CAVU Experiences (EMEA) Limited (formerly Skyparksecure Ltd)

Annual report and financial statements

Registered Number 05602720

Year ended 31 March 2023

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Directors' report

The directors present their Directors' report for the Company for the year ended 31 March 2023.

In accordance with section 414B of the Companies Act 2006 (Strategic report and Directors' Report) Regulations 2013, the Company is exempt from preparing a Strategic report.

Principal activity

The Company did not trade throughout the year ended 31 March 2023 but recommenced trading in relation to lounge income on 1 April 2023.

Business review and future outlook

The results for the year are set out on page 10. During the year the Company made a profit before tax of £nil (2022: £557,000). At the year end the Company had net assets of £3,110,000 (2022: £3,110,000).

In the prior year, the Company transferred their trade and assets to a fellow group undertaking, CAVU ECommerce (EMEA) Limited and as a result the Company did not trade during the current year. The Group operates a centralised management function whereby treasury and strategic decisions are considered for MAG as a whole, as such the strategic report includes the overall positioning of the Group.

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

CAVU Group restructure and subsequent change of business

At 31 March 2023, Manchester Airport Plc, East Midlands International Airport Limited and Stansted Airport Limited ('the transferors'), transferred existing lounge assets to the Company, in exchange for intercompany loans equal to the book value of the transfers. The impact of the change during the year was a £4,181,000 increase to intangible assets with an equal and opposite amount recognised within amounts due to group undertakings.

In the next financial year, the Company will be responsible for all EMEA-based lounge revenue within the wider MAG group, earning commission from the three MAG Airports as well as third party lounges. The Company commenced trading on 1 April 2023.

Group Strategy

A year of recovery

Last year was one of the most significant in our sector's history, the first full year following the removal of the restrictions imposed in response to the Covid-19 pandemic, enabling the full resumption of international travel.

Demand recovered well across all three of MAG's airports. The Group was delighted to see passenger volumes returning close to pre-pandemic levels, growing from 83.8% of 2020 volumes at the half year, to 90.6% at the financial year end. Total passenger numbers for the financial year reached 54.0m, an increase of 163.4% compared with FY22.

The whole of the UK aviation sector experienced challenges in meeting the rapid increase in demand following the removal of travel restrictions. This caused well documented operational issues that impacted our airports to varying extents. Through an extensive recruitment drive of more than 1,600 security officers, the Group were able to improve service levels and meet rising demand later in the financial year.

The Group generated positive cash from operating activities, after tax and interest during FY23. Cash at 31 March 2023 was £67.6m (2022: £462.9m) and net debt was £2,500.5m (2022: £2,520.3m), with the movements being mainly attributable to the repayment of the £500m revolving credit facility in the year. At 31 March 2023, the Group had financial headroom of £561.6m, comprised of £484.0m of undrawn committed facilities, an additional £10m of available overdraft facilities, and £67.6m of cash. This strong financial position has enabled MAG to relaunch the transformation programmes at both Manchester and London Stansted to invest in new facilities and enhance service levels. Through centralised cash pooling, the Company has access to the Group's cash facilities.

Investing for the future

Across all three airports, the Group is making the necessary investments to introduce Future Security technology in line with agreed Government timescales. This will remove the need for passengers to take liquids, gels and large electrical items out of their hand luggage, significantly improving their airport experience.

Directors' report *(continued)*

Business review and future outlook *(continued)*

Working together for a brighter future

Decarbonisation is a key strategic priority for MAG, and the Group has seen real progress this year in it's journey to a net zero aviation industry.

Zero Carbon Airports is one of the three themes of MAG's CSR work, and we are developing robust plans to enable our airports to achieve our target of net zero emissions by 2038. We are also working in partnerships with Fulcrum BioEnergyUK and HyNet with the goal of making Manchester Airport the first UK airport with a direct supply of Sustainable Aviation Fuel and hydrogen. The Task Force on Climate-Related Finance Disclosure can be found on pages 88 to 97 in the Manchester Airports Holdings Limited annual report.

