GATWICK FUNDING LIMITED

Annual Report and Financial Statements
for the year ended 31 December 2022

Company Registration Number: 107376 (Jersey)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2022

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Michael McGhee
William Woodburn
Helena Whitaker
Cliff Pearce
Lucy Chadwick

SECRETARY

Intertrust Offshore Limited

REGISTERED OFFICE

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Jersey
JE4 9WG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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London
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BANKER

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for Gatwick Funding Limited ("the Company" or "Issuer") for the year ended 31 December 2022.

As at 31 December 2022, the Company's indirect parent, Ivy Holdco Limited ("IHL"), has four wholly-owned subsidiaries: Gatwick Airport Limited ("Gatwick", "GAL", "the Airport"), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively "the Group" or "the Ivy Holdco Group".

PRINCIPAL ACTIVITIES

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

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

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

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

The Company has a share capital of £2.00 (2021: £2.00) comprising two ordinary shares at £1.00 per share. None of the Directors hold any interests in the share capital of the Company.

BOND ISSUANCES

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

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

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

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

No new class A Bonds were issued during the year ended 31 December 2022. During the year ended 31 December 2021 the Group issued £300.0 million of new Class A bonds (scheduled maturity 2030).

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

Gatwick Funding Limited has issued £2,637.4 million (2021: £3,100 million) of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2022 £m**	As at 31 December 2021 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	**150.0**	300.0	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.5 per cent.	2030	2032	15 Apr 2021	**300.0**	300.0	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	**350.0**	350.0	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	**300.0**	300.0	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	**350.0**	350.0	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	**180.1**	300.0	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	**203.3**	300.0	IHL
Class A 2.875 per cent.	2049	2051	5 July 2019	**204.0**	300.0	GAL
				2,637.4	3,100.0	

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

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

FINANCIAL INSTRUMENTS

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

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

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

REVIEW FOR THE YEAR

Results

For the year ended 31 December 2022 the Company made a profit after taxation of £2,430 (2021: £2,430). The results for the year are set out in the Income Statement.

Going Concern

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

FUTURE DEVELOPMENTS

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

KEY PERFORMANCE INDICATORS

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

RISK MANAGEMENT

The Company actively manages all identified corporate risks. Details of the risk management policies of Gatwick Airport Limited, the Company's parent, are detailed in the financial statements of Ivy Holdco Limited for the year ended 31 December 2022.

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

Financial Risk Management

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

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

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

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

(a) Cash Flow Interest Rate Risk

The Ivy Holdco Group maintains a mix of fixed and floating rate debt. As at 31 December 2022, fixed rate debt after hedging with derivatives represented 88.5% (2021: 83.9%) of the Ivy Holdco Group's total external nominal debt.

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

(b) Funding and Liquidity Risk

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

The Group had net cash outflows from operations of £520.5 million for the year ended 31 December 2022 (2021: £34.0 million outflow). As at 31 December 2022, cash at bank was £34.0 million (2021: £558.0 million), undrawn headroom under bank revolving facilities was £240.0 million (2021: £nil million) and undrawn headroom under the liquidity facility was £150.0 million (2021: £150.0 million).

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

(c) Credit Risk

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

IMPACT OF COVID-19

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

From March 2020, a number of steps were taken to reduce cash outgoings and to reposition the business for the mid-term, including reducing operating expenditure and minimising our Capital Investment Programme, with only operationally critical projects or those near completion continuing.

In addition to the actions to reduce cash outgoings, we took steps to increase the availability of cash and committed funding. During 2020 and 2021 we were granted covenant waivers and an amendment of certain terms under the financing documents from Qualifying Borrower Secured Creditors.

In the 12 months to 31 December 2022, passenger numbers increased by over 420%, from 6.3 million in 2021 to 32.8 million, reaching over 70% of 2019 levels. This extraordinary bounce back was a result of three key factors: the lifting of government restrictions on travel, strong demand from passengers, and airlines putting significant capacity back into the market.

CORPORATE GOVERNANCE

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

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

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

EMPLOYEES

The Company has no employees (2021: nil). All employees of the Ivy Holdco Group are employed by Gatwick Airport Limited. Details of the employee policies of Gatwick Airport Limited are included in the financial statements of Ivy Holdco Limited for the year ended 31 December 2022.

DIVIDENDS

No dividends were declared or paid during the year (2021: £nil).

