

# East Midlands Airport Nottingham Derby Leicester Ltd

## Annual report and financial statements

Registered Number 04129556

Year ended 31 March 2020



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## Strategic Report

The directors present their strategic report for the Company for the year ended 31 March 2020.

### Principal activity

The principal activity of the Company during the year was acting as an intermediate holding company and this is expected to continue in the future.

### Business review and future outlook

The results for the year are set out on page 8. During the year the Company made a profit before tax of £1,913,600 (2019: £7,167,000). At the year end the Company had net assets of £149,642,000 (2019: £147,789,000).

Manchester Airport Holdings Limited and its subsidiaries (including the Company) are referred to below as 'MAG' or 'the Group'.

MAG has considered the impact of COVID-19 on the Group and the Company as a going concern (covered in the Basis of Preparation at page 12), and the carrying value of both its non-financial and financial assets. COVID-19 is an impairment trigger that has resulted in the Company reviewing the carrying value of its significant assets. The director's testing concluded that there was no impairment to be made in the financial statements in relation to its non-financial assets. The directors acknowledge the challenges of estimating the recoverable amounts of its assets given their dependency on future cashflows, which depend upon the duration of the pandemic and the social restrictions implemented by governments.

As for most enterprises during the COVID-19 outbreak, MAG has undertaken a significant review which confirms that the going concern assumption can be applied in the preparation of these financial statements. The director's assessment of going concern, of both the Group and the Company, including the material uncertainty that the impact of COVID-19 represents, is detailed in the Basis of preparation at page 12.

Entities within the Group have indicated their intention to continue to make available such funds as are needed by the company, and that they do not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. The directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The current economic conditions resulting from the COVID-19 pandemic have had a significant impact on the Group's activity levels from March 2020 onwards. The impacts upon the general economy and the airline industry specifically have continued into the current financial year FY21 with the Group experiencing significantly lower passenger volumes than in the comparative period for FY20.

Details of the Group's financial liquidity at 31 March 2020; the financial covenants on its Bonds and Bank facilities; and its successful implementation of a strategic financial response (including the securing of additional funding of £300m, and waivers on loan covenant testing results) are detailed on page 50 of the MAHL Annual Report for the year ended 31 March 2020. Additionally, after the year end the Group successfully disposal of the Group's non-core property portfolio for proceeds in excess of £340m.

The expectation is that international markets will continue to reopen with a gradual recovery of traffic through the remainder of this financial year. Demand levels will be dependent upon routes where the governments air bridges are in place and local restrictions. The Group are continuing to lobby the Government over the two-week quarantine period and to develop measures that will enable passengers to travel in a more secure environment.

In addition, Manchester Airports Group ('MAG'), the group of companies whose ultimate parent company is Manchester Airports Holdings Limited, and of which the Company is a member, has continued to work with industry partners to help shape the UK Government's approach to Brexit.

MAG is confident that the UK Government and the EU recognise the need to provide continuity for aviation following the end of the transition period when new rules come into force on 1 January 2021. In particular, MAG welcomes the commitment from the UK Government that they are seeking to agree a Comprehensive Air Transport Agreement (CATA) with the EU that includes provisions on market access for air services, close cooperation on aviation security, and collaboration on air traffic management. Maintaining the current regime in the long term, alongside other agreements with other countries, must be a priority of the Government, to help ensure that the UK continues to enjoy liberal access to the EU aviation market.

## **Strategic Report** *(continued)*

### **Principal risks and uncertainties**

The key risks faced by the Company, including those arising from COVID-19, are aligned with those of Manchester Airports Holdings Limited. For more details of these risks, including that of COVID-19, and how they are managed please refer to the strategic report in the annual report and accounts for Manchester Airports Holdings Limited. The directors have not identified any other significant risks for the Company.