Principal risks and uncertainties

The key risks faced by the Company are aligned with those of MAHL as the Company acts as an intermediate holding Company within the Group and is therefore reliant on the cashflows generated across MAG. The key risk for the Company is macroeconomic, political and geopolitical uncertainty as these risks fall largely outside of the Group's control and could have a substantial impact on operations. For more details of these risks, and how they are managed please refer to pages 82 to 87 of the strategic report in the Annual Report and Accounts for MAHL. The directors have not identified any other significant risks for the Company.

Key risk	Risk detail	Mitigation strategy
Macroeconomic, political and geopolitical uncertainty	The nature of our operations and size of the organisation mean that we are impacted by external factors that are inherently outside of our control to directly manage. Understanding these factors allows us to consider the possible impact to the business and take the required steps to minimise the impact and ensure that MAG can successfully respond to national and global uncertainties. Macroeconomic, political and geopolitical factors have the potential to reduce demand for air travel and thereby restrict growth throughout the industry. There could be multiple consequences arising from this, including the risk of airline failure and reduction in consumer spending. The impact of this could prevent MAG airports from delivering forecast traffic volumes. A weak economic outlook and/or recession, alongside cost of living pressures could impact on consumer demand and ability to travel in the way the public would wish to due to personal cost pressures and the lack of disposable funds.	As noted above, whilst the factors impacting on MAG are inherently outside of our control, we take a proactive approach to assessing the market and the implications of uncertainties on our business. By taking early and decisive action, we are able to navigate these uncertainties and continue to flourish. We also incorporate appropriate flexibility into our long term plans and strategies to enable us to respond to changes in circumstances. Examples of this include: • We maintain a manageable level of external debt, it is primarily long term and as evidenced in the pandemic, we have supportive shareholders. • During the pandemic, we were able to pause the Manchester Airport transformation programme because of the phasing we had incorporated into the planning and delivery of the project. With the recovery now established, we are pressing ahead with second phase of the programme. • We have developed and maintained close relationships with our airline partners. This is further enhanced by strong route development, particularly among the Low-Cost Carriers who have seen the fastest recovery in operations. This diversity of offering, alongside robust key account management, enables MAG airports to remain competitive and ensures that routes remain attractive and exciting to customers, even during times of economic uncertainty.

Directors' report *(continued)*

Principal risks and uncertainties *(continued)*

Key risk	Risk detail	Mitigation strategy
Macroeconomic, political and geopolitical uncertainty	A natural consequence of this is a reduction in airline capacity and growth which, as we have seen in the recent past, can lead to airline failure, particularly when combined with an increased cost base. Furthermore, macroeconomic, political and geopolitical factors currently at play increase the costs associated with operating and developing MAG airports. This includes, but is not limited to, an increase in operating and capital costs as a result of supply chain issues, labour shortages, continued weakness in sterling and high energy costs.	• We have also focused on ensuring that we have the right skills, resources and organisational design in place to grow back better following the disruption caused by the pandemic. We undertake a robust process of modelling resource requirements to align to forecast demand levels. • MAG is a diverse business and we consider our product and geographical diversification when making business decisions. We undertake regular reviews of economic growth prospects for the UK and the world economy, and implications for demand forecasts for MAG airports. We support this approach to sound economic planning by ensuring that our corporate and airport strategies incorporate sensitivities for economic shocks and broader world events such as the current conflict in Ukraine. In this way, we have the information to be able to make business decisions that incorporate the information at our disposal to ensure it is considered, appropriate and ensures the best short, medium and long term outlook for the Group.

Key performance indicators ('KPIs')

Management have identified the relevant key performance indicator for the Company to be profit before taxation. For the group consolidated key performance indicators please refer to the Annual Report and accounts for MAHL pages 22-25. The directors have not used any additional KPIs for the Company.