BOARD OF DIRECTORS

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

Michael McGhee
William Woodburn
Helena Whitaker
Cliff Pearce
Lucy Chadwick (appointed 29 June 2022)
Philip Iley (resigned 29 June 2022)

DIRECTORS' INDEMNITY

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

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' confirmations

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

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

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

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

On behalf of the Board

Helena Whitaker
Director
14 March 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GATWICK FUNDING LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Gatwick Funding Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the audit, risk and finance committee.

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 company 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- As the Company is a single entity and not a group with branches or subsidiaries, scoping was done to perform a full scope audit over the entity, having due regard to materiality.

Key audit matters

- Valuation of derivatives

Materiality

- Overall materiality: £31.0m (2021: £31.0m) based on 1% of total assets.
- Performance materiality: £23.3m (2021: £23.3m).

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.

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.

This is not a complete list of all risks identified by our audit.

Covid-19, which was a key audit matter last year, is no longer included because of the reducing impact of Covid-19 on global air travel. Following the removal of travel restrictions Gatwick Airport Finance Plc and its subsidiaries' (Group's) trading activity (and therefore the ability of the Group to generate profits and cash) has recovered to a level that has significantly reduced the inherent level of risk and judgement surrounding this area in respect of the wider Group, and therefore, given the reliance of the company on the Group, Covid-19 is no longer a Key Audit Matter for the company. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of derivatives The Company's derivative portfolio includes variable rate to index-linked, fixed rate to index-linked swaps and fixed rate to floating-linked swaps, valued at £367.2 million at 31 December 2022. The nature of the valuation is subjective and sensitive to small changes in inputs, particularly as it relates to RPI, SONIA and the Company's estimate of its own credit risk.	We have understood the design and implementation of controls with respect to derivatives. We have confirmed the existence of the derivative transactions with the counterparties. We have challenged and assessed management's valuation methodology, engaging specialists to independently revalue the swaps based on original swap agreements. Our valuation specialists have also evaluated management's estimate of the Company's own credit risk. No material exceptions were identified in our testing.

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 company, the accounting processes and controls, and the industry in which it operates.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

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:

Overall company materiality	£31.0m (2021: £31.0m).
How we determined it	1% of total assets
Rationale for benchmark applied	Due to the breakeven nature of operations, and the fact that the operations are fully supported by the parent, Gatwick Airport Limited, total assets was deemed to be the most appropriate measure of 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% (2021: 75%) of overall materiality, amounting to £23.3m (2021: £23.3m) 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 the audit, risk and finance committee that we would report to them misstatements identified during our audit above £0.5 m (2021: £0.5 m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Performing a risk assessment based on our understanding of the business, enquiries of the Board and Group Audit, Risk and Finance Committee, and the wider Group's going concern assessment performed by management
- Agreeing the underlying cash flow projections of the Group to Board approved forecasts, understanding how these forecasts are compiled and assessing the accuracy of management's historic forecasts
- Evaluating the appropriateness of management's cash flow models including assessing the integrity of the model, its mathematical accuracy and the reasonableness of other key assumptions such as over passenger number forecasts, cash costs and working capital movements
- Assessing whether the stress testing and downside scenarios performed by management appropriately considered the principal risks facing the business, and were adequate
- Evaluating the Group's liquidity and available funding for a period of at least a year from the date of approval of these financial statements
- Considering the existence of covenants with respect to external debt arrangements and reviewing management's assessment of forecast compliance, in particular as at the next measurement dates of 30 June 2023 and 31 December 2023
- Evaluating the performance of the business in the period through to the date of the approval of the financial statements
- Reviewing the directors' conclusions and disclosures of the matter as set out in note 1 to the financial statements.
- Note 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. As such our going concern assessment has focussed on the Group's position.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

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 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.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2022 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies (Jersey) Law 1991, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to reduce reported expenditure, and application of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Making enquires of the Directors, the Groups' General Counsel, internal audit and the Audit, Risk and Finance Committee to identify any instances of non-compliance with laws and regulations, including consideration of known or suspected instances of fraud
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness and evaluating the business rationale of significant transactions outside the normal course of business. In particular, testing any journal entries posted with unusual account combinations
- Challenging and testing assumptions and judgements made by management in respect of their significant accounting estimates (because of the risk of management bias)
- Reviewing relevant meeting minutes, including those of the Board of Directors
- Reviewing the Group's litigation register as far as it related to non-compliance with laws and regulations and fraud; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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.

