group had entered into a new £300 million term loan (duration of 12 months, extendable to 18 then 24 months at the Group's option), to replenish in full the availability of funds under the £300 million Revolving Credit Facility (maturity June 2024). 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 throughout the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

1. BASIS OF PREPARATION (continued)

The Group's financing arrangements are subject to compliance with financial covenants, including the Senior Interest Cover Ratio ("ICR") (which is calculated on the basis of operating cash flow within a 12-month period, adjusted downwards by a pre-defined notional (non-cash) amount, compared to net interest paid) and the Senior RAR ratio ("RAR") (which is calculated by reference to net debt compared with a defined multiple of average EBITDA from the last 3 years). Both covenants are subject to bi-annual tests at 30 June and 31 December. The Group's forecasts project a reduction in the overall level of headroom in covenant calculations reflecting the expected reduction in operating cash flows and EBITDA in calendar year 2020. The ICR is particularly sensitive to the concentrated loss of revenues and cash flows within one calendar year. However, in the base case the Group would continue to satisfy its financial and other covenants. If the impact of Covid-19 is more protracted than currently expected, whether through a longer period of near closure or a slower than expected recovery in traffic, this will result in further loss of revenues and reduced headroom in the ICR covenant and, ultimately, this could result in the Group breaching its ICR covenant at the December 2020 measurement date. Any such breach would be determined following preparation of the financial year results in the first quarter of 2021, followed by a period in which the Group can seek to remedy the breach. Thereafter, the granting of a waiver or a request for repayment would be subject, in both cases, to the approval of a requisite majority of the debtholders.

The actual impact of Covid-19 is expected to become clearer over the course of the year and an updated Compliance Certificate (including updated forecasts out to December 2020, 2021 & 2022) will be published alongside the Group's Interim Financial Statements by the end of August 2020. This provides a significant window for the Group to address any emerging risks in relation to future financial covenant testing dates e.g. through additional action to align investment and operating costs with a lower traffic environment; sourcing additional financial support to remedy any short-term shortfall; or negotiating a waiver with debt-holders for any prospective breach of financial covenants.

The impact of Covid-19 creates considerable uncertainty for the aviation industry. The Directors nevertheless consider that the Group can maintain sufficient liquidity over the next 12 months, and that it is accordingly appropriate to adopt a going concern basis for the preparation of these financial statements. Further stressed scenarios involving a prolonged period of near-closure or slower recovery of traffic could lead to the Group breaching its ICR covenant at 31 December 2020, potentially resulting in the requirement for Group to remedy any shortfall or to seek a waiver in relation to this specific covenant test. The need to seek such a waiver under certain of these stressed scenarios indicates the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to adopt a going concern basis in the preparation of financial statements. These financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the financial statements had not been prepared on a going concern basis.

The financial statements were approved by the Directors on 23 April 2020.

The principal accounting policies, which have been applied consistently through the current and prior periods except for the changes set out in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

During the period, the Group adopted IFRS 16, of which the impact has been detailed below:

IFRS 16 Leases

IFRS 16 introduces a single lease accounting model for lessees, bringing leases on balance sheet. A lessee recognises a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments. Lessor accounting remains unchanged from IAS 17 which makes the classification between operating and finance leases.

There is no impact for leases in which the Group is the lessor.

For leases in which the Group is a lessee, the Group will now recognise a right-of-use asset and lease liability on a number of property, vehicle and maintenance contracts for which the Group deems to be a lease.

The lease liabilities were measured on 1 April 2019 at the present value of the remaining lease payments, discounted at a rate specific to each lease. Each rate has been determined by considering a rate to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The right-of-use assets have been measured at an amount equal to the lease liability, and as such, no impact has been recognised on retained earnings as at 1 April 2019.
The nature of the expenses related to these leases has changed. Previously, the Group recognised an operating expense on a straight-line basis in operating costs. Under IFRS 16, the Group will recognise a depreciation charge for the right-of-use assets and an interest expense on the lease liability

There is no impact expected on the Group's finance leases.

The Group has adopted IFRS 16 using the modified retrospective approach in accordance with IFRS 16:C5(b) with a date of initial application of 1 April 2019. The Group has not restated the comparative information.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases for low value assets. The Group recognises the lease payments associated with such leases as an expense on a straight-line basis over the lease term.
Upon transition to IFRS 16, the Group recognised £14.4 million right-of-use assets within property, plant and equipment, along with an equal corresponding lease liability.

Under the Common Terms Agreement ("CTA"), the Group is required to comply with certain financial and information covenants. The application of IFRS 16 does not affect the minimum interest cover ratio ("Senior ICR") and maximum net indebtedness to the total Regulatory Asset Base ("Senior RAR") as the lease liability and interest on the lease liability is excluded from these calculations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Ownership

On 13 May 2019, Ivy Gurnsey Holding L.P completed the sale of 50.01% of Ivy Topco Limited (parent of Ivy Midco Limited) to CRUISER Bidco Limited, a UK incorporated company. CRUISER Bidco Limited is ultimately owned by VINCI SA, a company incorporated in France.

Ivy Midco Limited, a United Kingdom ("UK") incorporated company, is ultimately owned by VINCI SA and a combination of separate accounts and limited partnerships, all of which will be managed by Global Infrastructure Management, LLC.

Gatwick Airport Limited owns 100% of the share capital of Gatwick Funding Limited, a company incorporated in Jersey but resident in the UK for tax purposes.

Gatwick Airport Limited, its parent entity Ivy Holdco Limited, Gatwick Funding Limited, Ivy Bidco Limited and its subsidiary Gatwick Airport Pension Trustees Limited are collectively referred to in this Annual Report and the financial statements as "the Ivy Holdco Group" or "the Group".

(b) Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer (i.e., when the Group delivers its performance obligation under the contract). Revenue is measured at the fair value of the consideration received net of rebates, discounts and VAT. Note 5 provides further details. Revenue comprises:

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

- Retail:
  - Concession fees recognised based upon weekly sales turnover information supplied by concessionaires, which is verified at least annually by sales turnover certificates supplied by concessionaires.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exceptional Items

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

(d) Property, Plant and Equipment

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

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

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

(e) Investment Properties

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

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

(f) Intangible Assets

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

(g) Goodwill

Goodwill arising on acquisitions of subsidiary undertakings or business assets represents a difference between the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ('CGU'). CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Positive goodwill is capitalised as an asset in the Group's Consolidated Statement of Financial Position and is subject to annual impairment reviews. An impairment loss is recognised in the Group's Consolidated Statement of Comprehensive Income if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the asset does not generate cash flows that are independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

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

(i) Leases

The Group has adopted IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17.

Policy applicable from 1 April 2019

As a lessee

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

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

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

As a lessor

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

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

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

Policy applicable before 1 April 2019

As a lessee

In the comparative period under IAS 17, the leases were classified based on the substance of the arrangement.

The Group classified leases that transfer substantially all the risks and rewards of ownership as a finance lease. Assets held under finance leases were recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor was included in the Statement of Financial Position as a finance lease obligation. Lease payments were apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were charged to the Income Statement, unless they were directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Assets held under other leases were classified as operating leases. Rental costs under operating leases were charged to the Income Statement in equal instalments over the period of the lease.

As a lessor

The accounting policies applicable to the Group in the comparative period were not different from IFRS 16.

(j) Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Cash and Cash Equivalents

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

(l) Provisions

Provisions are recognised when the Group 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.

(m) Financial Instruments

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

Financial Assets

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

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

1. Amortised cost

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

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

2. Impairment of financial assets

IFRS 9 introduces a new impairment model that replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

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

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

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

The carrying amount of trade receivables is reduced through the use of an allowance account (i.e. a bad debt provision). When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement.

Financial Liabilities

Financial liabilities are classified as either:

- financial liabilities at fair value through profit or loss ('FVTPL'); or
- other financial liabilities (i.e. borrowings, trade and other payables, etc.)

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

1. Borrowings

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

2. Debt issue costs and arrangement fees

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

3. Trade and other payables

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

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

4. Derivative financial instruments

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

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

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

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

The Group's current derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9. The periodic amounts of interest payable and receivable on interest rate and index-linked swaps, and the periodic change in the accrued amount of inflation accretion on the notional principal value of the index-linked swaps, are taken to the Income Statement; accrued interest payable and receivable is included in current creditors or debtors, and the inflation accretion accrual is included in non-current debt in the Statement of Financial Position.

(n) Retirement Benefit Obligations

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

Current service costs, a net interest charge on plan assets and plan administration expenses are recognised within the Income Statement as they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Retirement Benefit Obligations (continued)

Re-measurements on retirement benefit obligations are recognised in Other Comprehensive Income under IAS 19 *Employee Benefits*.

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

(o) Share-Based Payments

Certain employees of the Group participate in a long term incentive plan ("LTIP"). Under this equity-settled plan, the Group receives services from these employees as consideration for equity instruments of another group company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense, with the corresponding entry being a capital contribution from the group entity ultimately issuing the equity instruments.

The fair value of the employee services received is determined by reference to the fair value of the equity instruments granted, measured by use of a valuation model. Fair value excludes the impact of any non-market service and performance vesting conditions (i.e., profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each financial position date, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

(p) Current and Deferred Tax

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

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

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

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

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

(q) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Dividend Distribution

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

a) Estimates

1) Investment Properties
Investment properties were valued at fair value at 31 December 2019 by Jones Lang LaSalle Limited (31 March 2019: Jones Lang LaSalle Limited). The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence.

Investment property classification and valuation are areas of judgement. The directors have defined specific criteria required to be met for assets to be classified as investment property. The directors consider car park assets meet this classification criteria therefore hold them as investment property. Further details are available in note 18.

2) Fair Value of Derivative Financial Instruments
The fair value of derivative financial instruments is determined by using valuation techniques. These techniques require judgement and make assumptions that are mainly based on market conditions existing at each reporting date. The valuation technique used is a discounted cash flow methodology. Sensitivity analysis has been performed to assess the impact of changes in market conditions (note 22).

3) Retirement Benefit Obligations
Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at period end and future returns on pension scheme assets and charges to the income statement. The factors have been determined in consultation with the Group's actuary taking into account market and economic conditions. Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the Statement of Comprehensive Income. Further details are available in note 26.

b) Judgements

1) Capitalisation
Management are required to make judgements in relation to the capitalisation of costs in relation to assets in the course of construction. This relates to both when amounts may begin to be capitalised and where there may be doubt about the ultimate completion of the asset, for example as a consequence of regulatory requirements such as planning consents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

b) Judgements (continued)

2) Taxation
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. On this basis, the recognition of a deferred tax asset in the financial statements requires judgement from management. Management make an assessment of forecast profits in future years and use this as the basis for their decision as to whether or not to recognise the deferred tax asset. Further details are available in note 14.

5. REVENUE

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

(a) Nature of services

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

5. REVENUE (continued)

(a) Nature of services (continued)

Disaggregation of revenue

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

	Period ended 31 December 2019 £m		Year ended 31 March 2019 £m	
Airport and other traffic charges		**405.2**		427.8
Retail		**159.4**		191.3
- Duty and tax-free	**47.8**		59.1	
- Specialist shops	**36.9**		44.1	
- Catering	**37.5**		41.8	
- Bureaux de change	**21.4**		26.6	
- Other retail	**15.8**		19.7	
Car parking		**70.6**		88.3
Property income		**24.5**		31.9
Operational facilities and utilities income		**27.1**		32.5
Other		**32.8**		39.0
		719.6		810.8

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

(b) Contract balances

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Receivables (note 20)	**28.3**	32.2
Contract assets	**19.9**	16.6
Contract liabilities	**(11.7)**	(14.9)

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

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

The amount of revenue recognised in the period to 31 December 2019 from performance obligations satisfied in previous periods is £2.1 million (31 March 2019: £1.4 million). This is due to annual reconciliation of various aeronautical and retail contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

5. REVENUE (continued)

(b) Contract balances (continued)

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

	31 December 2019 £m		31 March 2019 £m	
	Contract assets	**Contract liabilities**	Contract assets	Contract liabilities
Revenue recognised that was included in contract liability balance at the beginning of the period	**-**	**14.1**	-	12.8
Increases due to cash received (excluding amounts recognised as revenue in the period)	**-**	**(10.9)**	-	(13.6)
Transfers from contract assets recognised at the beginning of the period to receivables	**(16.6)**	**-**	(16.3)	-
Increases as a result of changes in the measure of progress	**19.9**	-	17.1	-

Transaction price allocated to the remaining performance obligations

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

6. OTHER OPERATING INCOME

During the period ended 31 December 2019 the Group received other income in the form of insurance proceeds.

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Other income	**3.9**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

7. OPERATING COSTS

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Wages and salaries	**124.5**	170.1
Social security costs	**12.1**	16.2
Pension costs	**7.8**	10.4
Share-based payments	**-**	0.5
Other staff related costs	**5.2**	6.4
Staff costs	**149.6**	203.6
Retail expenditure	**3.4**	3.4
Car parking expenditure	**15.3**	19.1
Depreciation and amortisation	**134.9**	170.0
Maintenance expenditure	**35.6**	45.2
Rent and rates	**20.9**	32.8
Utility costs	**17.7**	23.1
Police costs	**10.5**	14.2
Other operating expenses [(a)]	**27.9**	15.6
Aerodrome navigation service costs	**10.2**	12.5
Exceptional costs	**18.8**	-
	444.8	539.5

(a) Other operating costs includes impairment of trade receivables amounting to £2.3 million in the period (31 March 2019: £0.5 million)

Average full-time equivalent ("FTE") employee numbers increased from 3,046 as at 31 March 2019 to 3,052 as at 31 December 2019. Average operational FTE employees decreased from 2,570 to 2,565 during the period, and non-operational FTE employees increased from 467 to 487.

Amounts receivable by the Group's auditor in respect of audit services to the Group totalled £0.3 million in the period (31 March 2019: £0.2 million). There were no amounts receivable by the Group's auditor in respect of non-audit services in 2019 (31 March 2019: £nil).

8. OPERATING COSTS - EXCEPTIONAL

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Transaction costs [(a)]	**14.0**	-
Reorganisation costs [(b)]	**4.8**	-
	18.8	-

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

(b) Reorganisation costs relate to the Operational Change Programme designed to deliver an enhanced passenger journey and create new leadership roles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

9. DIRECTORS' EMOLUMENTS

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Directors' emoluments		
Aggregate emoluments	**9.8**	2.5

An amount of £nil (31 March 2019: £nil) was paid into money purchase schemes in respect of the Directors. Aggregate amounts receivable under long-term incentive schemes were £0.2 million (2019: £0.2 million).

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Highest paid Director		
Aggregate emoluments and benefits	**5.8**	1.1

Five Directors (31 March 2019: five) were not remunerated during the period for services to the Group. No Directors exercised share options during the period (31 March 2019: nil). No Directors are members of the Gatwick Airport Limited defined benefit pension plan (31 March 2019: nil). No compensation was received by former Directors for loss of office during the year (31 March 2019: nil). Two Directors had awards receivable in the form of shares under the Group's LTIP (31 March 2019: two).

On 13 May 2019 GIP completed the sale of a 50.01% interest in the Group, this disposable represented the trigger event resulting in the participants disposing of their equity instrument in Ivy Midco Limited. The Directors received proceeds of £9.9 million.

The Directors in the scheme were party to a loan agreement with Gatwick Airport Limited, amounting to £1.9 million (31 March 2019: £1.9 million), the purpose of which enabled the Directors to fund the original allotment of equity instruments under the LTIP agreement. This loan was repaid during the period following the disposal of the equity instruments. Further details have been provided in note 16.

10. LOSS ON DISPOSAL OF FIXED ASSETS

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

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Loss on disposal of fixed assets	**1.4**	5.2

11. FAIR VALUE LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value loss on derivative financial instruments represents the movement in the period of the present value of expected net cash outflows in interest rate and index- linked derivative contracts (refer to note 21).

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Fair value loss on derivative financial instruments	**(0.3)**	(20.5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

12. FINANCE INCOME

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Interest receivable on money markets and bank deposits	**0.1**	0.1
Interest receivable on derivative financial instruments (a)	**14.9**	19.8
Lease income	**0.6**	0.9
	15.6	20.8

(a) These amounts relate to interest receivable on £396.0 million (31 March 2019: £396.0 million) interest to index-linked derivatives. Refer to note 21 for detail on the nominal value of the Group's swaps.