The Company's performance against these KPIs were as follows:

	2023	2022
	£000	£000
Profit before taxation	-	557

Directors

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

J Bramall

M Jones

Employees

The Company's employment policies are regularly reviewed and updated by the Board.

The Company's employment policies are legally compliant, and a programme has commenced to review, modernise and simplify all our employment policies. The Company is committed to treating all employees and job applicants fairly and on merit, regardless of age, disability, gender and gender reassignment, marital and civil partnership status, pregnancy and maternity, race, religion or belief, and sexual orientation. The Company does not tolerate harassment, discrimination or victimisation of any kind. As part of MAG's commitment to creating an inclusive environment for all colleagues, several Colleague Resource Groups (Women's Network, Fly with Pride, Carers' Network, LGBTQIA+, Race & Ethnicity and Men's Mental Health) have been established to form communities of interest, help inform the business and support positive change in the organisation. If an employee becomes disabled, every effort is made to make appropriate reasonable adjustments to retain them in their current role or provide retraining or redeployment within the Group.

Directors' report *(continued)*

Apprentices and National Living Wage

The Company remains fully supportive of apprenticeships. The impact of COVID-19 meant that recruitment into apprentice programmes was paused but we have now recommenced recruitment of apprentices, with the design of new programmes, and driven by a dedicated Early Talent Manager, with the view to building diverse talent pipelines as part of strategic workforce planning. The Company fully complies with all of its obligations under National Living Wage.

Diversity

The Company provides services for a changing and diverse society and the board of directors considers that to provide the best services for our customers it is essential that the Company embraces diversity in the workforce. Accordingly, the Company has a programme of activity, which aims to ensure that these objectives are achieved.

Consultation and communication

Consultation with employees or their representatives has been critical through this period of uncertainty due to the business impacts of the pandemic and there has been a continuous dialogue at all levels, with the aim of ensuring that their views are taken into account when decisions are being made that may affect their interests. As part of the Trade Union recognition arrangements, various employee forums exist for each business area, and more information on consultation is provided in the annual CSR report which can be found at: https://www.magairports.com/responsible-business/csr-reports/.

The Company is constantly looking for ways to ensure that employees are able to participate and engage in the business. As part of the Trade Union arrangements, various employee forums exist for each business area. In addition, business briefings are cascaded throughout the organisation to communicate key business and operational issues.

Research and development

The Company did not incur any research and development expenditure during the year (2022: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2022: £nil).

Financial risk management

The Company's activities expose it to a variety of financial risks. The Company's funding, liquidity and exposure to interest rate risks are managed by the Group's treasury function.

Treasury operations are conducted within a framework of policies, which are approved and subsequently monitored by the Board. These include guidelines on funding, interest rate risk management and counterparty risk management.

For more details of the management of these risks please refer to note 26 on page 152 of the annual report and accounts for Manchester Airports Holdings Limited. The directors have not identified any additional risks specific to this Company.

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 the period to 30 September 2024 which indicate that, the Company will have sufficient funds, through funding from its ultimate parent company, Manchester Airports Holdings Limited, to meet its liabilities as they fall due for that period. Further detail of the directors' assessment of going concern is detailed in the basis of preparation section of the accounting policies on page 13, within note 1 to the financial statements.

Directors' report *(continued)*

Dividend

No dividends were paid in the year (2022: £nil).

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.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Director's Report within the 'investing for the future' section on page 1.

Auditor

The statutory auditor, Ernst & Young LLP, was appointed in the year and has expressed their willingness to continue in office. A written resolution relating to the re-appointment for the year ending 31 March 2024 was put before the Company's Board on 27 June 2023 and was duly approved.

Post balance sheet events

Subsequent to the year end, on 12 May 2023 the Group secured a bridge to bond facility, details of which can be found in note 18 to the financial statements.

By order of the Board

J Bramall
Director

31 August 2023

6th Floor
Olympic House
Manchester Airport
Manchester
M90 1QX

Statement of directors' responsibilities relating to the Directors' Report and the financial statements

The directors are responsible for preparing 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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/or the group will continue in business.