### **Key performance indicators ('KPIs')**

The Directors have identified the relevant key performance indicators for the Company to be Profit before taxation (£1,914,000, 2019: £7,167,000) and adjusted EBITDA being earnings before interest, tax, depreciation and amortisation (Loss £155,000, 2019: Loss £6,000). For the group consolidated key performance indicators please refer to the strategic report in the annual report and accounts for Manchester Airports Holdings Limited. The directors have not used any additional KPIs for the Company.

By order of the Board



**N Thompson**

Director

02 October 2020

## Directors' report

The directors present their directors' report and audited financial statements for the Company for the year ended 31 March 2020.

### Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

C Cornish

N Thompson

K O'Toole

### Going concern

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events, which are inherently uncertain. The current economic conditions resulting from the COVID-19 pandemic have had a significant impact on the Company's and Group's activity levels from March 2020 onwards. The impacts upon the general economy and the airline industry specifically have continued into the current financial year FY21.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared a going concern assessment for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through its ultimate parent company, Manchester Airports Holdings Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the Manchester Airports Holdings Limited Group not seeking repayment of the amounts currently due to the group, which at 31 March 2020 amounted to £155,361,000 and providing additional financial support during that period. Manchester Airports Holdings Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do.

However, continued support is dependent on the ability of the Manchester Airports Holdings Limited group being able to settle its liabilities as they fall due. The directors of Manchester Airports Holdings Limited have concluded that a material uncertainty exists over the Manchester Airports Holdings Limited group's ability to continue as a going concern as detailed in the basis of preparation on page 50-51 of Manchester Airports Holdings Limited annual report which is publicly available on the company website or Companies House.

Based on their enquiries the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### Dividend

A dividend of £nil (2019: £nil) was declared and paid in the year.

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## **Directors' report** *(continued)*

### **Independent auditor**

Written resolutions relating to the reappointment of KPMG LLP as auditor, and to the authority of the directors to fix the auditor's remuneration, are to be put before the Company's voting shareholders for execution in the short term (and in the case of the former resolution, within the relevant period prescribed by statute).

By order of the Board

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

**N Thompson**

Director

02 October 2020

6th Floor Olympic House  
Manchester Airport  
Manchester  
United Kingdom,  
M90 1QX

## **Statement of directors' responsibilities relating to the Strategic report, the Directors' report and the financial statements**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

1 St Peter's Square

Manchester

M2 3AE

United Kingdom

**Independent auditor's report to the members of East Midlands Airport Nottingham Derby Leicester Ltd**

**Opinion**

We have audited the financial statements of East Midlands Airport Nottingham Derby Leicester Ltd ("the Company") for the year ended 31 March 2020 which comprise the Statement of Financial Position, Income Statement and Other Comprehensive Income, Statement of changes in Equity and related notes including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- 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 company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Material uncertainty related to going concern**

We draw attention to note 1.2 to the financial statements which indicates that the Company's ability to continue as a going concern is dependent on the continued financial support from its ultimate parent company, Manchester Airport Holdings Limited. The financial statements of Manchester Airport Holdings Limited include a material uncertainty related to going concern and therefore the availability of support may be in doubt if required. These events and conditions, along with the other matters explained in note 1.2, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon

Our responsibility is to read the strategic report and the directors' report 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 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 has been prepared in accordance with the Companies Act 2006.



## **Independent auditor's report to the members of East Midlands Airport Nottingham Derby Leicester Ltd continued**

### **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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- 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.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **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.



**Christian Bower-Sloane (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 St Peter's Square  
Manchester, M2 3AE

09 October 2020

## Income statement

for the year ended 31 March 2020

	<i>Note</i>	<b>2020</b>	2019
		<b>£000</b>	£000
<b>Revenue</b>		-	-
Operating costs	2	(155)	(6)
<b>Operating profit</b>		<b>(155)</b>	(6)
Profit on disposal of investment		-	5,588
Interest receivable and similar income	5	2,069	1,585
<b>Profit before taxation</b>		<b>1,914</b>	7,167
Tax on profit	6	(61)	-
<b>Profit for the financial year</b>		<b>1,853</b>	7,167
Other comprehensive income for the year net of tax		-	-
<b>Total comprehensive income for the financial year</b>		<b>1,853</b>	7,167

The results presented above are all derived from the Company's continuing operations.