13. FINANCE COSTS

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Interest on fixed rate bonds	**91.2**	115.6
Interest on bank borrowings (a)	**0.7**	0.9
Interest on borrowings from other group undertakings (b)	**19.1**	74.3
Interest payable on derivative financial instruments (c)	**9.2**	11.8
Amortisation of debt costs	**2.0**	2.8
Non-utilisation fees on bank facilities	**0.9**	1.4
Lease expense	**8.1**	9.6
Net charge on pension scheme	**0.6**	0.8
Capitalised borrowing costs (d)	**(7.3)**	(9.7)
	124.5	207.5

(a) These amounts mainly relate to interest payable on loans drawn under the £300.0 million Authorised Credit Facilities Agreement.

(b) These amounts relate to interest payable at 12 per cent on the fixed Rate Unsecured Capital Securities ("the Capital Securities").

(c) These amounts relate to interest payable on £396.0 million interest to index-linked derivatives. Refer to note 20 for detail on the nominal value of the Group's swaps.

(d) Borrowing costs have been capitalised using a rate of 4.62% (31 March 2019: 4.96%), which is the weighted average of rates applicable to the Group's overall borrowings outstanding during the period. The capitalised interest amount is calculated by applying the capitalisation rate to the average monthly balance of assets in the course of construction, after deducting the value of construction work undertaken but not paid for, and included in the value of such assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

14. INCOME TAX CHARGE

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Current tax		
Total current tax charge	**(31.2)**	(14.1)
Adjustment in respect of prior years	**-**	0.6
Total current tax charge	**(31.2)**	(13.5)
Deferred tax		
Current period	**(9.8)**	(40.8)
Adjustment in respect of prior years	**-**	(1.2)
Effect of change in tax rate	**0.7**	3.7
Total deferred tax charge	**(9.1)**	(38.3)
Income tax charge	**(40.3)**	(51.8)

Reconciliation of effective tax rate

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 19% (31 March 2019: 19%). The actual tax charge for the current and prior periods differs from the standard rate for the reasons set out in the following reconciliation:

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Profit before tax	**183.9**	185.5
Tax on profit at 19% (31 March 2019: 19%)	**(35.0)**	(35.2)
Effect of:		
Adjustment in respect of prior years	**-**	(0.6)
Expenses not deductible for tax purposes [(a)]	**(4.9)**	(19.2)
Movements in deferred tax with no current tax impact	**(0.2)**	-
Tax rate changes	**0.7**	3.7
Revaluation on investment property	**(0.9)**	(0.5)
Total tax charge	**(40.3)**	(51.8)

(a) Expenses not deductible for tax purposes is primarily due to finance costs amounting to £2.1 million (31 March 2019: £14.1 million) and capital expenditure which does not qualify for tax relief amounting to £2.6 million (31 March 2019: £3.1 million).

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. During the March 2020 Budget, the UK Government announced that the reduction in corporation tax rate to 17% would be cancelled and the 19% rate retained from 1 April 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

15. DIVIDENDS

The Directors declared and paid dividends of £58.12 per share on 12 July 2019 amounting to £300.0 million and dividends of £19.37 per share on 20 December 2019 amounting to £100.0 million, totalling £400.0 million for the period (31 March 2019: £29.06 per share amounting to £150.0 million on 5 July 2018). The Directors did not recommend the payment of a final dividend (31 March 2019: £nil).

16. SHARE BASED PAYMENTS

The Group has an LTIP for certain members of its Executive Management Board. During, but not at the period ended 31 December 2019 the LTIP related to equity instruments of Ivy Midco Limited.

The value of these equity instruments was be based on the internal rate of return ("IRR") achieved by the Group's controlling shareholder from acquisition to sale of their investment in the Group. Below a minimum IRR threshold, these equity instruments will have no value. Above an IRR ceiling, the value of these equity instruments are capped.

On 13 May 2019 GIP completed the sale of a 50.01% interest in the Group, this disposable represented the trigger event resulting in the participants disposing of their equity instrument in Ivy Midco Limited. The Directors received proceeds of £9.9 million.

The Directors in the scheme were party to a loan agreement with Gatwick Airport Limited, amounting to £1.9 million (31 March 2019: £1.9 million), the purpose of which enabled the Directors to fund the original allotment of equity instruments under the LTIP agreement. This loan was repaid during the period following the disposal of the equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

17. PROPERTY, PLANT AND EQUIPMENT

Cost	Terminal complexes £m	Airfield assets £m	Group occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	Total £m
1 April 2018	1,475.1	513.5	130.1	530.4	196.0	2,845.1
Additions at cost	-	-	-	-	249.3	249.3
Interest capitalised	-	-	-	-	9.7	9.7
Transfers to completed assets	53.1	30.0	9.5	70.2	(213.5)	(50.7)
Disposals	(5.9)	(1.3)	(0.1)	(3.6)	-	(10.9)
31 March 2019	1,522.3	542.2	139.5	597.0	241.5	3,042.5
Transition to IFRS 16 [(a)]	-	-	13.6	0.8	-	14.4
Additions at cost	-	-	-	-	174.4	174.4
Interest capitalised	-	-	-	-	7.3	7.3
Transfers to completed assets	69.8	31.0	11.7	124.3	(254.7)	(17.9)
Disposals	(1.9)	(1.0)	-	(10.0)	-	(12.9)
31 December 2019	**1,590.2**	**572.2**	**164.8**	**712.1**	**168.5**	**3,207.8**
Accumulated Depreciation						
1 April 2018						
Additions at cost	(276.2)	(116.1)	(16.6)	(131.1)	-	(540.0)
Charge for the year	(79.8)	(31.1)	(5.9)	(44.4)	-	(161.2)
Disposals	2.7	0.4	0.1	2.8	-	6.0
31 March 2019	(353.3)	(146.8)	(22.4)	(172.7)	-	(695.2)
Charge for the period	(59.5)	(24.4)	(5.0)	(38.5)	-	(127.4)
Disposals	0.9	0.6	-	9.9	-	11.4
31 December 2019	**(411.9)**	**(170.6)**	**(27.4)**	**(201.3)**	**-**	**(811.2)**
Net book value						
31 December 2019	**1,178.3**	**401.6**	**137.4**	**510.8**	**168.5**	**2,396.6**
31 March 2019	1,169.0	395.4	117.1	424.3	241.5	2,347.3
1 April 2018	1,198.9	397.4	113.5	399.3	196.0	2,305.1

(a) The Group has adopted IFRS 16 using the modified retrospective approach in accordance with IFRS 16:C5(b) with a date of initial application of 1 April 2019. The Group has not restated the comparative information

Valuation

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

Capitalised interest

Interest costs of £7.3 million (31 March 2019: £9.7 million) have been capitalised in the period at a capitalisation rate of 4.62% (31 March 2019: 4.96%) based on a weighted average cost of borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Security

As part of the financing agreements outlined in note 25, the Group have granted security over its assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

18. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 April 2018	995.7
Transfers to completed assets (from Assets in the course of construction)	27.4
Reclass between categories	(1.4)
Revaluation gain	126.6
31 March 2019	1,148.3
Transfers to completed assets (from Assets in the course of construction)	8.9
Revaluation gain	15.8
31 December 2019	**1,173.0**
Net book value	
31 December 2019	**1,173.0**
31 March 2019	1,148.3
1 April 2018	995.7

Valuation

Investment properties and land held for development were valued at open market value at 31 December 2019 by Jones Lang LaSalle Limited at £1,173.0 million. (31 March 2019: £1,148.3 million valued by Jones Lang LaSalle Limited). These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account*, inter alia,* of planning constraints and reflecting the demand for airport related uses. As a result of the valuation, a gain of £15.8 million is recognised in the income statement (31 March 2019: £126.6 million).

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

The fair value measurement for all of the investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used (refer to note 22). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

19. INTANGIBLE ASSETS

Cost	Other intangible assets	Goodwill	Total
	£m	£m	£m
1 April 2018	50.6	51.8	102.4
Transfers to completed assets (from Assets in the course of construction)	23.3	-	23.3
Disposals	(4.5)	-	(4.5)
31 March 2019	69.4	51.8	121.2
Transfers to completed assets (from Assets in the course of construction)	9.0	-	9.0
Disposals	(4.3)	-	(4.3)
31 December 2019	**74.1**	**51.8**	**125.9**
Accumulated Amortisation			
1 April 2018	(40.3)	-	(40.3)
Charge for the year	(8.8)	-	(8.8)
Disposals	4.5	-	4.5
31 March 2019	(44.6)	-	(44.6)
Charge for the period	(7.5)	-	(7.5)
Disposals	4.3	-	4.3
31 December 2019	(47.8)	-	(47.8)
Net book value			
31 December 2019	**26.3**	**51.8**	**78.1**
31 March 2019	24.8	51.8	76.6
1 April 2018	10.3	51.8	62.1

Goodwill relates to the purchase consideration paid over the carrying values of the net assets of Gatwick Airport Limited acquired in December 2009. For the purposes of impairment testing, goodwill is allocated to the Airport as a single cash-generating unit. The estimated recoverable amount of the Airport has been determined from value-in-use calculations. Key assumptions for these calculations are those regarding discount rates, expected changes to passenger growth and revenue growth, EBITDA margin and the level of capital expenditure required to support trading. The rate used to discount forecast cash flows is Gatwick's WACC as assumed by the CAA in its regulatory settlement on a pre-tax real basis. Forecast growth of the Airport is considered to be substantially greater than the carrying amount of goodwill. No impairment is identified at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

20. TRADE AND OTHER RECEIVABLES

	31 December 2019 £m	31 March 2019 £m
Trade receivables	**28.3**	32.2
Less: provision for impairment of trade receivables (refer to note 22)	**(3.0)**	(3.4)
Net trade receivables	**25.3**	28.8
Accrued interest receivable	**16.1**	2.3
Other receivables	**1.1**	3.5
Prepayments and accrued income [(a)]	**18.4**	8.1
Corporation tax receivable	**2.2**	-
	63.1	42.7

(a) Includes contract assets.

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

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

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

For further information about the Group's exposure to credit and market risks, and impairment losses for trade receivables refer to note 22.

21. DERIVATIVE FINANCIAL LIABILITIES

	31 December 2019 Notional £m	31 December 2019 Fair value £m	31 March 2019 Notional £m	31 March 2019 Fair value £m
Variable rate to index-linked swaps	**40.0**	**32.4**	40.0	33.3
Fixed rate to index-linked swaps	**356.0**	**196.5**	356.0	195.3
	396.0	**228.9**	396.0	228.6

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

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

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

The Group has recognised £0.3 million loss in financial derivatives through the income statement for the period ended 31 December 2019 (31 March 2019: £20.5 million loss).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

21. DERIVATIVE FINANCIAL LIABILITIES (continued)

The Group has recognised a total cumulative gain of £28.9 million at 31 December 2019 (31 March 2019: £32.4 million) to reflect the credit risk on the Group's external swap position.

22. 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. The Board of Directors approves prudent treasury policies for managing each of the risks which are summarised below:

Market risk

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

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a mix of fixed to floating rate debt within Board approved parameters such that a minimum of 75% of existing and forecast debt is at a fixed rate. To manage this mix, the Group enters into interest rate swaps. These swaps may be designated to hedge underlying debt obligations. The Group also uses floating rate interest bearing financial assets as a natural hedge of the exposure to fair value interest rate risk.

As at 31 December 2019, the Group's fixed: floating interest rate profile, after hedging, on gross debt was 98:2 (31 March 2019: 97:3).

As at 31 December 2019, each 0.5% change in interest rates would have resulted in the following gain/(loss) to pre-tax profit and equity, due to movement in the finance income, finance cost and mark-to-market valuation of derivatives:

	31 December 2019 Income statement impact £m	**31 December 2019 Equity impact £m**	31 March 2019 Income statement impact £m	31 March 2019 Equity impact £m
0.5% increase in interest rates	**2.8**	**-**	2.7	-
0.5% decrease in interest rates	**(2.8)**	**-**	(2.7)	-
0.5% increase in inflation indices	**(58.0)**	**-**	(59.6)	-
0.5% decrease in inflation indices	**54.7**	**-**	56.0	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

22. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

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

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

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

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

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

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

The Group has recognised a provision based on current external factors of £3.0 million as at 31 December 2019 (31 March 2019: £3.4 million).

Movements in impairment allowance for trade receivables are as follows:

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
At 1 April	**3.4**	3.4
Increase during the period	**3.5**	1.0
Receivable written off as uncollectible	**(1.5)**	(0.3)
Reversal of amounts previously impaired	**(2.4)**	(0.7)
As at 31 March	**3.0**	3.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

22. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk exposure

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

	Period ended 31 December 2019 %	Year ended 31 March 2019 %
Airport and other traffic charges [(a)]	**0.5**	-
Retail	**0.2**	0.1
Car park	**0.1**	-
Property [(b)]	**-**	0.2
Other	**0.1**	0.3

(a) Increased primarily due to an airline withholding payment due to a disruption event that occurred during the period.

(b) Nil for the period ended 31 December 2019 due to reversal of amounts previously impaired.

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

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

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

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

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

a) Cash and Cash equivalents

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

b) Debt securities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

22. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk exposure (continued)

As at 31 December 2019, the Group had no credit risk exposure with derivative counterparties of its interest rate swaps and index-linked swaps due to a liability position on the mark to market (31 March 2019: nil).

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

Liquidity risk

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

Financial instruments by category

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

Amortised cost	**31 December 2019 £m**	31 March 2019 £m
Lease receivables	**16.9**	16.9
Trade receivables	**31.7**	27.7
Other receivables	**1.1**	3.5
Cash and cash equivalents	**10.6**	3.2
Total financial assets	**60.3**	51.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

22. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Capital risk management

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

	31 December 2019	**31 December 2019**	31 March 2019	31 March 2019
	Other financial liabilities at amortised cost £m	**Liabilities at fair value through income statement £m**	Other financial liabilities at amortised cost £m	Liabilities at fair value through income statement £m
Borrowings	**2,839.6**	**-**	2,580.4	-
Derivative financial liabilities	**-**	**228.9**	-	228.6
Lease liabilities	**65.5**	**-**	51.3	-
Trade payables	**61.7**	**-**	42.5	-
Other payables	**4.8**	**-**	4.4	-
Capital creditors	**43.2**	**-**	58.9	-
Amounts due to parent undertakings	**-**	**-**	675.0	-
Total financial liabilities	**3,014.8**	**228.9**	3,412.5	228.6

Changes in the fair value of derivative financial instruments are recognised immediately in the Income Statement, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9.

The Group has recognised £0.3 million loss (31 March 2019: £20.5 million loss) in financial derivatives through the income statement for the period ended 31 December 2019.

At 31 December 2019, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

22. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Capital risk management (continued)

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and net settled derivative financial instruments as at 31 December 2019 to the contract maturity date. Other, non-interest bearing financial liabilities have been excluded.