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. Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAVU EXPERIENCES (EMEA) LIMITED (FORMERLY SKYPARKSECURE LTD)

Opinion

We have audited the financial statements of CAVU Experiences (EMEA) Limited (formerly Skyparksecure Ltd) ("the Company") for the year ended 31 March 2023 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2023 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 to 30 September 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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;
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAVU EXPERIENCES (EMEA) LIMITED (FORMERLY SKYPARKSECURE LTD) *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, FRS102, UK taxation legislation, Civil Aviation Act 2012 and Air Navigation Order 2016.
- We understood how CAVU Experiences (EMEA) Limited (formerly Skyparksecure Ltd) is complying with those frameworks by making enquiries with management, those charged with governance, internal audit and those responsible for legal and compliance matters and also reviewing the Group code of conduct and whistle-blower hotline.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying the controls which are in place at the entity level and whether the design of these controls is sufficient for the prevention and detection of fraud. We also consider the risk of management override and consider the design and implementation of controls at the financial statement level to prevent this.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included involving our forensics team to assess any potential areas of higher risk. We followed up on these areas to perform further procedures to assess if there was any risk of fraud. We also read minutes of key boards and committees, read communications with regulators and legal advisors, inquired of management and those charged with governance, and performed targeted journal entry testing for journals with fraudulent characteristics.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
31 August 2023

Statement of comprehensive income

for the year ended 31 March 2023

	Note	**2023**	2022
		£000	£000
Revenue	*2*	-	1,339
Operating costs	*3*	-	(789)
Other income - government grants	*4*	-	7
Profit before taxation		-	557
Taxation	*7*	-	(144)
Profit for the financial year		-	413
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the financial year		-	413

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

The notes on pages 13 to 24 form an integral part of these financial statements.

Statement of financial position

at 31 March 2023

	Note	**2023**	**2023**	2022	2022
		£000	**£000**	£000	£000
Non-current assets					
Tangible assets	*9*		**4,181**		-
Trade and other receivables > 1 year	*10*		**2,748**		3,110
			6,929		3,110
Current assets					
Inventories	*11*	**161**		-	
Trade and other receivables	*12*	**1,103**		-	
		1,264		-	
Current liabilities					
Trade and other payables	*13*	**(5,083)**		-	
Net current assets			**(3,819)**		-
Net assets			**3,110**		3,110
Capital & Reserves					
Called up share capital	*14*		**-**		-
Share premium	*15*		**1,376**		1,376
Retained earnings	*15*		**1,734**		1,734
Shareholders' funds			**3,110**		3,110

The notes on pages 13 to 24 form an integral part of these financial statements.

These financial statements of CAVU Experiences (EMEA) Limited (formerly Skyparksecure Ltd), registered number 05602720, were approved by the board of directors on 31 August 2023 and were signed on its behalf by:

J Bramall
Director

Statement of changes in equity

at 31 March 2023

	Called up share capital	Share premium	Retained earnings	Total shareholders' funds
	£000	£000	£000	£000
Balance at 1 April 2022	-	1,376	1,734	3,110
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Balance at 31 March 2023	-	**1,376**	**1,734**	**3,110**

	Called up share capital	Share premium	Retained earnings	Total shareholders' funds
	£000	£000	£000	£000
Balance at 1 April 2021	-	-	1,321	1,321
Total comprehensive income for the year				
Profit for the year	-	-	413	413
Total comprehensive income for the year	-	-	**413**	**413**
Transactions with owners recorded directly in equity				
Issue of shares at premium	-	**1,376**	-	**1,376**
Balance at 31 March 2022	-	**1,376**	**1,734**	**3,110**

The notes on pages 13 to 24 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

CAVU Experiences (EMEA) Limited (formerly Skyparksecure Ltd) (the 'Company') is a private company limited by shares and incorporated, registered and domiciled in England and Wales in the UK. The registered number is 05602720 and the registered address is 6th Floor, Olympic House, Manchester Airport, Manchester.