The notes on pages 11 to 19 form an integral part of these financial statements.

## Statement of financial position

at 31 March 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
<b>Non-current assets</b>					
Investments in subsidiary undertakings	8		<u>134,258</u>		<u>134,258</u>
			<b>134,258</b>		<b>134,258</b>
<b>Current Assets</b>					
Trade and other receivables	9	171,322		169,271	
Cash at bank and on hand		<u>73</u>		<u>-</u>	
		<b>171,395</b>		<b>169,271</b>	
<b>Current liabilities</b>					
Trade and other payables	10	<u>(156,011)</u>		<u>(155,740)</u>	
<b>Net current assets</b>			<u><b>15,384</b></u>		<u><b>13,531</b></u>
<b>Net assets</b>			<u><b>149,642</b></u>		<u><b>147,789</b></u>
<b>Capital &amp; Reserves</b>					
Called up share capital	11		<b>138,849</b>		<b>138,849</b>
Retained earnings	12		<u><b>10,793</b></u>		<u><b>8,940</b></u>
<b>Shareholders' funds</b>			<u><b>149,642</b></u>		<u><b>147,789</b></u>

The notes on pages 11 to 19 form an integral part of these financial statements.

These financial statements of East Midlands Airport Nottingham Derby Leicester Ltd, registered number 04129556, were approved by the board of directors on 02 October 2020 and were signed on its behalf by:



**N Thompson**  
Director

## Statement of changes in equity

at 31 March 2020

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 April 2019	138,849	8,940	147,789
<b>Total comprehensive income for the year</b>			
Profit for the year	-	1,853	1,853
Total comprehensive income for the year	-	1,853	1,853
<b>Balance at 31 March 2020</b>	<b>138,849</b>	<b>10,793</b>	<b>149,642</b>

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 April 2018	138,849	1,773	140,622
<b>Total comprehensive income for the year</b>			
Profit for the year	-	7,167	7,167
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>7,167</b>	<b>7,167</b>
<b>Balance at 31 March 2019</b>	<b>138,849</b>	<b>8,940</b>	<b>147,789</b>

The notes on pages 11 to 19 form an integral part of these financial statements.

## Notes to the financial statements

### 1 Accounting policies

East Midlands Airport Nottingham Derby Leicester Ltd (the 'Company') is a company limited by shares and incorporated and domiciled in the UK. The registered number is 04129556 and the registered address is 6th Floor Olympic House, Manchester Airport, Manchester, United Kingdom,, M90 1QX.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ('FRS 102') as issued in August 2014. The amendments issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Manchester Airports Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Manchester Airports Holdings Limited, prepared in accordance with International Financial Reporting Standards as adopted by the EU, are available to the public, and may be obtained from Olympic House, Manchester Airport, M90 1QX.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 relating to the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Manchester Airports Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available relating to the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues relating to financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out over the page have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

The Company is exempt by virtue of section 400 subject to the small companies regime of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared a going concern assessment for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through its ultimate parent company, Manchester Airports Holdings Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Manchester Airports Holdings Limited Group not seeking repayment of the amounts currently due to the group, which at 31 March 2020 amounted to £155,361,000 and providing additional financial support during that period. Manchester Airports Holdings Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. as with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do.

However, continued support is dependent on the ability of the Manchester Airports Holdings Limited group being able to settle its liabilities as they fall due. The directors of Manchester Airports Holdings Limited have concluded that a material uncertainty exists over the Manchester Airports Holdings Limited group's ability to continue as a going concern as detailed in the basis of preparation on page 50-51 of Manchester Airports Holdings Limited annual report which is publicly available on the company website or Companies House.