	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
31 December 2019				
Class A Bonds – Principal payments	**-**	**-**	**300.0**	**2,500.0**
Class A Bonds – Interest payments	**124.3**	**124.3**	**372.8**	**1,541.3**
Derivative financial instruments	**29.1**	**23.9**	**(18.9)**	**216.0**
	153.4	**148.2**	**653.9**	**4,257.3**
31 March 2019				
Class A Bonds – Principal payments	-	-	300.0	2,200.0
Class A Bonds – Interest payments	115.6	115.6	346.9	1,344.5
Derivative financial instruments	30.2	24.5	(19.0)	205.9
	145.8	140.1	627.9	3,750.4

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

	31 December 2019 Book value £m	31 December 2019 Fair value £m
Fair value of borrowings		
Class A Bonds	**2,756.3**	**3,404.0**

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

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

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

The fair value of the Group's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 31 December 2019, 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 (31 March 2019: Level 2 except for Bonds which are valued at Level 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

23. LEASES

A. As a lessee

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

	Note	31 December 2019 £m
Property, plant and equipment owned		**2,219.9**
Right-of-use assets		**176.7**
	17	**2,396.6**

The Group leases many assets including land and buildings, vehicles and machinery. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Cost

	Group occupied properties £m	Plant and equipment £m	Total £m
31 March 2019	2.3	176.9	179.2
Transition to IFRS 16	13.6	0.8	14.4
1 April 2019	15.9	177.7	193.6
Additions in the period	-	1.4	1.4
31 December 2019	**15.9**	**179.1**	**195.0**
Accumulated depreciation			
31 March 2019	(0.5)	(14.3)	(14.8)
Charge in the period	(0.8)	(2.7)	(3.5)
31 December 2019	**(1.3)**	**(17.0)**	**(18.3)**
Net Book value			
31 December 2019	**14.6**	**162.1**	**176.7**
1 April 2019	15.4	163.4	178.8
31 March 2019	1.8	162.6	164.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

23. LEASES (continued)

Lease Liabilities

The recognised lease liability is as follows:

	1 April 2019 £m
Operating lease commitments disclosed at 31 March 2019	9.5
Incremental lease obligation recognised on adoption to IFRS 16 [(a)]	4.9
Add: finance lease liabilities recognised as at 31 March 2019	51.3
(Less): short term leases recognised on a straight-line basis as expense	-
(Less): low value leases recognised on straight-line basis as expense [(b)]	-
Lease Liability as at 1 April 2019	**65.7**

(a) Amounts recognised on transition to IFRS 16 include extension options on a number of contracts, these amounts were previously excluded due to mutual break clauses.

(b) Low value leases recognised on a straight-line basis as expense amount to £23,035.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.19%

Lease liabilities included in the statement of financial position

	31 December 2019 £m	31 March 2019 £m
Current	**2.1**	1.0
Non-current	**63.4**	50.3
Total lease liabilities	**65.5**	51.3

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

	31 December 2019 £m	31 March 2019 £m
Less than one year	**13.1**	10.9
Between one and five years	**51.3**	44.2
More than five years	**642.7**	609.8
Total undiscounted lease payments payable [(a)]	**707.1**	664.9

(a) The Group has adopted IFRS 16 using the modified retrospective approach in accordance with IFRS 16:C5(b) with a date of initial application of 1 April 2019. The Group has not restated the comparative information.

Amounts recognised in Income statement

	31 December 2019 £m	31 March 2019 £m
Interest on lease liabilities	**8.1**	9.6
Depreciation expense on right-of-use assets	**3.5**	3.2
Expenses relating to short-term leases [(a)]	**-**	-
Expenses relating to leases of low-value items [(b)]	**-**	-
	11.6	12.8

(a) Short-term leases amount to £78,425 for the period ended 31 December 2019.

(b) Low value assets amount to £2,622 for the period ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

23. LEASES (continued)

B. As a Lessor

The Group leases properties, which have been classified as a finance lease. Please see note 10 for the Group's finance lease income for the period.

Leases included in the statement of financial position

	31 December 2019 £m	31 March 2019 £m
Non-current assets	**16.9**	16.9
Total lease asset	**16.9**	16.9

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

	31 December 2019 £m	31 March 2019 £m
Less than one year	**0.9**	0.9
Between one and five years	**3.6**	3.6
More than five years	**76.9**	78.0
Total undiscounted lease payments receivable	**81.4**	82.5

Lease income from lease contracts in which the Group acts as a lessor for the period is £24.5 million (31 March 2019: £31.9 million). The Group classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

24. DEFERRED TAX

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

	Losses £m	Fixed assets £m	Retirement benefit obligations £m	Short term timing differences £m	Total £m
1 April 2018	28.1	(296.1)	7.2	(3.5)	(264.3)
Adjustment in respect of prior years	0.8	(2.0)	(0.6)	0.6	(1.2)
(Charge)/credit to income	(14.9)	(20.2)	(2.4)	0.4	(37.1)
Charge to equity	-	-	2.3	-	2.3
31 March 2019	14.0	(318.3)	6.5	(2.5)	(300.3)
Prior year adjustment	-	-	(0.6)	0.6	-
(Charge)/credit to income	(6.8)	(0.7)	(1.9)	0.3	(9.1)
Credit to equity	-	-	(0.3)	-	(0.3)
31 December 2019	**7.2**	**(319.0)**	**3.7**	**(1.6)**	**(309.7)**

25. BORROWINGS

	31 December 2019 £m	31 March 2019 £m
Fixed rate borrowings	**2,756.3**	2,462.5
Authorised Credit Facility–Revolving Facility [(a)]	**83.3**	117.9
	2,839.6	2,580.4
Maturity Profile:		
Repayable between 1 and 2 years	**-**	-
Repayable between 2 and 5 years	**381.9**	416.2
Repayable in more than 5 years	**2,457.7**	2,164.2
	2,839.6	2,580.4

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

At the balance sheet date, the Group recognised unamortised capitalised coupon discount and debt issuance costs of £45.4 million (31 March 2019: £39.6 million).

All the above borrowings are secured and carried at amortised cost. The Group's borrowings also include interest bearing amounts in the form of Capital Securities issued to Ivy Guernsey Holdings, LP (refer to note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

25. BORROWINGS (continued)

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

The ACF Agreement entered into on 21 June 2018 has a Revolving Credit Facility of £300.0 million and a tenor of five years (with two, one year extension options) giving a termination date of 21 June 2023 (and extension options to 21 June 2024 and 21 June 2025 respectively). During the period the Group exercised the first one year extension option, giving a revised termination date of 21 June 2024. There are £85.0 million drawings outstanding on the Revolving Credit Facility at 31 December 2019 (31 March 2019: £120.0 million).

The Group's subsidiary, Gatwick Funding Limited has issued £2,800.0 million of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2019 £m**	As at 31 March 2019 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	**300.0**	300.0	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	**300.0**	300.0	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	**350.0**	350.0	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	**300.0**	300.0	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	**350.0**	350.0	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	**300.0**	300.0	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	**300.0**	300.0	IHL
Class A 2.875 per cent.	2049	2051	5 July 2019	**300.0**	-	GAL
				2,800.0	2,500.0	

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

At 31 December 2019, the average interest rate payable on borrowings was 4.45% p.a. (31 March 2019: 4.71% p.a.).

At 31 December 2019, the Group had £215.0 million (31 March 2019: £180.0 million) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

25. BORROWINGS (continued)

Financial covenants

Under the CTA, the Group is required to comply with certain financial and information covenants. All financial covenants have been tested and complied with as at 31 December 2019 (31 March 2019: all covenants tested and complied with).

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

Covenant	31 December 2019	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**11.78**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.60**	> 0.70	> 0.85

26. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

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

The total cost charged to the Income Statement of £7.0 million (31 March 2019: £9.2 million) represents contributions payable to this scheme by the Group at rates specified in the rules of the plans. As at 31 December 2019, £0.8 million of contributions (31 March 2019: £0.8 million) due in respect of the current reporting period remain unpaid to the scheme.

Defined benefit pension plan

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

The results of the formal actuarial valuation as at 30 September 2016 were updated to 31 December 2019 by an independent qualified actuary in accordance with IAS 19.

The estimated amount of total employer contributions expected to be paid to the plan during the year ending 31 December 2020 is £15.2 million (actual for period ended 31 December 2019: £11.6 million).

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

	31 December 2019 %	31 March 2019 %
Rate of increase in salaries – to 31 December 2019	**1.5**	1.5
– from 31 December 2019	**1.5**	1.5
– thereafter	**1.5**	1.5
Rate of increase in pensions in payment (RPI)	**2.9**	3.3
Rate of increase in pensions in payment (5% LPI)	**2.8**	3.1
Discount rate	**2.2**	2.6
Retail Prices Index inflation	**2.9**	3.3
Consumer Prices Index inflation	**2.1**	2.2

The majority of the plan's assets are held within instruments with quoted market prices in an active market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

26. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

The mortality assumptions used were as follows:

	31 December 2019 Years	31 March 2019 Years
Life expectancy of male aged 60 at the Statement of Financial Position date	**26.3**	26.3
Life expectancy of male aged 60 in 20 years' time	**27.8**	27.8
Life expectancy of female aged 60 at the Statement of Financial Position date	**28.5**	28.5
Life expectancy of female aged 60 in 20 years' time	**30.1**	30.1

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

Assumptions	Change in assumption	Impact on plan liabilities at 31 December 2019 £m
Discount rate	+0.5%	(52.6)
	-0.5%	61.0
Life expectancy	+ 1 year	16.5
	- 1 year	(16.4)

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

	31 December 2019 £m	31 March 2019 £m
Present value of plan liabilities	**(511.7)**	(495.9)
Fair value of plan assets	**487.0**	458.3
Deficit	**(24.7)**	(37.6)

Reconciliation of present value of plan liabilities

	31 December 2019 £m	31 March 2019 £m
Opening present value of plan liabilities	**(495.9)**	(465.8)
Current service cost	**(0.2)**	(0.2)
Interest cost	**(9.5)**	(12.6)
GMP equalisation allowance	**-**	(0.5)
Contributions from plan members [(a)]	**(0.1)**	(0.2)
Benefits paid	**6.7**	10.6
Actuarial loss	**(12.7)**	(27.2)
Closing present value of plan liabilities	**(511.7)**	(495.9)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

26. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Reconciliation of fair value of plan assets

	31 December 2019 £m	31 March 2019 £m
Opening fair value of plan assets	**458.3**	427.9
Interest on plan assets	**8.9**	11.8
Actuarial gain	**14.8**	13.6
Benefits paid	**(6.7)**	(10.6)
Contributions paid by employer	**11.6**	15.4
Contributions paid by members	**0.1**	0.2
Closing fair value of plan assets	**487.0**	458.3

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

	31 December 2019	31 March 2019
Equities	**27%**	26%
Private credit	**4%**	4%
Diversified growth funds - emerging market multi-asset funds	**10%**	9%
Diversified growth funds	**30%**	30%
Liability driven investment	**28%**	30%
Cash/other	**1%**	1%
	100%	100%

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

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

The amounts recognised in the income statement are as follows:

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
GMP equalisation allowance	**-**	(0.5)
Employer's part of current service cost	**(0.2)**	(0.2)
Net interest charge	**(0.6)**	(0.8)
	(0.8)	(1.5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

26. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Actuarial gains and losses

The amount recognised in other comprehensive income are as follows:

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Changes in financial assumptions	**(13.6)**	(34.5)
Changes in demographic assumptions	**-**	8.8
Experience adjustments on benefit obligations	**0.4**	(1.6)
Return on plan assets less interest on plan assets	**14.8**	13.7
Loss recognised in other comprehensive income	**1.6**	(13.6)

Amounts for current period and prior years

	31 December 2019 £m	31 March 2019 £m	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m
Present value of plan liabilities	**(511.7)**	(495.9)	(465.8)	(477.0)	(396.0)
Fair value of plan assets	**487.0**	458.3	427.9	432.2	350.8
Deficit	**(24.7)**	(37.6)	(37.9)	(44.8)	(45.2)

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

27. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities relate to amounts due to parent undertakings. The following amounts represent interest bearing amounts in the form of Capital Securities issued to Ivy Guernsey Holdings, LP.

	31 December 2019 £m	31 March 2019 £m
Other non-current liabilities [(a)]	**-**	675.0

(a) Interest payable at 12 per cent on the fixed Rate Unsecured Capital Securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

28. TRADE AND OTHER PAYABLES

	31 December 2019 £m	31 March 2019 £m
Trade payables	**12.0**	12.7
Accruals	**49.7**	29.8
Capital payables	**43.2**	58.9
Amounts owed to group undertakings – interest free	**0.1**	0.1
Accrued financing charges	**0.2**	-
Accrued interest payable	**96.2**	21.1
Other payables	**4.8**	4.4
Corporation tax payable	**-**	7.0
	206.2	134.0

29. SHARE CAPITAL

	31 December 2019 £m	31 March 2019 £m
Called up share capital		
5,150,000 (31 March 2019: 5,150,000) Ordinary shares of £1.00 each	**5.2**	5.2
Nil (31 March 2019: 11,520) 'Ordinary A' shares of £1.00 each	**-**	-
Share premium		
'Ordinary A' share premium	**-**	2.8
	5.2	8.0

On 13 May 2019 the Company cancelled 11,520 ordinary A shares and associated share premium totaling £2,799,360; this resulted in the creation of £2,799,360 of distributable reserves.

The Company issued 673,463 ordinary shares at £1,030.74 per share on 28 June 2019; this was satisfied by converting the Company's fixed rate unsecured Capital securities of £694,167,273. The Company then undertook a bonus share issue of 693,493,810 ordinary shares at £1.00 per share on 28 June 2019; this was satisfied by way of capitalisation of £693,493,810 of the Company's share premium account. The Company then undertook a capital reduction of £694,167,273 of share capital by means of a special resolution supported by a solvency statement, resulting in the creation of £694,167,273 of distributable reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

30. RECONCILIATION IN NET DEBT

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

	As at 1 April 2019 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 December 2019 £m**
Other non-current liabilities	**(675.0)**	**-**	**675.0**	**-**
Derivative financial liabilities	**(228.6)**	**-**	**(0.3)**	**(228.9)**
Lease liabilities	**(51.3)**	**1.8**	**(16.0)**	**(65.5)**
Borrowings	**(2,580.4)**	**(257.3)**	**(1.9)**	**(2,839.6)**
Total financing liabilities	**(3,535.3)**	**(255.5)**	**656.8**	**(3134.0)**
Cash and cash equivalents	**3.2**	**7.4**	**-**	**10.6**
Net debt	**(3,532.1)**	**(248.1)**	**656.8**	**(3,123.4)**

	As at 1 April 2018 £m	Cash flow £m	Other non-cash changes £m	As at 31 March 2019 £m
Other non-current liabilities	(600.8)	-	(74.2)	(675.0)
Derivative financial liabilities	(208.1)	-	(20.5)	(228.6)
Lease liabilities	(47.9)	1.2	(4.6)	(51.3)
Borrowings	(2,479.9)	(97.6)	(2.9)	(2,580.4)
Total financing liabilities	(3,336.7)	(96.4)	(102.2)	(3,535.3)
Cash and cash equivalents	18.1	(14.9)	-	3.2
Net debt	(3,318.6)	(111.3)	(102.2)	(3,532.1)

31. RELATED PARTY TRANSACTIONS

During the period the Group had the following transactions with related parties as follows:

	Amounts receivable/(payable) to related party		Amounts owed from/(due to) related party	
	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m	**As at 31 December 2019 £m**	As at 31 March 2019 £m
VINCI Airports SAS [(a)]	**(4.3)**	-	**(4.3)**	-
Global Infrastructure Partners [(a)]	**(3.1)**	-	**(3.1)**	-
Ivy Topco Limited	**-**	-	**(0.1)**	(0.1)
Ivy Guernsey Holdings, LP. [(b)]	**(19.1)**	(74.3)	**-**	(675.0)
	(26.5)	(74.3)	**(7.5)**	(675.1)

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

(b) Amounts payable to related party relate to interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

32. COMMITMENTS

Capital commitments

Contracted commitments for capital expenditure amount to £71.8 million (31 March 2019: £90.1 million).

Other commitments

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

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

33. CLAIMS AND CONTINGENT LIABILTIES

As part of the refinancing agreements outlined in note 25, the Group have granted security over their assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

Other than the above and the disclosure in note 14, 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 31 December 2019 (31 March 2019: nil).

34. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 December 2019 the Group's ultimate parent and ultimate controlling party is VINCI SA, a company incorporated in France.

On 13 May 2019, Global Infrastructure Partners, LP ("GIP 1"), together with its four co-shareholders (Abu Dhabi Investment Authority, National Pension Service of the Republic of Korea, California Public Employees' Retirement System and the Future Fund) completed the sale of a 50.01% interest in the Group to CRUISER Bidco Limited, a wholly owned subsidiary of VINCI SA for a total equity consideration of approximately £3.0 billion.

The Group's results are included in the audited consolidated financial statements of VINCI SA for the period ended 31 December 2019, the largest and smallest group to consolidate these financial statements. The consolidated financial statements of VINCI SA can be obtained from the Company Secretary, VINCI, 1 Cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison, Cedex, France.