The Company is exempt by virtue of section 400 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.

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'*). 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 accounting standards in conformity with the requirements of the Companies Act 2006, 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.

The Company has taken advantage of section 33.1A of FRS 102 *Related Party Disclosures* and not disclosed transactions with wholly-owned subsidiaries within the same group.

The Company has taken advantage available under FRS 102 UK SI 2018/1155 and not disclosed information relating to Streamlined Energy and Carbon Reporting ("SECR").

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern and basis of preparation

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 the period to 30 September 2024 which indicate that, the Company will have sufficient funds, through funding from its ultimate parent company, Manchester Airports Holdings Limited, to meet its liabilities as they fall due for that period.

This assessment is dependent on Manchester Airports Holdings Limited providing financial support during the period as the funding requirements for the Group are managed centrally. Manchester Airports Holdings Limited has indicated its intention to continue to make available such funds as are needed by the Company for the going concern period.

Group assessment

At 31 March 2023, the Group had liquidity headroom of £561,600,000 comprised of: £67,600,000 of net cash, undrawn committed facilities of £484,000,000 (Secured Revolving Credit Facility (RCF)) and an available overdraft facility of £10,000,000.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern and basis of preparation *(continued)*

Group assessment (continued)

Group management have modelled a base case and downside scenario for the Group, neither of which indicate a liquidity or covenant breach. They have also modelled a reverse stress test which is considered remote based on current passenger levels and industry predictions.

Whilst the MAHL Annual Report for the year ended 31 March 2022 was prepared on a going concern basis it contained a material uncertainty as the Group, under a severe but plausible scenario, forecasted a potential breach of a financial covenant at 31 March 2023. The strong recovery in passenger numbers experienced by the Group over the past 12 months and the forecasts produced to cover the going concern assessment period have provided confidence that a material uncertainty no longer exists.

The Group's base case forecast of passenger number projections include a business plan of 95% of pre-Covid-19 (defined as FY20) levels for FY24 and returning to pre-Covid-19 levels in FY25. The levels of passenger demand in the forecast reflects the directors' anticipated rate of recovery and is aligned with industry expectations.

The forecasts include the successful refinancing of the Group's £360,000,000 bond and result in a minimum liquidity headroom of £315,000,000 during the going concern assessment period and compliance with MAG's financial covenants when tested at September 2023; March 2024; and September 2024. The forecasts also include the raising of additional finance for discretionary expansionary capital expenditure. The directors expect to be able to access this finance, as described above. However, should the finance not be available, the expansionary capital expenditure would be deferred.

In addition to the Group's business plan forecast of 95% of pre-Covid passenger levels the directors have also considered a downside scenario.

In this scenario passenger numbers are restricted to 88% of pre-Covid-19 levels in FY24 (in line with the lower level of current industry forecasts), with partial recovery to 92% of pre-Covid-19 levels in FY25. In such a case the Group is expected to maintain positive liquidity headroom in excess of £198,000,000 for the going concern assessment period.

The forecast contains certain cash and cost mitigation measures to remove areas of discretionary spend but keeps key regulatory or infrastructure spend in place. The Group can, where necessary, also undertake potential mitigating actions within its control, including cutting of additional spend and delaying of further capital expenditure.

In addition, a reverse stress test has been prepared by management which demonstrates the level of passenger numbers that would result in a covenant breach, this equates to a reduction in passenger numbers of 77% of pre-pandemic levels. A fall to this level is considered to be implausible, based on current passenger levels and industry predictions.

A bridge to bond facility is available and sufficient to ensure the £360,000,000 bond maturing in April 2024 can be repaid if a new bond issue should not take place in advance of that date. The remaining £1,100,000,000 of Group bonds will mature between 2034 and 2044.

Based on the work performed to assess the Group forecasts, and that the Directors are satisfied that Manchester Airport Holdings Limited has agreed to support the company as required, the directors 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 the period to 30 September 2024.