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. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

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 Article 113A of the Companies (Jersey) Law 1991 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 (Jersey) Law 1991 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the members on 24 June 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2019 to 31 December 2022.

Andrew Latham

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants

London

14 March 2023

INCOME STATEMENT
For the year ended 31 December 2022

	Note	**Year ended 31 December 2022 £m**	Year ended 31 December 2021 £m
Operating costs	4	**(0.4)**	(0.5)
Operating loss		**(0.4)**	(0.5)
Financing			
Interest receivable and similar income	5	**161.2**	188.3
Interest payable and similar charges	6	**(160.8)**	(187.8)
Fair value loss on derivative financial instruments	7	**(49.8)**	(149.8)
Fair value gain on derivative financial instruments with other group undertakings	8	**49.8**	149.8
Net gain/(loss) on derecognition of financial assets and liabilities	13	**-**	-
Profit before tax		**-**	-
Income tax charge	9	**-**	-
Profit for the year		**-**	-

The notes on pages 17 to 32 form an integral part of the financial statements of Gatwick Funding Limited (company registration number 107376).

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

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Note	**Share Capital £m**	**Retained Earnings £m**	**Total £m**
Balance at 1 January 2021		-	-	-
Profit for the year	17	-	-	-
Balance at 31 December 2021		-	-	-
Profit for the year	17	-	-	-
Balance at 31 December 2022		-	-	-

The notes on pages 17 to 32 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	**31 December 2022 £m**	31 December 2021 £m
Assets			
Non-current assets			
Amounts owed by group undertakings - interest bearing	10	**2,598.0**	**3,050.7**
Derivative financial instruments	14	**367.2**	**317.4**
		2,965.2	**3,368.1**
Current assets			
Trade and other receivables	11	**134.4**	**133.0**
		134.4	**133.0**
Total assets		**3,099.6**	**3,501.1**
Liabilities			
Non-current liabilities			
Borrowings	13	**(2,598.0)**	**(3,050.7)**
Derivative financial instruments	14	**(367.2)**	**(317.4)**
		(2,965.2)	**(3,368.1)**
Current liabilities			
Trade and other payables	12	**(134.4)**	**(133.0)**
Total liabilities		**(3,099.6)**	**(3,501.1)**
Net assets		**-**	-
Equity			
Share capital	16	**-**	-
Retained earnings	17	**-**	-
Total equity		**-**	-

The Company has called up share capital of £2.00 (2021: £2.00) representing 2 ordinary shares at £1.00 per share.

The financial statements on pages 14 to 32 were approved by the Board of Directors on 14 March 2023 and signed on its behalf by:

Helena Whitaker
Director

Michael McGhee
Director

CASH FLOW STATEMENT
For the year ended 31 December 2022

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Cash flows from operating activities		
Profit before tax	**-**	-
Adjustments for:		
Finance income	**(161.2)**	(188.3)
Finance costs	**160.8**	187.8
Increase in trade and other receivables	**(1.4)**	(20.7)
Increase in trade and other payables	**1.4**	20.7
Cash from operating activities	**(0.4)**	(0.5)
Interest received	**144.1**	124.7
Interest paid	**(143.7)**	(124.2)
Net cash from operating activities	**-**	-
Cash flows from financing activities		
Increase in external borrowings	**-**	294.4
Increase in receivables from other group undertakings	**-**	(294.4)
Payment of inflation accretion	**-**	(25.4)
Receipt of inflation accretion from other group undertakings	**-**	25.4
Net cash from financing activities	**-**	-
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at the beginning of the year	**-**	-
Cash and cash equivalents at the end of the year	**-**	-

The notes on pages 17 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

1. BASIS OF PREPARATION

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

These are the financial statements for the year ended 31 December 2022. The comparative period is the year ended 31 December 2021. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments in accordance with the Companies (Jersey) Law 1991 and UK-adopted International Accounting Standards

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

Going concern

The Directors have prepared the financial statements on a going concern basis. The Group's financing arrangements are cross-guaranteed by each company within the Ivy Holdco Group. This results in each company being interdependent on the overall results and cash flows of the Group as a whole. This arrangement is further disclosed within note 13. In assessing the going concern position of the Group, the Directors have considered the ongoing political and economic situations and the potential impact of COVID-19 on the cash flow and liquidity of the Group over the next 12 months, and the corresponding impact on the covenants associated with the Group's financing arrangements.