35. TRANSITION TO NEW ACCOUNTING STANDARDS

During the period the Group adopted the new IFRS 16 Leases standard.

The Group adopted IFRS 16 using the modified retrospective approach in accordance with IFRS 16:C5(b) with a date of initial application of 1 April 2019. The Group has not restated the comparative information (note 23).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

36. SUBSEQUENT EVENTS

Gatwick is concerned about the global impact of the COVID-19 virus and are closely monitoring its impact on our business and stakeholders. The Airport has run a number of scenarios to test both our financial and operational resilience, see pages 22 and 69 for further details.

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	**31 December 2019 £m**	31 March 2019 £m
Assets			
Non-current assets			
Investment in subsidiaries	7	**683.1**	683.1
		683.1	683.1
Current assets			
Cash and cash equivalents		**0.6**	0.6
		0.6	0.6
Total assets		**683.7**	683.7
Liabilities			
Non-current liabilities			
Other non-current liabilities	9	**(0.2)**	(675.2)
Current liabilities			
Trade and other payables		**(0.7)**	(0.6)
Total liabilities		**(0.9)**	(675.8)
Net assets		**682.8**	7.9
Equity			
Share capital	10	**5.2**	5.2
Share premium	10	**-**	2.8
Retained earnings		**677.6**	(0.1)
Total equity		**682.8**	7.9

The profit for the period ended 31 December 2019 was £380.7 million (31 March 2019: £75.7 million).

These parent company financial statements on pages 113 to 122 were approved by the Board of Directors on 23 April 2020 and signed on its behalf by:

Michael McGhee
Director

Rémi Maumon de Longevialle
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
For the 9 month period ended 31 December 2019

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 April 2018		5.2	2.8	74.2	82.2
Profit for the year		-	-	75.7	75.7
Dividends	6	-	-	(150.0)	(150.0)
Balance at 31 March 2019		5.2	2.8	(0.1)	7.9
Profit for the period		-	-	380.7	380.7
Dividends	6	-	-	(400.0)	(400.0)
Proceeds from shares issued		0.7	693.5	-	694.2
Bonus share issue		693.5	(693.5)	-	-
Capital reduction		(694.2)	(2.8)	697.0	-
Balance at 31 December 2019		**5.2**	**-**	**677.6**	**682.8**

The notes on pages 116 to 122 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT
For the 9 month period ended 31 December 2019

	Period ended 31 December 2019 £m	Year ended 31 March 2019 £m
Cash flows from operating activities		
Profit/(loss) before tax	**380.7**	75.7
Adjustments for:		
Finance expense	**19.2**	74.2
Increase in trade and other payables	**0.1**	0.1
Net cash from operating activities	**400.0**	150.0
Cash flows from financing activities		
Equity dividends paid	**(400.0)**	(150.0)
Net cash from financing activities	**(400.0)**	(150.0)
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at the beginning of the period	**0.6**	0.6
Cash and cash equivalents at the end of the period	**0.6**	0.6

The notes on pages 116 to 122 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2019

1. BASIS OF PREPARATION

These financial statements are the financial statements of Ivy Midco Limited ("the Company") for the period ended 31 December 2019. The comparative period is the year ended 31 March 2019. They have been prepared applying the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the EU 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 IFRS as adopted by the EU and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

The Directors have prepared the financial statements on a going concern basis which requires the Directors to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. See page 69 for further details.

As at 31 December 2019 the Company had net assets of £682.8 million (31 March 2019: £7.9 million). Taking into account the Company's current assessment of the impact of Covid-19 combined with the mitigating actions that are within the Company's control, and access to cash and committed financing, the Directors consider the Company can maintain sufficient liquidity over the next 12 months, and they continue to adopt a going concern basis for the preparation of the Financial Statements.

The financial statements were approved by the Directors on 23 April 2020.

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

During the period, the Company adopted the new IFRS 16 standard. The impact is detailed below:

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases, and introduces a single lease accounting model for lessees, bringing leases on balance sheet. A lessee recognises a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments. Lessor accounting largely stays the same under IFRS 16.

The Company had no arrangements during the period that were considered to be or contain a lease.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in subsidiaries

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

(b) Receivables

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

(c) Current and deferred taxation

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

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

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred taxation is determined using the tax rates and laws that have been enacted, or substantively enacted, by the financial position date and are expected to apply in the periods in which the temporary differences are expected to reverse.

(d) Financial instruments

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

(e) Share Capital

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

(f) Cash

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Taxation

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

(b) Investments in subsidiaries

Management regularly assesses the performance of the subsidiaries of the Company and takes into account forecast future cash flows and activities. Management believe that the carrying value of the investments are supported by their future trade.

5. COMPANY RESULT FOR THE PERIOD

The profit for the period ended 31 December 2019 was £380.7 million (31 March 2019: £75.7 million). As permitted by Section 408 of the Companies Act 2006, no separate income statement is presented in respect of the Company.

Operating costs

Audit fees of £5,000 (31 March 2019: £5,000) are borne by Gatwick Airport Limited.

Employee information

The Company had no employees during the period (31 March 2019: nil). All staff costs are borne by Gatwick Airport Limited, the Company's subsidiary. No directors of the Company were remunerated during the period for services to the Company (31 March 2019: nil).

6. DIVIDENDS

The Directors declared and paid dividends of £58.12 per share on 12 July 2019 amounting to £300.0 million and dividends of £19.37 per share on 20 December 2019 amounting to £100.0 million, totalling £400.0 million for the period (31 March 2019: £29.06 per share amounting to £150.0 million on 5 July 2018). The Directors did not recommend the payment of a final dividend (31 March 2019: £nil).

The company received dividends from its wholly owned subsidiary, Ivy Super Holdco Limited, of £300.0 million on 12 July 2019 and £100.0 million on 19 December 2019. (31 March 2019: £150.0 million on 5 July 2018 from the company's wholly owned subsidiary, Ivy Holdco Limited).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

7. INVESTMENT IN SUBSIDIARIES

	31 December 2019 £m	31 March 2019 £m
Investment in subsidiaries	**683.1**	683.1

The Company has investments in the following subsidiary undertakings:

Subsidiary Undertakings	Principal Activity	Holding	%
Ivy Super Holdco Limited	Holding company	Ordinary Shares	100%
Ivy Holdco Limited [(a)]	Holding company	Ordinary Shares	100%
Gatwick Airport Limited [(a)]	Airport owner and operator	Ordinary Shares	100%
Gatwick Funding Limited [(a)]	Financing company	Ordinary Shares	100%
Ivy Bidco Limited [(a)]	Property company	Ordinary Shares	100%
Gatwick Airport Pension Trustees Limited [(a)]	Dormant company	Ordinary Shares	100%
Ivy Property Holdings Limited	Dormant company	Ordinary Shares	100%

(a) Held by a subsidiary undertaking

All subsidiaries (except for Gatwick Funding Limited (“GFL”)) are incorporated and operate in England, United Kingdom. Gatwick Airport Limited and Gatwick Airport Pension Trustees Limited have registered office 5th Floor Destinations Place, Gatwick Airport, West Sussex, RH6 0NP. Ivy Super Holdco Limited, Ivy Holdco Limited and Ivy Bidco Limited have registered office 8th Floor, 20 Farringdon Street, London, United Kingdom, EC4A 4AB. GFL is incorporated in Jersey and has registered office 44 Esplanade, St Helier, Jersey, JE4 9WG.

8. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 31 March 2015 the Company acquired investment in Ivy Holdco Limited for £599,777,305. Following distribution of the assets of the Company’s subsidiary, Ivy Bidco Limited, the Company impaired its investment in Ivy Bidco Limited by £148,237,380. At the same time, the Company sold 100% of the issued share capital of Ivy Bidco Limited to Ivy Holdco Limited in exchange for 7,779,360 ordinary shares in Ivy Holdco Limited issued at £1 per share.

The cost of the Company’s investments in Ivy Bidco Limited reflected the underlying fair value of its net assets at the time of acquisition. As a result of the transfer, the value of the Company’s investment in this company fell below the amount at which it was stated in the Company’s accounting records. Schedule 1 to the Companies Act 2006, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2009 (SI 2009 No. 401) requires that the investment be written down accordingly and that the amount be charged as a loss in the Company’s Income Statement. However, the directors consider that, as there has been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company’s Income Statement for the year and it should instead be re-allocated to its cost investment in Ivy Holdco Limited. The effect of this departure was to increase the Company’s profit for the financial year ended 31 March 2015 by nil. The value of the Company’s investment in subsidiary undertakings for the year ended 31 March 2015 had increased by £73,183,160 in the Company’s Statement of Financial Position due to the effect of the transfer of trade and assets from one subsidiary of the Company during the current and prior periods.

On 28 June 2019 the Company acquired an investment in Ivy Super Holdco Limited for £1. On the same day the Company contributed its investment in Ivy Holdco Limited to Ivy Super Holdco Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

9. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities relate to amounts due to group undertakings.

	31 December 2019 £m	31 March 2019 £m
Unsecured capital securities [(a)]	**-**	675.0
Other non-current liabilities	**0.2**	0.2
	0.2	675.2

(a) Interest payable at 12 per cent on the fixed Rate Unsecured Capital Securities.

10. CALLED UP SHARE CAPITAL

	31 December 2019 £m	31 March 2019 £m
Called up share capital		
5,150,000 (31 March 2019: 5,150,000) ordinary shares of £1.00 each	**5.2**	5.2
Nil (31 March 2019: 11,520) 'Ordinary A' shares of £1.00 each	**-**	-
Share premium		
'Ordinary A' share premium	**-**	2.8
	5.2	8.0

On 13 May 2019 the Company cancelled 11,520 ordinary A shares and associated share premium totaling £2,799,360; this resulted in the creation of £2,799,360 of distributable reserves.

The Company issued 673,463 ordinary shares at £1,030.74 per share on 28 June 2019; this was satisfied by converting the Company's fixed rate unsecured Capital securities of £694,167,273. The Company then undertook a bonus share issue of 693,493,810 ordinary shares at £1.00 per share on 28 June 2019; this was satisfied by way of capitalisation of £693,493,810 of the Company's share premium account. The Company then undertook a capital reduction of £694,167,273 of share capital by means of a special resolution supported by a solvency statement, resulting in the creation of £694,167,273 of distributable reserves.

11. CLAIMS AND CONTINGENT LIABILITIES

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

Other than the above, the Company has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

12. RECONCILIATION IN NET DEBT

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

	As at 1 April 2019 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 December 2019 £m**
Cash and cash equivalents	**0.6**	**-**	**-**	**0.6**
Other non-current liabilities	**(675.0)**	**-**	**675.0**	**-**
	(674.4)	**-**	**675.0**	**0.6**

	As at 1 April 2018 £m	Cash flow £m	Other non-cash changes £m	As at 31 March 2019 £m
Cash and cash equivalents	0.6	-	-	0.6
Other non-current liabilities	(600.8)	-	(74.2)	(675.0)
	(600.2)	-	(74.2)	(674.4)

13. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 December 2019 the Company's ultimate parent and ultimate controlling party is VINCI SA, a company incorporated in France.

On 13 May 2019, Global Infrastructure Partners, LP ("GIP 1"), together with its four co-shareholders (Abu Dhabi Investment Authority, National Pension Service of the Republic of Korea, California Public Employees' Retirement System and the Future Fund) completed the sale of a 50.01% interest in the Company to CRUISER Bidco Limited, a wholly owned subsidiary of VINCI SA for a total equity consideration of approximately £3.0 billion.

The Company's results are included in the audited consolidated financial statements of VINCI SA for the period ended 31 December 2019, the largest and smallest group to consolidate these financial statements. The consolidated financial statements of VINCI SA can be obtained from the Company Secretary, VINCI, 1 Cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison, Cedex, France.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period ended 31 December 2019

14. RELATED PARTY TRANSACTIONS

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

	Interest payable with related party		Amounts owed to related party	
	Period ended 31 December 2019 £m	Period ended 31 March 2019 £m	**As at 31 December 2019 £m**	As at 31 March 2019 £m
Gatwick Airport Limited	**-**	-	**(0.8)**	(0.7)
Ivy Topco Limited	**-**	-	**(0.1)**	(0.1)
Ivy Guernsey Holdings, LP.	**(19.1)**	(74.3)	**-**	(675.0)
	(19.1)	(74.3)	**(0.9)**	(675.8)

Gatwick Airport Limited is a subsidiary of the Company (refer to note 7). Ivy Topco Limited and Ivy Guernsey Holdings, LP. are both parent companies of the Company (refer to note 13).

15. TRANSITION TO NEW ACCOUNTING STANDARDS

During the period the Company adopted a new accounting standards, IFRS 16 Financial Instruments.

The adoption of IFRS 16 had no impact to the equity and total comprehensive income previously reported at 31 March 2019.

IVY MIDCO LIMITED

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

Company Registration Number 06894065

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

1 Our opinion is unmodified

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

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

The impact of uncertainties due to the UK exiting the European Union on our audit
Refer to Audit Committee Report, and page 17

The risk - Unprecedented levels of uncertainty

- All audits assess and challenge the reasonableness of estimates, in particular as described in recoverability of parent company's investment in subsidiaries below, and related disclosures. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (continued)

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

The impact of uncertainties due to the UK exiting the European Union on our audit (continued)

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

- Assessing transparency – As well as assessing individual disclosures as part of our procedures on recoverability of parent company's investment in subsidiaries, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

Assets in the course of construction: Cost classification
(£249.3 million (2018: £239.7 million))
Refer to Audit Committee Report, page 54-55 (accounting policy) and page 70-71 (financial disclosures)

The risk - Cost classification between capital expenditure and operating expenditure

- Given the size and nature of capital expenditure within the business, judgement is required to ensure an appropriate allocation of costs between capital and operating expenditure. There is a significant risk that incorrect classification of expenditure between operating costs and fixed assets could impact the income statement and balance sheet.

Our response - Our procedures included:

- Accounting analysis: We assessed whether the Group's accounting policies for capitalisation are in accordance with relevant accounting standards and assessed the application of these accounting policies for a sample of additions into assets in the course of construction;
- Tests of details: On a sample basis, we agreed capitalised projects to supporting documentation including project analysis sheets and approval by cost engineers to ensure projects have been appropriately accounted for in accordance with relevant accounting standards;
- Tests of details: On a sample basis, we agreed capitalised overheads to supporting documentation to ensure that the capitalisation criteria has been met; and
- Assessing transparency: Assessing the adequacy of the disclosures made in relation to the Group's policy of capitalisation or expensing of costs and the judgements involved.

Valuation of investment property
(£1,148.3 million (2018: £995.7 million))
Refer to Audit Committee Report, page 55 (accounting policy) and page 72 (financial disclosures)

The risk – Subjective valuation

– The Group holds investment properties including Car Parks, Offices and Non-operational Land, which represents a significant proportion of the Group's total assets. The valuation of the Group's property portfolio is inherently subjective in nature due to the estimated rental value and rental yields which are both sensitive to change in assumptions.

Our response - Our procedures included:

- Assessing valuer's credentials: We evaluated the competence and independence of management's external expert used to perform the valuation;
- Personnel interviews: With the assistance of our internal valuation specialists, we enquired of management and their valuation experts to understand any key changes in the valuation methodology and assumptions;

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

Valuation of investment property (continued)

- Our sector experience: With the assistance of our internal valuation specialists, we critically assessed the valuation approach used by management's expert to determine whether the valuation approach was in accordance with professional valuation standards;
- Tests of details: On a sample basis, we vouched information provided to managements' valuation expert to supporting documentation;
- Valuations expertise: With the assistance of our internal valuation specialists, we challenged significant assumptions and judgements applied in the valuation model including budgeted revenues, yields and rents; and
- Assessing transparency: Assessing the adequacy of the disclosures in relation to the valuation methodologies and assumptions adopted and the judgement involved.