1.3 Foreign currency

The Company financial statements are presented in pounds sterling and rounded to thousands. The Company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each year end foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income within other operating costs.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.4 Intercompany balances

Intercompany balances are recognised initially at transaction price and including 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 intercompany 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 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.

1.6 Basic financial instruments

Trade and other receivables/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.

1.7 Revenue

Car parking revenue is recognised at the fair value of the consideration for commission on agency sales received or receivable for services provided in the normal course of business, and it shown net of VAT and other sales related taxes. The fair value of consideration takes into account any applicable customer discounts.

Other income is recognised at the fair value of the consideration for booking fees on agency sales received or receivable for services provided in the normal course of business, and it shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover derived from agency sales is recognised at the time of booking.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.8 Tangible fixed assets

Tangible fixed assets are stated at costs less accumulated depreciation and accumulated impairment losses.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets.

The estimated useful lives are as follows:

Land and buildings	10 - 50 years
Property costs	10% straight line
Office equipment	33% reducing balance
Fixtures and fittings	15% reducing balance

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last Annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Subsequent costs, including major inspections, are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income and included in operating costs.

1.9 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes, duties, transport and handling, directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting year inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell, and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required, the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

1.10 Government grants

Income based government grants include the Coronavirus Job Retention Scheme. Income arising from these grants are recorded in "other income - government grants" within the statement of comprehensive income, and amounts receivable under the scheme(s) are included within other receivables in the balance sheet.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.11 Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred.

Lease incentives received are recognised in statement of comprehensive income over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable

Interest payable and similar charges include interest payable and finance charges.

Interest income and interest payable are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

1.12 Taxation

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.

Deferred tax is provided on timing differences that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable, or are disallowable for tax, or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. For investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.13 Impairment

Financial assets (including trade and other receivables)

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 the unwinding of the discount. Impairment losses are recognised in the statement of comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

1.14 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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.14 Critical accounting estimates and judgements *(continued)*

Judgements

In applying the Group's accounting policies, the Group has made key judgements. Management believe that going concern contains the more significant judgements impacting these financial statements.

Going concern

The directors have prepared a going concern assessment for the period to 30 September 2024 which indicate that, the Company will have sufficient funds, through funding from its ultimate parent company, Manchester Airports Holdings Limited, to meet its liabilities as they fall due for that period.

The impact of the ability of the Group to refinance a £360m bond due to mature in April 2024; and the impact upon activity levels of current macroeconomic considerations (including the cost of living crisis and the Ukraine conflict) have been considered in the Basis of Preparation. The directors have evaluated whether the actions already undertaken to secure a credit facility and the mitigating actions that the Group can undertake against any reductions in activity levels are sufficient to ensure that MAG will continue as a going concern for plausible future trading scenarios.

Based on the work performed at the MAHL level, the directors 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 the period to 30 September 2024.

Notes to the financial statements *(continued)*

2 Analysis of revenue

	2023	2022
	£000	£000
By Activity		
Car parking	-	1,032
Other income	-	307
	-	1,339

In the prior year, the Company transferred their trade and assets to a fellow group undertaking, CAVU ECommerce (EMEA) Limited, in exchange for an intercompany loan equal to the book value of the transfers. As a result, the Company did not trade in the current year.

3 Notes to the statement of comprehensive income

	2023	2022
Profit before taxation is stated after charging/(crediting):	**£000**	£000
Depreciation of tangible fixed assets	-	21
Operating lease charge	-	7
Other income - government grants (see note 4)	-	(7)

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 proportion of the consolidated fee applicable to the Company is £10,000 (2022: £35,000).

4 Other income - government grants

	2023	2022
	£000	£000
Coronavirus Job Retention Scheme (see note 6)	-	7

5 Remuneration of directors

J Bramall was a director of Manchester Airports Holdings Limited during the year, and their aggregate remuneration is disclosed in that company's consolidated financial statements. M Jones was also a director of the Company during the year, but not a director of Manchester Airports Holdings Limited. The proportion of their aggregate remuneration applicable to the Company based on services provided, is £20,000 (2022: £20,000). This includes £nil (2022: £nil) received under long term incentive schemes and £nil (2022: £nil) of company contributions to pension plans.