In forming this view, the Directors have noted that 2020 and 2021 was an unprecedented period in the aviation sector. The actions taken during the pandemic to manage the impact and reposition the business for the mid-term have put the Group in a strong position for recovery. Given the on-going political and economic situations there remains short term uncertainty in the passenger forecasts for 2023.

As at 31 December 2022, the Group held cash of £34.0 million and £60.0 million of the £300.0 million Revolving Credit Facility was drawn. To provide additional liquidity following the purchase of some of the outstanding Class A bonds, in February 2023 the Group entered into a new Revolving Credit Facility under an Authorised Credit facility of £100.0 million with a termination date of 23 August 2024 with an option to extend to 23 February 2025. The Group also has access to a committed £150.0 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months. The Group does not currently expect to utilise the Liquidity Facility. The Group's forecasts demonstrate that the Group continues to have liquidity headroom for at least the next 12 months.

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

Due to the unprecedented uncertainty and the impact of COVID-19, previous reporting periods have included a material uncertainty in relation to going concern. In the 12 months to 31 December 2022, passenger numbers increased from 6.3 million in 2021 to 32.8 million, reaching over 70% of 2019 passenger levels. This bounce back was a result of three key factors: the lifting of government restrictions on travel, strong demand from passengers, and airlines putting significant capacity back into the market. The Group's most recent forecast shows expected passenger numbers in 2023 of circa 87% compared to 2019 and stronger performance compared to previous forecasts.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

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

The financial statements were approved by the Directors on 14 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(b) Trade and Other Receivables

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

(c) Current and Deferred Taxation

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

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

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

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

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

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

(d) Trade and Other Payables

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

(e) Provisions

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

(f) Share Capital

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

(g) Dividend Distribution

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

(h) Cash

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

(i) Financial Instruments

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

Financial Assets

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

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

1. Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

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

Financial Liabilities

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

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

1. Borrowings

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

2. Debt issue costs and arrangement fees

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

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

3. Derivative financial instruments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

(a) Fair Value of Derivative Financial Instruments

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

4. OPERATING COSTS

Operating costs

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

Operating costs include audit fees of £5,000 (2021: £5,000). No other fees are payable to the Company's auditors.

Employee information

The Company has no employees (2021: nil). All employees of the Ivy Holdco Group are employed by Gatwick Airport Limited, the Company's parent. Gatwick Airport Limited incurs all staff costs for the Ivy Holdco Group.

Directors' remuneration

During the year a fee of £7,765 (2021: £18,747) was paid to Intertrust Management Limited, a related party, for the provision of corporate administration services, including the provision of director services by Helena Whitaker and Cliff Pearce.

No other Directors of the Company or any key management personnel were remunerated during the year or the prior year for services to the Company (2021: £nil)

The aggregate of Company contributions paid in respect of money purchase schemes during the year was £nil (2021: £nil).

No directors are members of the Gatwick Airport Limited defined benefit pension scheme (2021: £nil).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2022 £m	**Year ended 31 December 2021** £m
Interest receivable from other group undertakings [(a)]	**141.7**	**131.3**
Net interest receivable on derivative financial instruments	**19.5**	**57.0**
	161.2	**188.3**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Interest payable on external borrowings – Class A Bonds	**141.3**	130.8
Net interest payable on derivative financial instruments with other group undertakings [(a)]	**19.5**	57.0
	160.8	187.8

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

7. FAIR VALUE MOVEMENT ON DERIVATIVE FINANCIAL INSTRUMENTS

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

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Fair value gain/(loss) on variable rate to index-linked derivative financial instruments [(a)]	**8.0**	**(3.9)**
Fair value loss on fixed rate to index-linked derivative financial instruments [(a)]	**(21.9)**	**(101.4)**
Fair value loss on fixed rate to variable-linked derivative financial instruments [(a)]	**(35.9)**	**(44.5)**
	(49.8)	**(149.8)**

(a) These amounts relate to the £685.0 million (2021: £685.0 million) of derivative financial instruments (together ("the Swaps") that the Company entered into in 2011, 2014 and 2021 to economically hedge debt instruments and inflation-linked revenue in the Ivy Holdco Group. The Company has entered into agreements with Gatwick Airport Limited, under the Borrower Loan Agreement, for swaps with terms that are "back-to-back" with those entered into by the Company (refer to note 8).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