Recoverability of parent company's investment in subsidiaries
(£683.1 million (2018: £683.1 million)
Refer to Audit Committee Report, page 96 (accounting policy) and page 98 (financial disclosures)

The risk – Low Risk, High Value

- The carrying amount of the parent company's investments in subsidiaries represents a significant proportion of the company's total assets. The recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

Our response - Our procedures included:

- Tests of details: We compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making;

- Assessing subsidiary audits: We considered the work performed by the audit team on all of those subsidiaries and considering the results of that work on those subsidiaries' profits and net assets; and

- Test of details: We compared the transaction value to the carrying amount of 100% of investments.

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

Materiality for the group financial statements as a whole was set at £14m (2018: £14m), determined with reference to a benchmark of total assets (of which it represents 0.38% (2018: 0.41%).

Materiality for the parent company financial statements as a whole was set at £6.7m (2018: £6.7m), determined with reference to a benchmark of company total assets, of which it represents 0.98% (2018: 0.98%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.7m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed full scope audits for group purposes for all 4 of the group's reporting components, as well as the audit of the parent company, covering 100% of the Group's total revenue, profit before tax and net assets.

The Group team approved the component materialities, which ranged from £6.7m to £13.5m, having regard to the mix of size and risk profile of the Group across the components.

4 We have nothing to report on going concern

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

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

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

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

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

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

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

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (continued)

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

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

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 39, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

17 June 2019

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2019

	Note	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Revenue	5	**810.8**	764.2
Operating costs	6	**(539.5)**	(520.7)
Operating profit		**271.3**	243.5
Investment property revaluation	16	**126.6**	93.4
Loss on disposal of fixed assets	8	**(5.2)**	(9.6)
Financing			
Fair value (loss)/gain on derivative financial instruments	9	**(20.5)**	4.3
Finance income	10	**20.8**	20.6
Finance costs	11	**(207.5)**	(184.7)
Profit before tax		**185.5**	167.5
Income tax charge	12	**(51.8)**	(31.4)
Profit for the year		**133.7**	136.1

The notes on pages 49 to 91 form an integral part of these financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Note	**Year ended 31 March 2019 £m**	Year ended 31 March 2018 £m
Profit for the year		**133.7**	136.1
Other comprehensive income			
Items that will not be reclassified to the consolidated income statement			
Actuarial loss on retirement benefit obligations	24	**(13.6)**	(2.8)
Tax credit	22	**2.3**	0.5
Other comprehensive loss for the year		**(11.3)**	(2.3)
Total comprehensive income for the year		**122.4**	133.8

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

	Note	**Share capital £m**	**Share Premium £m**	**Retained earnings £m**	**Total £m**
Balance at 1 April 2017		5.2	2.8	142.6	150.6
Profit for the year		-	-	136.1	136.1
Other comprehensive income		-	-	(2.3)	(2.3)
Share based payments	14	-	-	0.5	0.5
Dividends	13	-	-	(643.0)	(643.0)
Balance at 31 March 2018		5.2	2.8	(366.1)	(358.1)
Profit for the year		-	-	133.7	133.7
Other comprehensive income		-	-	(11.3)	(11.3)
Share based payments	14	-	-	0.5	0.5
Dividends	13	-	-	(150.0)	(150.0)
Balance at 31 March 2019		**5.2**	**2.8**	**(393.2)**	**(385.2)**

The notes on pages 49 to 91 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	**31 March 2019 £m**	31 March 2018 £m
Assets			
Non-current assets			
Property, plant and equipment	15	**2,347.3**	2,305.1
Investment properties	16	**1,148.3**	995.7
Intangible assets	17	**24.8**	10.3
Goodwill	17	**51.8**	51.8
Finance lease receivables	21	**16.9**	16.9
		3,589.1	3,379.8
Current assets			
Inventories		**6.0**	4.6
Trade and other receivables	18	**42.7**	42.0
Cash and cash equivalents	19	**3.2**	18.1
		51.9	64.7
Total assets		**3,641.0**	3,444.5
Liabilities			
Non-current liabilities			
Borrowings	23	**(2,580.4)**	(2,479.9)
Derivative financial liabilities	20	**(228.6)**	(208.1)
Finance lease liabilities	21	**(50.3)**	(47.1)
Deferred tax liabilities	22	**(300.3)**	(264.3)
Retirement benefit obligations	24	**(37.6)**	(37.9)
Other non-current liabilities	25	**(675.0)**	(600.8)
		(3,872.2)	(3,638.1)
Current liabilities			
Finance lease liabilities	21	**(1.0)**	(0.8)
Trade and other payables	26	**(134.0)**	(145.9)
Current tax liabilities		**(4.1)**	(3.7)
Deferred income		**(14.9)**	(14.1)
		(154.0)	(164.5)
Total liabilities		**(4,026.2)**	(3,802.6)
Net (liabilities)/assets		**(385.2)**	(358.1)
Equity			
Share capital	27	**5.2**	5.2
Share premium	27	**2.8**	2.8
Retained earnings		**(393.2)**	(366.1)
Total equity		**(385.2)**	(358.1)

The notes on pages 49 to 91 form an integral part of these financial statements. The financial statements of Ivy Midco Limited (Company registration number 06894065) were approved by the Board of Directors on 17 June 2019 and were signed on its behalf by:

William Woodburn

William Woodburn
Director

Michael McGhee

Michael McGhee
Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 March 2019

	Note	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Cash flows from operating activities			
Profit before tax		**185.5**	167.5
Adjustments for:			
Investment property revaluation		**(126.6)**	(93.4)
Loss on disposal of fixed assets		**5.2**	9.6
Fair value loss/(gain) on financial instruments		**20.5**	(4.3)
Finance income		**(20.8)**	(20.6)
Finance costs		**207.5**	184.7
Depreciation and amortisation		**170.0**	167.6
Impairment of fixed assets		**-**	-
Increase in inventories, trade and other receivables		**(0.9)**	(7.2)
Decrease in trade and other payables		**(4.2)**	(21.1)
Defined benefit pension contributions		**(15.0)**	(11.0)
Other non-cash movements		**0.1**	(0.1)
Cash generated from operations		**421.3**	371.7
Corporation tax paid		**(12.3)**	(8.1)
Net cash from operating activities		**409.0**	363.6
Cash flows from investing activities			
Interest received		**0.8**	1.1
Purchase of fixed assets		**(256.5)**	(221.9)
Sale of tangible fixed assets		**1.1**	0.7
Net cash from investing activities		**(254.6)**	(220.1)
Cash flows from financing activities			
Interest paid		**(116.9)**	(96.1)
Increase in external borrowings		**97.6**	610.1
Equity dividends paid		**(150.0)**	(643.0)
Net cash from financing activities		**(169.3)**	(129.0)
Net (decrease)/increase in cash and cash equivalents		**(14.9)**	14.5
Cash and cash equivalents at the beginning of the year		**18.1**	3.6
Cash and cash equivalents at the end of the year	19	**3.2**	18.1

The notes on pages 49 to 91 form an integral part of these financial statements.

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

1. BASIS OF PREPARATION

Ivy Midco Limited ("the Company") is a private company, limited by shares, and is registered and incorporated in England, United Kingdom. The registered number is 06894065 and the registered address is 5th Floor, 6 St Andrew Street, London, EC4A 3AE.

These are the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 March 2019. The comparative period is the year ended 31 March 2018. They are presented in sterling and rounded to the nearest £0.1million. They have been prepared applying the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the EU 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 IFRS and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

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

Consequently the Directors have reviewed the cash flow projections of the Group taking into account:
- the forecast passenger numbers, revenue and operating cash flows from the underlying operations;
- the forecast level of capital expenditure;
- the Group's funding structure and the facilities that are available to the Group (refer to note 23); and
- the Group's financial covenants.

All of the Group's financial covenants (refer to note 23) have been met for the year ended 31 March 2019 and are forecast to be met for the years ending 31 March 2020, 2021 and 2022.

As a result of the review, having made appropriate enquiries of management and allowing for headroom to accommodate a reasonable downside scenario (including a fall in passenger numbers), the Directors have a reasonable expectation that sufficient funds are available to meet the Group's funding requirements 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.

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

The principal accounting policies, which have been applied consistently through the current and prior year except for the changes set out in note 2.

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

During the year, the Group adopted a number of new IFRSs. The impact of these amendments has been detailed below:

IFRS 9 Financial Instruments

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

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

The Group's financial assets consist of:
- Finance lease receivables
- Trade receivables
- Other receivables
- Cash and cash equivalents

These financial assets continue to be measured at amortised cost as they meet the classification of amortised cost under IFRS 9.

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

The Group's financial liabilities consist of:
- Borrowings
- Derivative financial liabilities
- Finance lease liabilities
- Trade payables
- Capital creditors
- Other payables

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

IFRS 9 introduces a new impairment model that replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group applies a provision matrix using historical loss experience, adjusting for current conditions and reasonable forecasts. The Group uses three years of historical data to establish an average default rate. This probability is applied to current information, taking into account adjustments for current external conditions and reasonable forecasts.

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 9 Financial Instruments (continued)

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

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

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

The application of the expected losses model has not resulted in a change to the impairment provision held by the Group at 31 March 2018 of £3.4 million.

On the application of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which requires the disclosure of significant accounting policies comprising the measurement basis or bases used in preparing the financial statements.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* has replaced IAS 18 *Revenue* and IAS 11 *Construction Contracts* as well as various interpretations previously issued by the IFRS Interpretations Committee, effective on or after 1 January 2018. It provides a single comprehensive model for accounting for revenue arising from contracts with customers. IFRS 15 identifies five steps in approaching revenue recognition, which are based on performance obligations stipulated in a contract, and the timing of revenue when each obligation is fulfilled.

The Group's main revenue streams are:

- Airport and other traffic charges
- Retail income
- Car parking income
- Property income
- Operational facilities, utilities and other income

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

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

  There are a number of airline contracts in place with discounts which vary by season (summer/winter). Previously the Group would recognise the discount associated with each contract by pro-rating the discount in line with passenger volumes across the year. In accordance with IFRS 15, the Group now recognises the discount over the period during which it is earned. Discounts are typically focussed on the winter season and the application of IFRS 15 results in a lower discount being recognised during the first six months of the financial year. The impact of the timing of airline discounts at the end of the financial year is nil.

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

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

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

- Property income: the performance obligation is the provision of office space or land in return for a fee. The fee is either a fixed rental fee or a fee based on the tenant's turnover in the case of the hotel and petrol stations.

- Operational facilities, utilities and other income: this revenue is derived from the recovery of certain costs incurred by the Group.

Upon transition to IFRS 15 the Group applied the full retrospective method, restating information for the year ended 31 March 2018. The application of IFRS 15 has not had a significant impact on the Group's financial position or financial performance for the year ended 31 March 2019 or the year ended 31 March 2018.

An explanation of how the transition to IFRS 9 and IFRS 15 has affected the reported financial position and financial performance of the Group is provided in note 34.

The following standard is not yet effective and has not been adopted early by the Group:

IFRS 16 Leases

IFRS 16 *Leases* is effective for periods beginning on or after 1 January 2019, and which replaces IAS 17 *Leases*.

IFRS 16 introduces a single lease accounting model for lessees, bringing leases on balance sheet. A lessee recognises a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and low value assets. Lessor accounting remains unchanged from IAS 17 which makes the classification between operating and finance leases.

There is no impact for leases in which the Group is the lessor.

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IFRS 16 Leases (continued)

For leases in which the Group is a lessee, the Group will now recognise a right-of-use asset and lease liability on a number of property, vehicle and maintenance contracts. The nature of the expenses related to these leases will change. Previously, the Group recognised an operating expense on a straight line basis in operating costs. Under IFRS 16, the Group will recognise a depreciation charge for the right-of-use assets and an interest expense on the lease liabilities.
There is no impact expected on the Group's finance leases.

The Group has chosen the simplified transition approach of IFRS 16 in accordance with IFRS 16:C5(b). Consequently, the Group will not restate comparative information in the year of adoption. The Group has assessed the impact of IFRS 16 on its contracts, and has determined that upon transition it will recognise right-of-use assets and lease liabilities between £14.0 million and £15.0 million with no adjustment to retained earnings.

The Group expects annual operating costs to decrease by an estimated £1.7 million, along with an estimated increase in depreciation of £1.1 million and an estimated increase in interest expense of £0.7 million.

Under the Common Terms Agreement ("CTA"), the Group is required to comply with certain financial and information covenants. The application of IFRS 16 does not affect the minimum interest cover ratio ("Senior ICR") as interest on leased assets is excluded from the calculation.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Ownership

On 3 December 2009, BAA (AH) Limited ("BAA") completed the sale of Gatwick Airport Limited to Ivy Bidco Limited, a UK incorporated company. On 2 March 2011, Ivy Bidco Limited transferred its shares in Gatwick Airport Limited to Ivy Holdco Limited, its wholly-owned subsidiary.

Ivy Midco Limited, a United Kingdom ("UK") incorporated company, is ultimately owned by a consortium through a number of overseas holding companies and limited liability partnerships.

Gatwick Airport Limited owns 100% of the share capital of Gatwick Funding Limited, a company incorporated in Jersey but resident in the UK for tax purposes.

On 31 March 2015 Ivy Midco Limited sold 100% of the issued share capital of Ivy Bidco Limited to Ivy Holdco Limited. Following this transaction, Gatwick Airport Limited acquired 100% of the issued share capital of Ivy Bidco Limited from Ivy Holdco Limited.

Gatwick Airport Limited, its parent entity Ivy Holdco Limited, Gatwick Funding Limited, Ivy Bidco Limited and its subsidiary Gatwick Airport Pension Trustees Limited are collectively referred to in this Annual Report and the financial statements as "the Ivy Holdco Group".

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and it can be measured reliably. Revenue is measured at the fair value of the consideration received net of rebates, discounts and VAT and comprises:

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

- Retail:
  - Concession fees recognised based upon weekly sales turnover information supplied by concessionaires, which is verified at least annually by sales turnover certificates supplied by concessionaires.

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

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

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

(c) Exceptional Items

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

(d) Property, Plant and Equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

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

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

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

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

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

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

(e) Investment Properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangible Assets

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

(g) Goodwill

Goodwill arising on acquisitions of subsidiary undertakings or business assets represents a difference between the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ('CGU'). CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Positive goodwill is capitalised as an asset in the Group's Consolidated Statement of Financial Position and is subject to annual impairment reviews. An impairment loss is recognised in the Group's Consolidated Statement of Comprehensive Income if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

(h) Impairment of Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the asset does not generate cash flows that are independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases

Leases are classified according to the substance of the arrangement.

Operating leases

1. Group as lessor

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

2. Group as lessee

Rental costs under operating leases are charged to the Income Statement in equal instalments over the period of the lease.

Finance leases

1. Group as lessor

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

2. Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Income Statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

(j) Inventories

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

(k) Cash and Cash Equivalents

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

(l) Provisions

Provisions are recognised when the Group 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments

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

Financial Assets

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

The Group's financial assets are classified as loans and receivables. Classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

1. Amortised cost

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

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

2. Impairment of financial assets

IFRS 9 introduces a new impairment model that replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost.

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

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

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

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

The carrying amount of trade receivables is reduced through the use of an allowance account (i.e. a bad debt provision). When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

Financial Liabilities

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

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

1. Borrowings

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

2. Debt issue costs and arrangement fees

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

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

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

3. Trade and other payables

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

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

4. Derivative financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments (continued)

Financial Liabilities (continued)

4. Derivative financial instruments (continued)

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

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

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

The Group's current derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9. The periodic amounts of interest payable and receivable on interest rate and index-linked swaps, and the periodic change in the accrued amount of inflation accretion on the notional principal value of the index-linked swaps, are taken to the Income Statement; accrued interest payable and receivable is included in current creditors or debtors, and the inflation accretion accrual is included in non-current debt in the Statement of Financial Position.

(n) Retirement Benefit Obligations

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

Current service costs, a net interest charge on plan assets and plan administration expenses are recognised within the Income Statement as they are incurred.

Re-measurements on retirement benefit obligations are recognised in Other Comprehensive Income under IAS 19 *Employee Benefits*.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Share-Based Payments

Certain employees of the Group participate in a long term incentive plan ("LTIP"). Under this equity-settled plan, the Group receives services from these employees as consideration for equity instruments of another Group company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense, with the corresponding entry being a share-based payment to the Company from the Group entity ultimately issuing the equity instruments. During the year ended 31 March 2019, this group entity was Ivy Midco Limited.