Based on their enquiries the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### 1.3 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium exclude amounts in relation to those shares.

## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### 1.4 Basic financial instruments

##### *Trade and other receivable/payables*

Trade and other receivables are recognised initially at transaction price less attributable transaction costs. Trade and other payables are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade receivables. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments, discounted at a market rate of interest for a similar debt instrument.

#### 1.5 Interest income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

#### 1.6 Taxation

Tax on the profit or loss 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 or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable relating to previous years.

#### 1.7 Investments

Investments in subsidiaries are measured at cost less impairment, with impairments recognised in the income

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### 1.8 Impairment

##### *Financial assets (including trade and other receivables)*

A financial asset not carried at fair value through the income statement is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset, which can be estimated reliably.

An impairment loss relating to a financial asset measured at amortised cost is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between an asset's carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### 1.9 Critical accounting estimates and judgements

In applying the Company's accounting policies, the Company has made estimates and judgements concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may, however, differ from the estimates calculated and management believe that the following are the more significant judgements affecting these financial statements.

COVID-19 has had a significant impact upon the accounting estimates & judgements as at the reporting date. The Group has had to consider this impact in presenting the financial statements to this report. The critical accounting estimates areas of: valuation of investment properties; valuation of the Group's net pension liability; discount rate applied to leases under IFRS 16 and the impairment of the Group's non-financial assets are detailed below:

##### *Going concern*

The impact of COVID-19 has resulted in the group of companies headed by Manchester Airports Holdings Limited ("the Group") obtaining waivers from the requirements to perform loan covenant testing and obtain additional shareholder funding to ensure that the Company, supported by the Group, has adequate headroom going forward.

The directors of East Midlands Airport Nottingham Derby Leicester Limited have evaluated whether the actions of the Group, coupled with further mitigating actions that the Company and the Group can undertake are sufficient to ensure that the Company will continue as a going concern for plausible future trading scenarios reflecting the likely timing and rate of recovery of the sector.

By virtue of the directors concluding that the Group will be able to continue as a going concern, the directors have concluded to regard East Midlands Airport Nottingham Derby Leicester Limited as a going concern for the purpose of these financial statements. The going concern assessment of the Group is outlined at page 50 of the Manchester Airport Holdings Limited Annual Report and the going concern assessment of Manchester Airport Finance Holdings Limited is on page 14 of these financial statements.

##### *Carrying value of non-financial assets*

Estimates have been made in respect of the amounts of future operating cash flows to be generated by certain of the Group's cash generating units (CGUs), in order to assess whether there has been any impairment of the amounts of the Group's assets included in the statement of financial position.

The directors have viewed that COVID-19 has acted as an impairment trigger of its long-term assets and consequently have assessed the recoverable amounts of its principal CGUs. The assessment of recoverable amounts based upon Value in Use projections of future operating cashflows of the businesses which are based upon a range of assumptions of the timing and rate of economic recovery from the pandemic and the resultant impact upon the Group's trading levels.

The Group has considered future traffic levels projections issued by other industry participants in arriving at its own projections which were used for both the impairment review and the Group's going concern assessment. These projections considered the timing and rate of recovery to pre-COVID-19 activity levels. For impairment purposes long-term projections beyond the 7-year business plan time horizon were based upon long-term growth rates. Downside scenarios included low-growth assumptions in considering risks around recoverability of the assets carrying value.



## Notes to the financial statements (*continued*)

### 2 Notes to the income statement

<i>Profit/(loss) before taxation is stated after charging/(crediting):</i>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Profit on disposal of investment	<u>-</u>	<u>5,588</u>

#### *Auditor's remuneration*

Amounts receivable by the Company's auditor and the auditor's associates relating to services to the Company have been borne by the Company's ultimate parent, Manchester Airports Holdings Limited. The directors believe that the proportion of the consolidated fee applicable to the Company is £6,000 (2019: £6,000).