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

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Fair value (loss)/gain on variable rate to index-linked derivative financial instruments with other group undertakings [(a)]	**(8.0)**	**3.9**
Fair value gain on fixed rate to index-linked derivative financial instruments with other group undertakings [(a)]	**21.9**	**101.4**
Fair value gain on fixed rate to variable-linked derivative financial instruments with other group undertakings [(a)]	**35.9**	**44.5**
	49.8	**149.8**

(a) These amounts relate to the £685.0 million (2021: £685.0 million) of derivative financial instruments that the Company entered into in 2011, 2014 and 2021 with Gatwick Airport Limited, under the Borrower Loan Agreement, with terms that are "back-to-back" with those entered into by the Company (refer to note 7).

9. INCOME TAX CHARGE

Recognised in the income statement

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Current tax charge	**-**	-
Total current tax charge	**-**	-

Reconciliation of total tax

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Profit before tax	**-**	-
Total tax charge	**-**	-
Profit excluding taxation	**-**	-
Tax using the UK corporation tax rate of 19% (2021: 19%)	**-**	-
Total tax charge	**-**	-

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

For the year ended 31 December 2022, the profit subject to corporation tax was £3,000 (2021: £3,000) with an associated tax charge of £570 (2021: £570). No deferred tax arose during the year ended 31 December 2022 or the year ended 31 December 2021.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

10. AMOUNTS OWED BY GROUP UNDERTAKINGS – INTEREST BEARING

	31 December 2022 £m	31 December 2021 £m
Amounts owed by group undertakings - interest bearing	**2,598.0**	**3,050.7**

Further detail provided in note 15. The decrease in amounts owed by group undertakings during the year ended 31 December 2022 was due to the tender offer to purchase some of the outstanding Class A bonds as described in note 13.

11. TRADE AND OTHER RECEIVABLES

	31 December 2022 £m	31 December 2021 £m
Accrued interest receivable from other group undertakings [(a)]	**102.8**	99.6
Accrued interest receivable	**31.6**	33.4
	134.4	133.0

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

12. TRADE AND OTHER PAYABLES

	31 December 2022 £m	31 December 2021 £m
Accrued interest payable	**102.8**	99.6
Accrued interest payable to other group undertakings [(a)]	**31.6**	33.4
	134.4	133.0

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

13. BORROWINGS

	31 December 2022 £m	31 December 2021 £m
Secured Non-Current borrowings		
Class A Bonds:		
5.250% £150.0 million (2021: £300.0 million) due 2024/26	**149.6**	298.8
6.125% £300.0 million (2021: £300.0 million) due 2026/28	**298.0**	297.4
2.500% £300.0 million (2021: £300.0 million) due 2030/32	**296.0**	295.7
4.625% £350.0 million (2021: £350.0 million) due 2034/36	**344.7**	344.2
5.750% £300.0 million (2021: £300.0 million) due 2037/39	**293.2**	292.8
3.125% £350.0 million (2021: £350.0 million) due 2039/41	**344.9**	344.7
6.500% £300.0 million (2021: £300.0 million) due 2041/43	**296.8**	296.7
2.625% £180.1 million (2021: £300.0 million) due 2046/48	**177.2**	295.0
3.250% £203.3 million (2021: £300.0 million) due 2048/50	**199.4**	293.1
2.875% £204.0 million (2021: £300.0 million) due 2049/51	**198.2**	292.3
Total borrowings (excluding interest payable)	**2,598.0**	3,050.7

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

All the above borrowings are secured and carried at amortised cost based on their designation as "other financial liabilities at amortised cost". At the balance sheet date, the Company recognised unamortised capitalised coupon discount and debt issuance costs of £39.4 million (2021: £49.2 million).

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

The Company is the Issuer under the Ivy Holdco Limited Group Common Terms Agreement dated 15 February 2011 ("CTA"). The CTA together with a Master Definitions Agreement covers, *inter alia*, the Borrower Loan Agreement, which was entered into on 24 February 2011 and 22 February 2018.