The fair value of the employee services received is determined by reference to the fair value of the equity instruments granted, measured by use of a valuation model. Fair value excludes the impact of any non-market service and performance vesting conditions (i.e., profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each financial position date, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

(p) Current and Deferred Tax

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

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

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

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

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

(q) 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.

(r) Dividend Distribution

A dividend distribution to the Group's shareholders is recognised in the Group'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.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Investment Properties

Investment properties were valued at fair value at 31 March 2019 by Jones Lang LaSalle Limited (2018: Deloitte LLP). The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence.

Investment property classification and valuation are areas of judgement. The directors have defined specific criteria required to be met for assets to be classified as investment property. The directors consider car park assets meet this classification criteria therefore hold them as investment property.

(b) Retirement Benefit Obligations

Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at year end and future returns on pension scheme assets and charges to the income statement. The factors have been determined in consultation with the Group's actuary taking into account market and economic conditions. Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the Statement of Comprehensive Income. Further details are available in note 24.

(c) Taxation

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. On this basis, the recognition of a deferred tax asset in the financial statements requires judgement from management. Management make an assessment of forecast profits in future years and use this as the basis for their decision as to whether or not to recognise the deferred tax asset.

(d) Fair Value of Derivative Financial Instruments

The fair value of derivative financial instruments is determined by using valuation techniques. These techniques require judgement and make assumptions that are mainly based on market conditions existing at each reporting date. The valuation technique used is a discounted cash flow methodology.

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

5. REVENUE

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

(a) Nature of services

The Group's main revenue streams are:

- Airport and other traffic charges
- Retail income
- Car parking income
- Property income
- Operational facilities, utilities and other income

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

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

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

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

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

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

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

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

5. REVENUE (continued)

Disaggregation of revenue

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

		Year ended 31 March 2019 £m		Year ended 31 March 2018 £m
Airport and other traffic charges		**427.8**		396.6
Retail		**191.3**		177.3
- Duty and tax-free	**59.1**		53.5	
- Specialist shops	**44.1**		42.9	
- Catering	**41.8**		37.5	
- Bureaux de change	**26.6**		26.8	
- Other retail	**19.7**		16.6	
Car parking		**88.3**		87.8
Property income		**31.9**		29.1
Operational facilities and utilities income		**32.5**		34.5
Other		**39.0**		38.9
		810.8		764.2

More than 10% of the Group's total revenue is derived from easyJet.

(b) Contract balances

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Receivables (note 18)	**32.2**	26.7
Contract assets	**16.6**	15.9
Contract liabilities	**(14.9)**	(14.1)

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

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

The amount of revenue recognised in the year to 31 March 2019 from performance obligations satisfied in previous periods is £1.4 million (2018: £1.7 million). This is due to annual reconciliation of various aeronautical and retail contracts.

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

5. REVENUE (continued)

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

	31 March 2019 £m		31 March 2018 £m	
	Contract assets	**Contract liabilities**	Contract assets	Contract liabilities
Revenue recognised that was included in contract liability balance at the beginning of the period	**-**	**12.8**	-	10.8
Increases due to cash received (excluding amounts recognised as revenue in the period)	**-**	**(13.6)**	-	(11.9)
Transfers from contract assets recognised at the beginning of the period to receivables	**(16.3)**	**-**	(13.0)	-
Increases as a result of changes in the measure of progress	**17.1**	-	16.3	-

Transaction price allocated to the remaining performance obligations

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

The Group applies the practical expedient in paragraph C5(c) of IFRS 15, and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 31 March 2018.

6. OPERATING COSTS

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Wages and salaries	**170.1**	169.3
Social security costs	**16.2**	15.2
Pension costs	**10.4**	9.8
Share-based payments	**0.5**	0.5
Other staff related costs	**6.4**	7.1
Staff costs	**203.6**	201.9
Retail expenditure	**3.4**	2.5
Car parking expenditure	**19.1**	19.5
Depreciation and amortisation	**170.0**	167.6
Maintenance expenditure	**45.2**	40.6
Rent and rates	**32.8**	30.3
Utility costs	**23.1**	21.1
Police costs	**14.2**	13.4
Other operating expenses [(a)]	**15.6**	12.2
Aerodrome navigation service costs	**12.5**	11.6
	539.5	520.7

(a) Other operating costs includes impairment of trade receivables amounting to £0.5 million in the year (2018: £1.0 million credit)

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

6. OPERATING COSTS (continued)

Average full-time equivalent ("FTE") employee numbers decreased from 3,078 in the prior year to 3,037 in the current year. Average operational FTE employees decreased from 2,594 to 2,570 during the year, and non-operational FTE employees decreased from 484 to 467.Staff costs are offset by the subsequent capitalisation of these costs, which appear as part of other operating expenses above. Overall, total staff costs capitalised were £40.9 million in the year ended 31 March 2019 (2018: £41.9 million).

Average employee headcount decreased from 3,231 in the prior year to 3,190 in the current year. Average operational employee headcount decreased from 2,713 to 2,710 during the year, and non-operational employee headcount decreased from 518 to 481.

Amounts receivable by the Group's auditor in respect of audit services to the Group totalled £0.2 million in 2019 (2018: £0.2 million). There were no amounts receivable by the Group's auditor in respect of non-audit services in 2019 (2018: £0.5 million).

7. DIRECTORS' EMOLUMENTS

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Directors' emoluments		
Aggregate emoluments	**2.5**	2.9

An amount of £nil (2018: £nil) was paid into money purchase schemes in respect of the Directors. Aggregate amounts receivable under long-term incentive schemes were £0.2 million (2018: £0.4 million).

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Highest paid Director		
Aggregate emoluments and benefits	**1.1**	1.2

Five Directors (2018: five) were not remunerated during the year for services to the Group. No Directors exercised share options during the year (2018: nil). No Directors are members of the Gatwick Airport Limited defined benefit pension plan (2018: nil). No compensation was received by former Directors for loss of office during the year (2018: nil). Two Directors had awards receivable in the form of shares under the Group's LTIP (2018: two). These two Directors are party to a loan agreement with Gatwick Airport Limited, amounting to £1.9 million (2018: £1.9 million), the purpose of which enabled the Directors to fund the original allotment of equity instruments of Ivy Bidco Limited under the LTIP agreement. Further details have been provided in note 16.

8. LOSS ON DISPOSAL OF FIXED ASSETS

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

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Loss on disposal of fixed assets	**5.2**	9.6

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

9. FAIR VALUE MOVEMENT ON DERIVATIVE FINANCIAL INSTRUMENTS

Fair value (loss)/gain on derivative financial instruments represents the year-on-year movement in the present value of expected net cash outflows in interest rate and index-linked derivative contracts (refer to note 20).

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Fair value (loss)/gain on derivative financial instruments	**(20.5)**	4.3

10. FINANCE INCOME

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Interest receivable on money markets and bank deposits	**0.1**	0.1
Interest receivable on derivative financial instruments [(a)]	**19.8**	19.6
Finance lease income	**0.9**	0.9
	20.8	20.6

(a) These amounts relate to interest receivable on £396.0 million interest to index-linked derivatives. Refer to note 20 for detail on the nominal value of the Group's swaps.

11. FINANCE COSTS

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Interest on fixed rate bonds	**115.6**	101.4
Interest on bank borrowings [(a)]	**0.9**	0.3
Interest on borrowings from other group undertakings [(b)]	**74.3**	66.1
Interest payable on derivative financial instruments [(c)]	**11.8**	11.3
Amortisation of debt costs	**2.8**	2.1
Non-utilisation fees on bank facilities	**1.4**	2.0
Finance lease expense	**9.6**	9.4
Net charge on pension scheme	**0.8**	1.2
Capitalised borrowing costs [(d)]	**(9.7)**	(9.1)
	207.5	184.7

(a) These amounts mainly relate to interest payable on loans drawn under the £300.0 million Authorised Credit Facilities Agreement.

(b) These amounts relate to interest payable at 12 per cent on the fixed Rate Unsecured Capital Securities ("the Capital Securities").

(c) These amounts relate to interest payable on £396.0 million interest to index-linked derivatives. Refer to note 20 for detail on the nominal value of the Group's swaps.

(d) Borrowing costs have been capitalised using a rate of 4.96% (2018: 5.39%), which is the weighted average of rates applicable to the Group's overall borrowings outstanding during the year. The capitalised interest amount is calculated by applying the capitalisation rate to the average monthly balance of assets in the course of construction, after deducting the value of construction work undertaken but not paid for, and included in the value of such assets.

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

12. INCOME TAX

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Current tax		
Total current tax charge	**(14.1)**	(13.9)
Adjustment in respect of prior years	**0.6**	-
Total current tax charge	**(13.5)**	(13.9)
Deferred tax		
Current year	**(40.8)**	(32.9)
Adjustment in respect of prior years	**(1.2)**	3.8
Effect of change in tax rate	**3.7**	11.6
Total deferred tax charge	**(38.3)**	(17.5)
Income tax charge	**(51.8)**	(31.4)

Reconciliation of effective tax rate

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 19% (2018: 19%). The actual tax credit for the current and prior year differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Profit before tax	**185.5**	167.5
Tax on profit at 19% (2018: 19%)	**(35.2)**	(31.8)
Effect of:		
Adjustment in respect of prior years	**(0.6)**	3.8
Expenses not deductible for tax purposes [(a)]	**(19.2)**	(15.3)
Movements in deferred tax with no current tax impact	**-**	0.1
Tax rate changes	**3.7**	11.6
Revaluation on investment property	**(0.5)**	0.2
Total tax charge	**(51.8)**	(31.4)

(a) Expenses not deductible for tax purposes is primarily due to finance costs not deductible for tax purposes amounting to £14.1 million (2018: £9.6 million) and capital expenditure which does not qualify for tax relief amounting to £3.1 million (2018: £5.4 million).

Reductions in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge and deferred tax liability accordingly.

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

13. DIVIDENDS

On 5 July 2018 the Directors declared and paid dividends of £29.06 per share, amounting to £150.0 million. (2018: £33.90 per share amounting to £175.0 million on 31 August 2017 and 12 October 2017, and £56.77 per share amounting to £293.0 million on 27 February 2018, totalling £643.0 million during the year). The Directors did not recommend the payment of a final dividend (2018: £nil).

14. SHARE BASED PAYMENTS

The Group has an LTIP for certain members of its Executive Management Board. During the year ended 31 March 2019 the LTIP related to equity instruments of Ivy Midco Limited. On 31 March 2015, the LTIP members' interest was transferred from Ivy Bidco Limited to Ivy Midco Limited.

The value of these equity instruments will be based on the internal rate of return ("IRR") achieved by the Group's controlling shareholder from acquisition to sale of their investment in the Group. Below a minimum IRR threshold, these equity instruments will have no value. Above a ceiling IRR, the value of these equity instruments are capped. These equity instruments will vest over a period of six or eight years, depending on the member.

The initial investment by participants at 1 October 2011 is at price equal to the estimated fair value, for taxation purposes, of the equity instrument at inception of the scheme. The equity instrument has been valued for accounting purposes applying a simplified binomial valuation methodology, using the output of a discounted cash flow model under a series of probability weighted scenarios as to the financial performance of the Group, including dividend cash flows, and the timing and level of any future sale. The Group recognised total expenses of £0.5 million related to equity-settled share-based payment transactions in the year ended 31 March 2019 (2018: expense of £0.5 million).

The participants in the scheme are party to a loan agreement with Gatwick Airport Limited, amounting to £2.8 million (2018: £2.8 million), the purpose of which enabled the participants to fund the original allotment of equity instruments of Ivy Bidco Limited under the LTIP agreement. The participants originally directed Gatwick Airport Limited to pay monies lent under the loan agreement directly to Ivy Bidco Limited for that purpose. The loan is interest free and repayable under the terms set out in the loan agreement. In particular, the loan has no fixed duration, but shall become repayable in full no later than two business days after the date on which the participant disposes of their equity instruments.

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

15. PROPERTY, PLANT AND EQUIPMENT

Cost	Terminal complexes £m	Airfield assets £m	Group occupied properties £m	Plant, equipment & other assets £m	Assets in the course of construction £m	Total £m
1 April 2017	1,426.6	499.8	125.3	432.6	184.9	2,669.2
Additions at cost	-	-	-	-	239.7	239.7
Interest capitalised	-	-	-	-	9.1	9.1
Transfers to completed assets	66.5	15.1	6.1	120.4	(237.7)	(29.6)
Disposals	(18.0)	(1.4)	(1.3)	(22.6)	-	(43.3)
31 March 2018	1,475.1	513.5	130.1	530.4	196.0	2,845.1
Additions at cost	-	-	-	-	249.3	249.3
Interest capitalised	-	-	-	-	9.7	9.7
Transfers to completed assets	53.1	30.0	9.5	70.2	(213.5)	(50.7)
Disposals	(5.9)	(1.3)	(0.1)	(3.6)	-	(10.9)
31 March 2019	**1,522.3**	**542.2**	**139.5**	**597.0**	**241.5**	**3,042.5**
Depreciation						
1 April 2017	(208.4)	(86.6)	(11.7)	(107.9)	-	(414.6)
Charge for the year	(78.6)	(30.2)	(6.0)	(45.2)	-	(160.0)
Disposals	10.8	0.7	1.1	22.0	-	34.6
31 March 2018	(276.2)	(116.1)	(16.6)	(131.1)	-	(540.0)
Charge for the year	(79.8)	(31.1)	(5.9)	(44.4)	-	(161.2)
Disposals	2.7	0.4	0.1	2.8	-	6.0
31 March 2019	**(353.3)**	**(146.8)**	**(22.4)**	**(172.7)**	**-**	**(695.2)**
Net book value						
31 March 2019	**1,169.0**	**395.4**	**117.1**	**424.3**	**241.5**	**2,347.3**
31 March 2018	1,198.9	397.4	113.5	399.3	196.0	2,305.1
1 April 2017	1,218.2	413.2	113.6	324.7	184.9	2,254.6

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

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation

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

Capitalised interest

Interest costs of £9.7 million (2018: £9.1 million) have been capitalised in the year at a capitalisation rate of 4.96% (2018: 5.39%) based on a weighted average cost of borrowings.

Leased assets

The Group had assets held under finance leases, capitalised and included in property plant and equipment as follows:

	31 March 2019 £m	31 March 2018 £m
Cost or valuation	**179.2**	174.5
Accumulated depreciation	**(14.8)**	(11.7)
Net book value	**164.4**	162.8

Total future minimum lease payments under finance leases are as follows:

	31 March 2019 Land and buildings £m	**31 March 2019 Other £m**	31 March 2018 Land and buildings £m	31 March 2018 Other £m
Within one year	**8.8**	**1.3**	8.7	1.0
Within two to five years	**30.3**	**5.5**	29.7	4.4
After five years	**103.3**	**-**	101.2	0.1
	142.4	**6.8**	139.6	5.5

Total minimum lease payments for land and buildings relate to electricity supply equipment at Gatwick leased on agreement with UK Power Networks Services Limited ("UKPNS"). The lease expires in 2083. The amounts disclosed are present value of the total estimated charges under the agreement including both the actual lease commitment and the significant maintenance element fee payable to UKPNS, as neither the Group nor UKPNS are able to split the base fee between a capital and maintenance charge.

Security

As part of the financing agreements outlined in note 23, the Group has granted security over its assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

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

16. INVESTMENT PROPERTIES

Valuation	Investment properties £m
1 April 2017	882.4
Transfers to completed assets (from Assets in the course of construction)	21.5
Reclass between categories	(1.6)
Revaluation gain	93.4
31 March 2018	995.7
Transfers to completed assets (from Assets in the course of construction)	27.4
Disposals	(1.4)
Revaluation gain	126.6
31 March 2019	**1,148.3**
Net book value	
31 March 2019	**1,148.3**
31 March 2018	995.7
1 April 2017	882.4

Valuation

Investment properties and land held for development were valued at open market value at 31 March 2019 by Jones Lang LaSalle Limited at £1,148.3 million (2018: £995.7 million valued by Deloitte LLP). These valuations were prepared in accordance with the Appraisal and Valuation Manual issued by The Royal Institution of Chartered Surveyors taking account, *inter alia,* of planning constraints and reflecting the demand for airport-related uses. As a result of the valuation, a gain of £126.6 million is recognised in the Income Statement (2018: £93.4 million).