#### *Profit on disposal of investment*

Profit of £nil in the year (2019: profit of £5,588,000) is due to reassignment of intercompany balances with former subsidiaries of East Midlands Airport Nottingham Derby Leicester Ltd.

### 3 Remuneration of directors

C Cornish and N Thompson were directors of Manchester Airports Holdings Limited during the year, and their aggregate remuneration is disclosed in that company's consolidated financial statements. The directors believe that the proportion of their aggregate remuneration applicable to the Company based on services provided, is £1,000 (2019: £1,070).

### 4 Staff numbers and costs

The Company had no employees during the year (2019: nil). The remuneration of the directors has been borne by a fellow Group company, MAG Airport Limited.

### 5 Interest receivable and similar income

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Interest receivable on preference shares	<b>1,585</b>	<b>1,585</b>
Unwind of discounted deferred consideration	<b>484</b>	<b>-</b>
	<u><b>2,069</b></u>	<u><b>1,585</b></u>

Interest receivable on preference shares relates to the 9% cumulative redeemable preference shares that the company holds in East Midlands International Airport Limited. These shares have no fixed redemption date.

## Notes to the financial statements (*continued*)

### 6 Taxation

#### *Total tax expense recognised in the income statement*

	2020	2020	2019	2019
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	62		-	
Adjustment in respect of prior periods	<u>(1)</u>		<u>-</u>	
Total current tax		61		-
Total tax		<u>61</u>		<u>-</u>

#### *Reconciliation of effective tax rate*

	2020	2019
	£000	£000
<i>Current tax reconciliation</i>		
Profit for the year	1,853	7,167
Total tax expense	<u>61</u>	<u>-</u>
Profit before tax	<u>1,914</u>	<u>7,167</u>
Profit before tax multiplied by the standard rate of corporation tax of 19% (2018: 19%)	364	1,362
<i>Effects of:</i>		
Non taxable income	(302)	(1,362)
Adjustments to current tax charge in respect of previous periods	<u>(1)</u>	<u>-</u>
Total tax expense included in income statement	<u>61</u>	<u>-</u>

#### *Factors that may affect future current and total tax charges*

The UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly.

## Notes to the financial statements (continued)

### 8 Fixed asset investments

Shares in  
subsidiary  
undertakings  
£000

Cost and net book value

At 31 March 2020 and 31 March 2019

134,258

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
East Midlands Airport Core Property Investments Limited*	England and Wales	Investment property company	100% ordinary
East Midlands Airport Property Investments (Hotels) Limited*	England and Wales	Investment property company	100% ordinary
East Midlands Airport Property Investments (Industrial) Limited*	England and Wales	Investment property company	100% ordinary
East Midlands Airport Property Investments (Offices) Limited*	England and Wales	Investment property company	100% ordinary
East Midlands International Airport Limited**	England and Wales	Investment property company	100% ordinary

\* Olympic House, Manchester Airport, Manchester, M90 1QX

\*\* Pathfinder House, East Midlands Airport, Castle Donington, Derby, DE74 2SA

#### Impairment

The principal CGUs used in the impairment assessment consisted of the a combined value in use of £425.0m for East Midlands airport compared to the carrying amount of investments in subsidiaries and amounts owed by group undertakings of £289.6m.

The impairment testing calculated the recoverable amount of the investment in subsidiaries and amounts owed by group undertakings by comparing the carrying value to the value in use. Key assumptions for these calculations are those regarding discount rates, terminal value growth rates, expected changes to passenger and revenue growth rates, EBTIDA margin and the level of capital expenditure required to support trading.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board covering five years and a detailed longer term forecasts to cover a further 20 years beyond that point. The budget reflected the business's best view of the timing and rate of recovery to pre-COVID-19 activity levels and estimated that MAG would return to 85% of pre-COVID-19 pax levels in FY22 and 95% in FY23. These projections for the timing and rate of pax recoveries are in line with the projections used for going concern. For the purposes of the impairment assessment the business reflected the budget for the first 7 years and considered a terminal value based upon a long-term growth reflecting estimated rates of inflation. The business used a budget of 7 years as opposed to the 5 years advised under IAS 38 to reflect the additional period for the business to return to normal trading levels post COVID-19 recovery.