Gatwick Funding Limited has issued £2,637.4 million (2021: £3,100.0 million) of publicly listed fixed rate secured Bonds comprising:

	Scheduled maturity	Legal maturity	Issue date	**As at 31 December 2022 £m**	As at 31 December 2021 £m	Borrower
Class A 5.25 per cent.	2024	2026	20 Jan 2012	**150.0**	300.0	GAL
Class A 6.125 per cent.	2026	2028	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.5 per cent.	2030	2032	15 Apr 2021	**300.0**	300.0	GAL
Class A 4.625 per cent.	2034	2036	27 Mar 2014	**350.0**	350.0	GAL
Class A 5.75 per cent.	2037	2039	20 Jan 2012	**300.0**	300.0	GAL
Class A 3.125 per cent.	2039	2041	28 Sep 2017	**350.0**	350.0	GAL
Class A 6.5 per cent.	2041	2043	2 Mar 2011	**300.0**	300.0	GAL
Class A 2.625 per cent.	2046	2048	7 Oct 2016	**180.1**	300.0	GAL
Class A 3.25 per cent.	2048	2050	26 Feb 2018	**203.3**	300.0	IHL
Class A 2.875 per cent.	2049	2051	5 July 2019	**204.0**	300.0	GAL
				2,637.4	3,100.0	

As at 31 December 2022, the £2,598.0 million (2021: £3,050.7 million) comprises the net amount raised from the issue of Class A Bonds, and is stated less other directly attributable fees and accrued amortisation.

For the year ended 31 December 2022, the average interest rate payable on the Group's borrowings was 6.57% p.a. (31 December 2021: 3.25% p.a.).

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

	31 December 2022 Book value £m	**31 December 2022 Fair value £m**
Fair value of borrowings		
Class A Bonds	**2,598.0**	**2,269.3**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

Financial covenants

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

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

The following table summarises the Ivy Holdco's Group's financial covenants as at 31 December 2022 under the CTA, and lists the trigger and default levels:

Covenant	**31 December 2022**	Trigger	Default
Minimum interest cover ratio ("Senior ICR")	**4.15**	< 1.50	< 1.10
Maximum net indebtedness to the total regulatory asset base ("Senior RAR")	**0.55**	> 0.70	> 0.85

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

	Notional	Fair value assets	Fair value liabilities	Total
	£m	£m	£m	£m
31 December 2021				
Derivative financial assets				
Variable rate to index-linked swaps with other group undertakings	40.0	32.4	-	32.4
Fixed rate to index-linked swaps with other group undertakings	356.0	240.5	-	240.5
Fixed rate to floating-linked swaps with other group undertakings	289.0	44.5	-	44.5
	685.0	317.4	-	317.4
Derivative financial liabilities				
Variable rate to index-linked swaps	(40.0)	-	(32.4)	(32.4)
Fixed rate to index-linked swaps	(356.0)	-	(240.5)	(240.5)
Fixed rate to floating-linked swaps	(289.0)	-	(44.5)	(44.5)
	(685.0)	-	(317.4)	(317.4)

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

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

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

Fixed rate to floating-linked swaps
Fixed rate to floating rate swaps have been entered into to reduce the proportion of fixed rate debt held by the group to below 85%. A "back-to-back" agreement replicating the terms of these swaps has been entered into with Gatwick Airport Limited.

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

The Company has recognised £49.8 million loss in financial derivatives through the income statement for the year ended 31 December 2022 (2021: £149.8 million loss).

The Company has recognised a total cumulative gain of £50.4 million at 31 December 2022 (2021: £37.1 million) to reflect the credit risk on the Company's external swap position.

15. FINANCIAL INSTRUMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

(a) Market risk

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

(b) Credit risk

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

In accordance with IFRS 9 the Company has established a probability of default within the next 12 months ("12 month ECL") on such assets. This probability is calculated using the financial information of the counterparty, taking into account adjustments for current external conditions and reasonable forecasts and an impairment loss has been recorded if material. No impairment loss has been recognised during the year (2021: £nil).

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

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

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

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

(c) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Company's financial liabilities and net settled derivative financial instruments as at 31 December 2022 and 31 December 2020 to the contract maturity date.