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

The fair value measurement for all of the investment properties has been categorised as a level 2 fair value based on the inputs to the valuation technique used (refer to note 21). 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.

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

17. INTANGIBLE ASSETS

Cost	Other intangible assets	Goodwill	Total
	£m	£m	£m
1 April 2017	46.7	51.8	98.5
Transfers to completed assets (from Assets in the course of construction)	8.1	-	8.1
Disposals	(4.2)	-	(4.2)
31 March 2018	50.6	51.8	102.4
Transfers to completed assets (from Assets in the course of construction)	23.3	-	23.3
Disposals	(4.5)	-	(4.5)
31 March 2019	**69.4**	**51.8**	**121.2**
Amortisation			
1 April 2017	(36.9)	-	(36.9)
Charge for the year	(7.6)	-	(7.6)
Disposals	4.2	-	4.2
31 March 2018	(40.3)	-	(40.3)
Charge for the year	(8.8)	-	(8.8)
Disposals	4.5	-	4.5
31 March 2019	(44.6)	**-**	(44.6)
Net book value			
31 March 2019	**24.8**	**51.8**	**76.6**
31 March 2018	10.3	51.8	62.1
1 April 2017	9.8	51.8	61.6

Goodwill relates to the purchase consideration paid over the carrying values of the net assets of Gatwick Airport Limited acquired in December 2009. For the purposes of impairment testing, goodwill is allocated to the Airport as a single cash-generating unit. The estimated recoverable amount of the Airport has been determined from value-in-use calculations. Key assumptions for these calculations are those regarding discount rates, expected changes to passenger growth and revenue growth, EBITDA margin and the level of capital expenditure required to support trading. The rate used to discount forecast cash flows is Gatwick's WACC as assumed by the CAA in its regulatory settlement on a pre-tax real basis. Forecast growth of the Airport is considered to be substantially greater than the carrying amount of goodwill. No impairment is identified at 31 March 2019.

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

18. TRADE AND OTHER RECEIVABLES

	31 March 2019 £m	31 March 2018 £m
Trade receivables	**32.2**	26.7
Less: provision for impairment of trade receivables (refer to note 21)	**(3.4)**	(3.4)
Net trade receivables	**28.8**	23.3
Accrued interest receivable	**2.3**	1.4
Other receivables	**3.5**	5.8
Prepayments and accrued income [(a)]	**8.1**	11.5
	42.7	42.0

(a) Includes contract assets.

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

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

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

For further information about the Group's exposure to credit and market risks, and impairment losses for trade receivables refer to note 21.

19. CASH AND CASH EQUIVALENTS

	31 March 2019 £m	31 March 2018 £m
Cash at bank and in hand	**3.2**	10.4
Cash held in debt service reserve deposit	**-**	7.7
	3.2	18.1

As at 31 March 2019 the Group held no cash in a Liquidity Standby Account (2018: £7.7 million).

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

20. DERIVATIVE FINANCIAL LIABILITIES

	31 March 2019 Notional £m	**31 March 2019 Fair value £m**	31 March 2018 Notional £m	31 March 2018 Fair value £m
Variable rate to index-linked swaps	**40.0**	**33.3**	40.0	30.9
Fixed rate to index-linked swaps	**356.0**	**195.3**	356.0	177.2
	396.0	**228.6**	396.0	208.1

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

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

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

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

The Group has recognised a total cumulative gain of £32.4 million at 31 March 2019 (2018: 23.9 million) to reflect the credit risk on the Group's external swap position.

21. 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. The Board of Directors approves prudent treasury policies for managing each of the risks which are summarised below:

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

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk

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

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a mix of fixed to floating rate debt within Board approved parameters such that a minimum of 75% of existing and forecast debt is at a fixed rate. To manage this mix, the Group enters into interest rate swaps. These swaps may be designated to hedge underlying debt obligations. The Group also uses floating rate interest bearing financial assets as a natural hedge of the exposure to fair value interest rate risk.

As at 31 March 2019, the Group's fixed: floating interest rate profile, after hedging, on gross debt was 97:3 (2018: 100:0).

As at 31 March 2019, each 0.5% change in interest rates would have resulted in the following gain/(loss) to pre-tax profit and equity, due to movement in the finance income, finance cost and mark-to-market valuation of derivatives:

	31 March 2019 Income statement impact £m	**31 March 2019 Equity impact £m**	31 March 2018 Income statement impact £m	31 March 2018 Equity impact £m
0.5% increase in interest rates	**2.7**	**-**	3.1	-
0.5% decrease in interest rates	**(2.7)**	**-**	(3.1)	-
0.5% increase in inflation indices	**(59.6)**	**-**	(64.3)	-
0.5% decrease in inflation indices	**56.0**	**-**	59.8	-

Credit risk

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

a) Trade receivables

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

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

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

a) Trade receivables (continued)

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

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

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

The Group has recognised a provision based on current external factors of £3.4 million for the year ended 31 March 2019 (2018: £3.4 million).

Movements in impairment allowance for trade receivables are as follows:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
At 1 April	**3.4**	3.3
Increase during the year	**1.0**	1.9
Receivable written off as uncollectible	**(0.3)**	(0.1)
Reversal of amounts previously impaired	**(0.7)**	(1.7)
As at 31 March	**3.4**	3.4

Credit risk exposure

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

	Year ended 31 March 2019 %	Year ended 31 March 2018 %
Airport and other traffic charges	**-**	0.1
Retail	**0.1**	-
Car park	**-**	0.1
Property [(a)]	**0.2**	-
Other [(a)]	**0.3**	-

(a) Nil for the year ended 31 March 2018 due to reversal of amounts previously impaired.

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

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

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

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

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

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

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

b) Cash and Cash equivalents

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

c) Debt securities

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

As at 31 March 2019, the Group had no credit risk exposure with derivative counterparties of its interest rate swaps and index-linked swaps due to a liability position on the mark to market (2018: nil).

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

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

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

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

Financial instruments by category

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

Amortised cost	**31 March 2019 £m**	31 March 2018 £m
Finance lease receivables	**16.9**	16.9
Trade receivables	**28.8**	23.3
Other receivables	**3.5**	5.8
Cash and cash equivalents	**3.2**	18.1
Total financial assets	**52.4**	64.1

Total future minimum lease receivables under finance leases are as follows:

	31 March 2019 £m	31 March 2018 £m
Less than one year	**0.9**	0.9
Between one and five years	**3.6**	3.6
More than five years	**78.0**	78.9
	82.5	83.4

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

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Capital risk management

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

	31 March 2019	**31 March 2019**	31 March 2018	31 March 2018
	Other financial liabilities at amortised cost £m	**Liabilities at fair value through income statement £m**	Other financial liabilities at amortised cost £m	Liabilities at fair value through income statement £m
Borrowings	**2,580.4**	**-**	2,479.9	-
Derivative financial liabilities	**-**	**228.6**	-	208.1
Finance lease liabilities	**51.3**	**-**	47.9	-
Trade payables	**12.7**	**-**	14.6	-
Other payables	**4.4**	**-**	4.2	-
Capital creditors	**58.9**	**-**	69.7	-
Other non-current liabilities	**675.0**	**-**	600.8	-
Total financial liabilities	**3,382.7**	**228.6**	3,217.1	208.1

Changes in the fair value of derivative financial instruments are recognised immediately in the Income Statement, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9.

The Group has recognised £20.5 million loss (2018: £4.3 million gain) in financial derivatives through the income statement for the year ended 31 March 2019.

At 31 March 2019, 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.

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

21. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Capital risk management (continued)

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and net settled derivative financial instruments as at 31 March 2019 to the contract maturity date.

	Less than one year £m	**One to two years £m**	**Two to five years £m**	**Greater than five years £m**
31 March 2019				
Class A Bonds – Principal payments	**-**	**-**	**300.0**	**2,200.0**
Class A Bonds – Interest payments	**115.6**	**115.6**	**346.9**	**1,344.5**
Derivative financial instruments	**30.2**	**24.5**	**(19.0)**	**205.9**
	145.8	**140.1**	**627.9**	**3,750.4**
31 March 2018				
Class A Bonds – Principal payments	-	-	-	2,500.0
Class A Bonds – Interest payments	115.6	115.6	346.9	1,460.1
Derivative financial instruments	(7.8)	30.0	11.7	219.2
	107.8	145.6	358.6	4,179.3

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

	31 March 2019 Book value £m	**31 March 2019 Fair value £m**
Fair value of borrowings		
Class A Bonds	**2,580.4**	**2,964.9**

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

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

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

The fair value of the Group's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 31 March 2019, 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 (31 March 2018: Level 2 except for Bonds which are valued at Level 1).

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

22. DEFERRED TAX

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

	Losses £m	Fixed assets £m	Retirement benefit obligations £m	Short term timing differences £m	Total £m
1 April 2017	36.0	(288.3)	8.4	(3.4)	(247.3)
Adjustment in respect of prior years	2.9	0.7	-	0.2	3.8
(Charge)/credit to income	(10.8)	(8.5)	(1.7)	(0.3)	(21.3)
Charge to equity	-	-	0.5	-	0.5
31 March 2018	28.1	(296.1)	7.2	(3.5)	(264.3)
Adjustment in respect of prior years	0.8	(2.0)	(0.6)	0.6	(1.2)
(Charge)/credit to income	(14.9)	(20.2)	(2.4)	0.4	(37.1)
Credit to equity	-	-	2.3	-	2.3
31 March 2019	**14.0**	**(318.3)**	**6.5**	**(2.5)**	**(300.3)**

23. BORROWINGS

	31 March 2019 £m	31 March 2018 £m
Fixed rate borrowings	**2,462.5**	2,460.4
Authorised Credit Facility–Revolving Facility [(a)]	**117.9**	19.5
	2,580.4	2,479.9
Maturity Profile:		
Repayable between 1 and 2 years	**-**	19.5
Repayable between 2 and 5 years	**416.2**	-
Repayable in more than 5 years	**2,164.2**	2,460.4
	2,580.4	2,479.9

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

All the above borrowings are secured and carried at amortised cost. The Group's borrowings also include interest bearing amounts in the form of Capital Securities issued to Ivy Guernsey Holdings, LP (refer to note 25).

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

23. BORROWINGS (continued)

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.

The ACF Agreement entered into on 21 June 2018 has a Revolving Credit Facility of £300.0 million and a tenor of five years (with two, one year extension options) giving a termination date of 21 June 2023 (and extension options to 21 June 2024 and 21 June 2025 respectively). There are £120.0 million drawings outstanding on the Revolving Credit Facility at 31 March 2019 (31 March 2018: £20.0 million).

The Group's subsidiary, Gatwick Funding Limited has issued £2,500.0 million of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 March 2019 £m**	As at 31 March 2018 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	**300.0**	300.0	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	**300.0**	300.0	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	**350.0**	350.0	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	**300.0**	300.0	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	**350.0**	350.0	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	**300.0**	300.0	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	**300.0**	300.0	Ivy Holdco Limited
				2,500.0	2,500.0	

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

At 31 March 2019, the average interest rate payable on borrowings was 4.71% (31 March 2018: 4.89% p.a.).

At 31 March 2019, the Group had £180.0 million (2018: £280.0 million) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

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

23. BORROWINGS (continued)

Financial covenants

Under the CTA, the Group is required to comply with certain financial and information covenants. All financial covenants have been tested and complied with as at 31 March 2019 (2018: all covenants tested and complied with).

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

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

24. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

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

The total cost charged to the Income Statement of £9.2 million (2018: £8.9 million) represents contributions payable to this scheme by the Group at rates specified in the rules of the plans. As at 31 March 2019, £0.8 million of contributions (2018: £0.7 million) due in respect of the current reporting period remain unpaid to the scheme.

Defined benefit pension plan

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

The results of the formal actuarial valuation as at 30 September 2016 were updated to 31 March 2019 by an independent qualified actuary in accordance with IAS 19.

The estimated amount of total employer contributions expected to be paid to the plan during the year ending 31 March 2020 is £15.2 million (actual for year ended 2019: £15.4 million).

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

		31 March 2019 %	31 March 2018 %
Rate of increase in salaries	– to 31 March 2019	**1.5**	1.5
	– from 31 March 2019	**1.5**	1.5
	– thereafter	**1.5**	1.5
Rate of increase in pensions in payment (RPI)		**3.3**	3.2
Rate of increase in pensions in payment (5% LPI)		**3.1**	3.1
Discount rate		**2.6**	2.7
Retail Prices Index inflation		**3.3**	3.2
Consumer Prices Index inflation		**2.2**	2.1

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

24. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

The mortality assumptions used were as follows:

	31 March 2019 Years	31 March 2018 Years
Life expectancy of male aged 60 at the Statement of Financial Position date	**26.3**	26.8
Life expectancy of male aged 60 in 20 years' time	**27.8**	28.4

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

Assumptions	Change in assumption	Impact on plan liabilities at 31 March 2019 £m
Discount rate	+0.5%	(51.4)
	-0.5%	59.7
Life expectancy	+ 1 year	15.8
	- 1 year	(15.2)

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

	31 March 2019 £m	31 March 2018 £m
Present value of plan liabilities	**(495.9)**	(465.8)
Fair value of plan assets	**458.3**	427.9
Deficit	**(37.6)**	(37.9)

Reconciliation of present value of plan liabilities

	31 March 2019 £m	31 March 2018 £m
Opening present value of plan liabilities	**(465.8)**	(477.0)
Current service cost	**(0.2)**	(0.3)
Interest cost	**(12.6)**	(13.3)
GMP equalisation allowance	**(0.5)**	-
Contributions from plan members [(a)]	**(0.2)**	(0.2)
Benefits paid	**10.6**	22.9
Actuarial (loss)/gain	**(27.2)**	2.1
Closing present value of plan liabilities	**(495.9)**	(465.8)

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

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

24. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Reconciliation of fair value of plan assets

	31 March 2019 £m	31 March 2018 £m
Opening fair value of plan assets	**427.9**	432.2
Interest on plan assets	**11.8**	12.1
Actuarial gain/(loss)	**13.6**	(4.9)
Benefits paid	**(10.6)**	(22.9)
Admin expenses	**-**	(0.6)
Contributions paid by employer	**15.4**	11.8
Contributions paid by members	**0.2**	0.2
Closing fair value of plan assets	**458.3**	427.9

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

	31 March 2019	31 March 2018
Equities	**26%**	28%
Private credit	**4%**	3%
Diversified growth funds - emerging market multi-asset funds	**9%**	10%
Diversified growth funds	**30%**	32%
Liability driven investment	**30%**	26%
Cash/other	**1%**	1%
	100%	100%

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

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

The amounts recognised in the income statement are as follows:

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Admin expenses	**-**	(0.6)
GMP equalisation allowance	**(0.5)**	-
Employer's part of current service cost	**(0.2)**	(0.3)
Net interest charge	**(0.8)**	(1.2)
	(1.5)	(2.1)

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

24. RETIREMENT BENEFIT OBLIGATIONS (continued)

Defined benefit pension plan (continued)

Actuarial gains and losses

The amount recognised in other comprehensive income are as follows:

	31 March 2019 £m	31 March 2018 £m
Changes in financial assumptions	**(34.5)**	(7.2)
Changes in demographic assumptions	**8.8**	1.6
Experience adjustments on benefit obligations	**(1.6)**	7.7
Return on plan assets less interest on plan assets	**13.7**	(4.9)
Loss recognised in comprehensive income	**(13.6)**	(2.8)

Amounts for current year and prior years

	31 March 2019 £m	31 March 2018 £m	31 March 2017 £m	31 March 2016 £m	31 March 2015 £m
Present value of plan liabilities	**(495.9)**	(465.8)	(477.0)	(396.0)	(390.8)
Fair value of plan assets	**458.3**	427.9	432.2	350.8	350.1
Deficit	**(37.6)**	(37.9)	(44.8)	(45.2)	(40.7)

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

25. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities relate to amounts due to group undertakings. The following amounts represent interest bearing amounts in the form of Capital Securities issued to Ivy Guernsey Holdings, LP.