## Notes to the financial statements *(continued)*

### 8 Fixed asset investments *(continued)*

The discount rates used in the cash flow forecasts have been estimated based on post-tax rates that reflect the market participant's assessment of the time value of money and the risks specific to the cash generating unit. In determining the discount rates, the Group has sought to arrive at a Weighted Average Cost of Capital (WACC) using the capital asset pricing model for a market participant. The post-tax rate used to discount the forecast cash flows was calculated as: pre-tax 8.44% (2019: 6.60%), post-tax 6.84% (2019: 5.48%).

Sensitivity analyses reflecting downside scenarios which: reflected increased discount rates of pre-tax 8.64% (post-tax 7.0%) and lower growth rates of 2.0%. The impact of these scenarios individually and combined result in no impairment.

### 9 Trade and other receivables

	2020	2019
	£000	£000
Other receivables	5,557	5,135
Amounts owed by group undertakings	165,765	164,136
	<u>171,322</u>	<u>169,271</u>

Amounts owed by group undertakings of £165,765,000 are unsecured, interest free and are repayable on demand.

### 10 Trade and other payables

	2020	2019
	£000	£000
Other payables	-	30
Taxation and social security	135	132
Accruals and deferred income	515	516
Amounts owed to group undertakings	155,361	155,062
	<u>156,011</u>	<u>155,740</u>

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

### 11 Called up share capital

	2020	2019
	£000	£000
<i>Issued, called up and fully paid</i>		
138,849,316 Ordinary shares of £1 each	138,849	138,849
	<u>138,849</u>	<u>138,849</u>

## Notes to the financial statements *(continued)*

### 12 Reserves

	<b>Retained Earnings £000</b>
<b>2020</b>	
At 1 April 2019	8,940
Profit for the year after taxation	1,853
<b>At 31 March 2020</b>	<b>10,793</b>
	<b>Retained Earnings £000</b>
<b>2019</b>	
At 1 April 2018	1,773
Profit for the year after taxation	7,167
<b>At 31 March 2019</b>	<b>8,940</b>

### 13 Contingent liabilities

Under the Common Terms Agreement signed on 14 February 2014, the Company and a number of its fellow subsidiaries have entered into a security agreement with the Group's bondholders and banks. The bonds and bank loans are secured by a fixed and floating charge over substantially all of the Group's assets. The total amount outstanding under this agreement at 31 March 2020 is £1,923.3m (2019: £1,230.7m).

### 14 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of Manchester Airport Group Finance Limited. The smallest group in which the results of the Company are consolidated is that headed by Manchester Airport Group Investments Limited. The Company's ultimate parent is Manchester Airports Holdings Limited. The consolidated financial statements of these groups are available to the public and may be obtained from the Company Secretary at Olympic House, Manchester Airport, Manchester M90 1QX, or via the website at [www.magairports.com](http://www.magairports.com).

### 15 Post balance sheet events

On 7 August 2020 a fellow subsidiary of the Group Manchester Airport Group Investment Limited entered into an agreement to sell its entire shareholding in MAG Investment Assets Limited to Columbia Threadneedle Investments,

On 7 August 2020, Airport city (Manchester) Limited, the immediate parent of the Company, sold a 50% stake in its investment in the Airport City Manchester Development to Columbia Threadneedle Investment, retaining a 20% interest.

MAG's shareholders have injected £300m of funds into the Group in the form of shareholder loans. On 02 July 2020 the Company increased its equity investment into its subsidiary Manchester Airports Investment Group Limited by the same value.

On 26 June 2020 the Group obtained the approval from its Banks and Bondholders for the waiver of the requirement to perform loan covenant testing as at 30 September 2020 and 31 March 2021.