	Less than one year £m	One to two years £m	Two to five years £m	Greater than five years £m
31 December 2022				
Class A Bonds – Principal payments	**-**	**-**	**450.0**	**2,187.4**
Class A Bonds – Interest payments	**114.8**	**114.8**	**302.5**	**1,070.2**
Derivative financial instruments	**16.7**	**19.1**	**213.7**	**193.8**
	131.5	**133.9**	**966.2**	**3,451.4**
31 December 2021				
Class A Bonds – Principal payments	-	-	600.0	2,500.0
Class A Bonds – Interest payments	131.8	131.8	363.8	1,354.3
Derivative financial instruments	(50.8)	9.8	132.1	262.3
	81.0	141.6	1,095.9	4,116.6

Financial instruments by category

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

Assets	Assets at amortised cost £m	Assets at fair value through profit and loss £m	Total £m
31 December 2022			
Accrued interest receivable	31.6	-	**31.6**
Accrued interest receivable from other group undertakings	102.8	-	**102.8**
Amounts owed by other group undertakings – interest bearing	2,598.0	-	**2,598.0**
Derivative financial assets	-	367.2	**367.2**
Total financial assets	2,732.4	367.2	**3,099.6**
31 December 2021			
Accrued interest receivable	33.4	-	33.4
Accrued interest receivable from other group undertakings	99.6	-	99.6
Amounts owed by other group undertakings – interest bearing	3,050.7	-	3,050.7
Derivative financial assets	-	317.4	317.4
Total financial assets	3,183.7	317.4	3,501.1

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

Liabilities

	Liabilities at fair value through profit and loss £m	Other financial liabilities at amortised cost £m	Total £m
31 December 2022			
Borrowings	-	(2,598.0)	**(2,598.0)**
Accrued interest payable	-	(102.8)	**(102.8)**
Accrued interest payable to other group undertakings	-	(31.6)	**(31.6)**
Derivative financial liabilities	(367.2)	-	**(367.2)**
Total financial liabilities	(367.2)	(2,732.4)	**(3,099.6)**
31 December 2021			
Borrowings	-	(3,050.7)	(3,050.7)
Accrued interest payable	-	(99.6)	(99.6)
Accrued interest payable to other group undertakings	-	(33.4)	(33.4)
Derivative financial liabilities	(317.4)	-	(317.4)
Total financial liabilities	(317.4)	(3,183.7)	(3,501.1)

Fair value estimation

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

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

The fair value of the Company's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 31 December 2022, all of the resulting fair value estimates in the Company are included in Level 2 except for Bonds which are valued at Level 1, consistent with previous years (2021: Level 2 except for Bonds which are valued at Level 1).

16. SHARE CAPITAL

	31 December 2022 £	31 December 2021 £
Authorised		
Unlimited number of shares with no par value of one class, designated as ordinary shares	**-**	-
Called up, allotted and fully paid		
2 ordinary shares at £1.00 each (2021: 2 ordinary shares at £1.00 each)	**2**	2

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

17. RETAINED EARNINGS

	31 December 2022 £m	31 December 2021 £m
Opening	-	-
Profit for the year [(a)]	-	-
Closing	**-**	-

(a) The Company recorded a profit for the year ended 31 December 2022 of £2,430 (2021: £2,430).

18. RECONCILIATION IN NET DEBT

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

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

	As at 1 January 2021 £m	**Cash flow £m**	**Other non-cash changes £m**	**As at 31 December 2021 £m**
Borrowings	(2,756.7)	(294.4)	0.4	(3,050.7)
Derivative financial liabilities	(193.0)	25.4	(149.8)	(317.4)
Total financing liabilities	(2,949.7)	(269.0)	(149.4)	(3,368.1)
Cash and cash equivalents	-	-	-	-
	(2,949.7)	(269.0)	(149.4)	(3,368.1)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

19. RELATED PARTY TRANSACTIONS

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

	(Expense)/ Income to related party		Amounts owed from related party	
	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m	**As at 31 December 2022 £m**	As at 31 December 2021 £m
Gatwick Airport Limited	**102.6**	(55.6)	**2,831.9**	3,134.9
Ivy Holdco Limited	**9.6**	9.8	**204.6**	301.8
	112.2	(45.8)	**3,036.5**	3,436.7

20. CLAIMS AND CONTINGENT LIABILITIES

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

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 2022 (2021: £nil).

21. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

At 31 December 2022 the Company's ultimate parent and ultimate controlling party is VINCI SA, a company incorporated in France.

The Company's results are included in the audited consolidated financial statements of VINCI SA and Ivy Holdco Limited for the year ended 31 December 2022, the largest and smallest groups to consolidate these financial statements. The consolidated financial statements of VINCI SA can be obtained from the Company Secretary, VINCI, 1973, boulevard de La Défense, CS 10268, 92757 Nanterre Cedex, France

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