	31 March 2019 £m	31 March 2018 £m
Other non-current liabilities [(a)]	**675.0**	600.8

(a) Interest payable at 12 per cent on the fixed Rate Unsecured Capital Securities.

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

26. TRADE AND OTHER PAYABLES

	31 March 2019 £m	31 March 2018 £m
Trade payables	**12.7**	14.6
Accruals	**29.8**	30.6
Capital payables	**58.9**	69.7
Amounts owed to group undertakings – interest free	**0.1**	0.1
Accrued financing charges	**-**	0.3
Accrued interest payable	**21.1**	20.6
Other payables	**4.4**	4.2
Corporation tax payable	**7.0**	5.8
	134.0	145.9

27. SHARE CAPITAL

	31 March 2019 £m	31 March 2018 £m
Called up share capital		
5,150,000 (2018: 5,150,000) Ordinary shares of £1.00 each	**5.2**	5.2
11,520 (2018: 11,520) 'Ordinary A' shares of £1.00 each	**-**	-
Share premium		
'Ordinary A' share premium	**2.8**	2.8
	8.0	8.0

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

28. RECONCILIATION IN NET DEBT

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

	As at 1 April 2018 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 March 2019 £m**
Cash and cash equivalents	**18.1**	**(14.9)**	**-**	**3.2**
Derivative financial liabilities	**(208.1)**	**-**	**(20.5)**	**(228.6)**
Borrowings	**(2,479.9)**	**(97.6)**	**(2.9)**	**(2,580.4)**
	(2,669.9)	**(112.5)**	**(23.4)**	**(2,805.8)**

	As at 1 April 2017 £m	Cash flow £m	Other non-cash changes £m	As at 31 March 2018 £m
Cash and cash equivalents	3.6	14.5	-	18.1
Derivative financial liabilities	(212.4)	-	4.3	(208.1)
Borrowings	(1,867.8)	(610.1)	(2.0)	(2,479.9)
	(2,076.6)	(595.6)	2.3	(2,669.9)

29. RELATED PARTY TRANSACTIONS

During the year the Group had the following transactions with related parties as follows:

	Interest payable with related party		Amounts owed to related party	
	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m	**As at 31 March 2019 £m**	As at 31 March 2018 £m
Ivy Topco Limited	**-**	-	**(0.1)**	(0.1)
Ivy Guernsey Holdings, LP.	**(74.3)**	(66.1)	**(675.0)**	(600.8)
	(74.3)	(66.1)	**(675.1)**	(600.9)

Ivy Topco Limited and Ivy Guernsey Holdings, LP. are the Company's parent entities (refer to note 32).

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

30. COMMITMENTS

Capital commitments

Contracted commitments for capital expenditure amount to £90.1 million (2018: £93.8 million).

Commitments under operating leases

At 31 March 2019, the Group has commitments under non-cancellable operating leases which are payable as follows:

	Land & Buildings 31 March 2019 £m	**Other leases 31 March 2019 £m**	Land & Buildings 31 March 2018 £m	Other leases 31 March 2018 £m
Within one year	**1.4**	**-**	1.5	-
Within two to five years	**5.2**	**-**	5.8	-
After five years	**2.8**	**-**	3.8	-
	9.4	**-**	11.1	-

Other commitments

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

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

31. CLAIMS AND CONTINGENT LIABILTIES

As part of the refinancing agreements outlined in note 23, the Group have granted security over their assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

Other than the above, 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 31 March 2019 (2018: nil).

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

32. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 March 2019 the Group's ultimate parent is Ivy Guernsey Holdings, L.P., a limited partnership registered in Guernsey.

The Group's parent is Ivy Topco Limited, a company incorporated in the Cayman Islands.

The consortium that ultimately own and control the Company and Group are Global Infrastructure Partners, LP (41.95%), the Abu Dhabi Investment Authority (15.90%), the California Public Employees' Retirement System (12.78%), National Pension Service of Korea (12.14%), and Future Fund Board of Guardians (17.23%). The results of the Group are included in the audited financial statements of Ivy Midco Limited for the year ended 31 March 2019, the largest group to consolidate these financial statements for the year.

33. SUBSEQUENT EVENTS

Global Infrastructure Partners, LP ("GIP 1"), together with its four co-shareholders (Abu Dhabi Investment Authority, National Pension Service of the Republic of Korea, California Public Employees' Retirement System and the Future Fund) (collectively, the "Existing Gatwick Shareholders"), on 13 May 2019 completed the sale of a 50.01% interest in GAL to CRUISER Bidco Limited (a wholly owned subsidiary of VINCI SA) (a company incorporated in France) for a total equity consideration of approximately £2.9 billion (the "VINCI Transaction").

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

Following the completion of the sale to VINCI the Company's 'Ordinary A' were cancelled.

34. TRANSITION TO NEW ACCOUNTING STANDARDS

During the year the Group adopted two new accounting standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

Impact of IFRS 9 Financial Instruments

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

Impact of IFRS 15 Revenue from Contracts with Customers

There are a number of airline contracts in place with discounts which vary by season (summer/winter). Under IAS 18 the Group would recognise the discount associated with each contract by pro-rating the discount in line with passenger volumes across the year. In accordance with IFRS 15, the Group now recognises the discount over the period during which it is earned. Discounts are typically focussed on the winter season and the application of IFRS 15 results in a lower discount being recognised during the first six months of the financial year.

The impact of the timing of airline discounts for the year ended 31 March 2018 is nil.

The adoption of IFRS 15 had no impact to the equity and total comprehensive income previously reported at 31 March 2018.

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	31 March 2019 £m	31 March 2018 £m
Assets			
Non-current assets			
Investment in subsidiaries	7	**683.1**	683.1
		683.1	683.1
Current assets			
Cash and cash equivalents		**0.6**	0.6
		0.6	0.6
Total assets		**683.7**	683.7
Liabilities			
Non-current liabilities			
Other non-current liabilities	9	**(675.2)**	(601.0)
Current liabilities			
Trade and other payables		**(0.6)**	(0.5)
Total liabilities		**(675.8)**	(601.5)
Net assets		**7.9**	82.2
Equity			
Share capital	10	**5.2**	5.2
Share premium	10	**2.8**	2.8
Retained earnings		**(0.1)**	74.2
Total equity		**7.9**	82.2

The notes on pages 95 to 101 form an integral part of these parent company financial statements.

These parent company financial statements were approved by the Board of Directors on 17 June 2019 and were signed on its behalf by:

William Woodburn
Director

Michael McGhee
Director

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

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 April 2017		5.2	2.8	140.4	148.4
Profit for the year		-	-	576.8	576.8
Dividends	6	-	-	(643.0)	(643.0)
Balance at 31 March 2018		5.2	2.8	74.2	82.2
Profit for the year		-	-	75.7	75.7
Dividends	6	-	-	(150.0)	(150.0)
Balance at 31 March 2019		**5.2**	**2.8**	**(0.1)**	**7.9**

The notes on pages 95 to 101 form an integral part of these financial statements.

COMPANY CASH FLOW STATEMENT
For the year ended 31 March 2019

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Cash flows from operating activities		
Profit/(loss) before tax	**75.7**	576.8
Adjustments for:		
Finance expense	**74.2**	66.1
Increase in trade and other payables	**0.1**	0.1
Net cash from operating activities	**150.0**	643.0
Cash flows from financing activities		
Equity dividends paid	**(150.0)**	(643.0)
Net cash from financing activities	**(150.0)**	(643.0)
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at the beginning of the year	**0.6**	0.6
Cash and cash equivalents at the end of the year	**0.6**	0.6

The notes on pages 95 to 101 form an integral part of these financial statements.

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

1. BASIS OF PREPARATION

These financial statements are the financial statements of Ivy Midco Limited ("the Company") for the year ended 31 March 2019. The comparative period is the year ended 31 March 2018. They have been prepared applying the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the EU 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 IFRS as adopted by the EU and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

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

As at 31 March 2019 the Company had net assets of £7.9 million (2018: £82.2 million). Having made enquiries of management, and taking into account the net asset position of the Company, the Directors have a reasonable expectation that the Company will continue as a going concern, and the financial statements have been prepared on that basis.

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

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

During the year, the Company adopted the new IFRS 9 standard.

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

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

The Company's financial assets consist of cash and cash equivalents

These financial assets will continue to be measured at amortised cost as they meet the criteria for classification at amortised cost under IFRS 9.

The Company's financial liabilities consist of:

- Borrowings
- Trade and other payables

All financial liabilities will continue to be measured at amortised cost as they meet the condition for classification at amortised cost under IFRS 9. The derecognition rules have been carried forward from IAS 39 and have not changed under IFRS 9.

There is no impact on the Company' financial position or financial performance from the application of IFRS 9.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in subsidiaries

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

(b) Receivables

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

(c) Current and deferred taxation

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

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

Deferred tax is provided on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred taxation is determined using the tax rates and laws that have been enacted, or substantively enacted, by the financial position date and are expected to apply in the periods in which the temporary differences are expected to reverse.

(d) Financial instruments

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

(e) Share Capital

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

(f) Cash

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Taxation

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

(b) Investments in subsidiaries

Management regularly assesses the performance of the subsidiaries of the Company and takes into account forecast future cash flows and activities. Management believe that the carrying value of the investments are supported by their future trade.

5. COMPANY RESULT FOR THE YEAR

The profit for the year ended 31 March 2019 was £75.7 million (2018: £576.8 million). As permitted by Section 408 of the Companies Act 2006, no separate income statement is presented in respect of the Company.

Operating costs

Operating costs include audit fees of £5,000 (2018: £5,000).

Employee information

The Company had no employees during the period. All staff costs are borne by Gatwick Airport Limited, the Company's subsidiary. No directors of the Company were remunerated during the year for services to the Company.

6. DIVIDENDS

On 5 July 2018 the Directors declared and paid dividends of £29.06 per share, amounting to £150.0 million. (2018: £33.90 per share amounting to £175.0 million on 31 August 2017 and 12 October 2017, and £56.77 per share amounting to £293.0 million on 27 February 2018, totalling £643.0 million during the year). The Directors did not recommend the payment of a final dividend (2018: £nil).

On 5 July 2018 the Company received dividends of £150.0 million from its wholly-owned subsidiary, Ivy Holdco Limited. (2018: £175.0 million on 31 August 2017 and 12 October 2017, and £293.0 million on 27 February 2018, totaling £643.0 million).

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

7. INVESTMENT IN SUBSIDIARIES

	31 March 2019 £m	31 March 2018 £m
Investment in subsidiaries	**683.1**	683.1

The Company has investments in the following subsidiary undertakings:

Subsidiary Undertakings	Principal Activity	Holding	%
Ivy Holdco Limited	Holding company	Ordinary Shares	100%
Gatwick Airport Limited†	Airport owner and operator	Ordinary Shares	100%
Gatwick Funding Limited†	Financing company	Ordinary Shares	100%
Ivy Bidco Limited†	Property company	Ordinary Shares	100%
Gatwick Airport Pension Trustees Limited†	Dormant company	Ordinary Shares	100%
Ivy Property Holdings Limited	Dormant company	Ordinary Shares	100%

† Held by a subsidiary undertaking

All subsidiaries (except for Gatwick Funding Limited ("GFL")) are incorporated and operate in England, United Kingdom. Ivy Holdco Limited, Gatwick Airport Limited, Ivy Bidco Limited and Ivy Property Holdings Limited have registered office 5th Floor, 6 St Andrew Street, London, EC4A 3AE. Gatwick Airport Pension Trustees Limited has registered office 5th Floor Destinations Place, Gatwick Airport, West Sussex, RH6 0NP. GFL is incorporated in Jersey and has registered office 44 Esplanade, St Helier, Jersey, JE4 9WG.

8. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 31 March 2015 the Company acquired investment in Ivy Holdco Limited for £599,777,305. Following distribution of the assets of the Company's subsidiary, Ivy Bidco Limited, the Company impaired its investment in Ivy Bidco Limited by £148,237,380. At the same time, the Company sold 100% of the issued share capital of Ivy Bidco Limited to Ivy Holdco Limited in exchange for 7,779,360 ordinary shares in Ivy Holdco Limited issued at £1 per share.

The cost of the Company's investments in Ivy Bidco Limited reflected the underlying fair value of its net assets at the time of acquisition. As a result of the transfer, the value of the Company's investment in this company fell below the amount at which it was stated in the Company's accounting records. Schedule 1 to the Companies Act 2006, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2009 (SI 2009 No. 401) requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's Income Statement. However, the directors consider that, as there has been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's Income Statement for the year and it should instead be re-allocated to its cost investment in Ivy Holdco Limited. The effect of this departure was to increase the Company's profit for the financial year ended 31 March 2015 by nil. The value of the Company's investment in subsidiary undertakings for the year ended 31 March 2015 had increased by £73,183,160 in the Company's Statement of Financial Position due to the effect of the transfer of trade and assets from one subsidiary of the Company during the current and prior periods.

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

9. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities relate to amounts due to group undertakings. The following amounts represent interest bearing amounts in the form of Capital Securities issued by the Company.

	31 March 2019 £m	31 March 2018 £m
Other non-current liabilities [(a)]	**675.2**	601.0

(a) Interest payable at 12 per cent on the fixed Rate Unsecured Capital Securities.

10. CALLED UP SHARE CAPITAL

	31 March 2019 £m	31 March 2018 £m
Called up share capital		
5,150,000 (2018: 5,150,000) ordinary shares of £1.00 each	**5.2**	5.2
11,520 (2018: 11,520) 'Ordinary A' shares of £1.00 each	**-**	-
Share premium		
'Ordinary A' share premium	**2.8**	2.8
	8.0	8.0

11. CLAIMS AND CONTINGENT LIABILITIES

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

Other than the above, the Company has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 31 March 2019.

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

12. RECONCILIATION IN NET DEBT

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

	As at 1 April 2018 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 March 2019 £m**
Cash and cash equivalents	**0.6**	**-**	**-**	**0.6**
Borrowings	**-**	**-**	**-**	**-**
	0.6	**-**	**-**	**0.6**

	As at 1 April 2017 £m	Cash flow £m	Other non-cash changes £m	As at 31 March 2018 £m
Cash and cash equivalents	0.6	-	-	0.6
Borrowings	-	-	-	-
	0.6	-	-	0.6

13. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 March 2019 the Company's ultimate parent is Ivy Guernsey Holdings, L.P., a limited partnership registered in Guernsey.

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

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

14. RELATED PARTY TRANSACTIONS

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

	Interest payable with related party		Amounts owed to related party	
	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m	**As at 31 March 2019 £m**	As at 31 March 2018 £m
Gatwick Airport Limited	**-**	-	**(0.7)**	(0.6)
Ivy Topco Limited	**-**	-	**(0.1)**	(0.1)
Ivy Guernsey Holdings, LP.	**(74.3)**	(66.1)	**(675.0)**	(600.8)
	(74.3)	(66.1)	**(675.8)**	(601.5)

Gatwick Airport Limited is a subsidiary of the Company (refer to note 7). Ivy Topco Limited and Ivy Guernsey Holdings, LP. are both parent companies of the Company (refer to note 13).

15. TRANSITION TO NEW ACCOUNTING STANDARDS

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

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

16. SUBSEQUENT EVENTS

Global Infrastructure Partners, LP (“GIP 1”), together with its four co-shareholders (Abu Dhabi Investment Authority, National Pension Service of the Republic of Korea, California Public Employees’ Retirement System and the Future Fund) (collectively, the “Existing Gatwick Shareholders”), on 13 May 2019 completed the sale of a 50.01% interest in GAL to CRUISER Bidco Limited (a wholly owned subsidiary of VINCI SA) (a company incorporated in France) for a total equity consideration of approximately £2.9 billion (the “VINCI Transaction”).

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

Following the completion of the sale to VINCI the Company’s ‘Ordinary A’ were cancelled.

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31 March 2019

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31 December 2019 and
the year ended 31 December 2020

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