6 Staff numbers and costs

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees	
	2023	2022
Management and administrative	-	11

The average number of employees has been calculated for both 2023 and 2022 to reflect full-time equivalents (FTEs) employees as opposed to actual headcount.

Notes to the financial statements *(continued)*

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2023	2022
	£000	£000
Wages and salaries	-	367
Social security costs	-	40
Other pension costs	-	14
	-	421

During the prior year, the Company received £7,000 of government grant income through the Coronavirus Job Retention Scheme, which is disclosed separately within "other income - government grants" within the statement of comprehensive income. The total employee costs net of these grants is £414,000.

7 Taxation

Total tax charge recognised in the statement of comprehensive income

	2023	**2023**	2022	2022
	£000	**£000**	£000	£000
UK corporation tax				
Current tax charge on profit for the year	-		115	
Adjustment in respect of prior periods	-		29	
Total current tax charge		-		144
Total tax charge		-		144

Reconciliation of effective tax rate

	2023	2022
	£000	£000
Current tax reconciliation		
Profit for the year	-	413
Total tax charge	-	144
Profit before tax	-	557
Profit before tax multiplied by the standard rate of corporation tax of 19% (2022: 19%)	-	106
Effects of:		
Expenses not deductible/(income not taxable)	-	9
Adjustments to current tax charge relating to prior years	-	29
Total tax charge included in statement of comprehensive income	-	144

The unrecognised deferred tax assets as at 31 March 2023 were £nil (2022: £nil).

Notes to the financial statements *(continued)*

8 Transfer of lounge trade and assets to the Company

On 31 March 2023, the Company acquired the trade and assets of all airport lounge business from fellow Group undertakings Manchester Airport Plc, Stansted Airport Limited and East Midlands International Airport Limited.

The following balances were acquired from the three Group undertakings.

	2023
	£000
Non-current assets	
Tangible fixed assets - cost	5,910
Tangible fixed assets - accumulated depreciation	(1,729)
Tangible fixed assets - net book value	**4,181**
Current assets	
Inventories	161
Prepayments and accrued income	1,103
	1,264
Current liabilities	
Accruals and deferred income < 1 year	(2,940)
	(2,940)
Net current liabilities acquired	**(1,676)**
Net assets acquired	**2,505**

The balances acquired with net value of £2,505,000 were exchanged for an equal and opposite amount owed to each of the Group undertakings.

Notes to the financial statements *(continued)*

9 Tangible fixed assets

	Other land and buildings £000	Airport infrastructure £000	Plant, fixtures and equipment £000	Assets in the course of construction £000	Total £000
Cost					
At 1 April 2022	-	-	-	-	-
Transfer from group undertakings	1,949	593	3,167	201	5,910
At 31 March 2023	**1,949**	**593**	**3,167**	**201**	**5,910**
Depreciation					
At 1 April 2022	-	-	-	-	-
Transfer from group undertakings	213	213	1,303	-	**1,729**
At 31 March 2023	**213**	**213**	**1,303**	**-**	**1,729**
Net book value					
At 31 March 2023	**1,736**	**380**	**1,864**	**201**	**4,181**
At 31 March 2022	-	-	-	-	-

Transfer from group undertakings

The Company acquired the trade and assets from fellow group undertakings, Manchester Airport Plc, Stansted Airport Limited, East Midlands International Airport Limited and MAG Airport Limited, in exchange for an intercompany loan equal to the book value of the transfers. Included in the transfer were tangible fixed assets with net book value of £4,181,000 transferred on 31 March 2023.

Notes to the financial statements *(continued)*

10 Trade and other receivables > 1 year

	2023	2022
	£000	£000
Amounts due by group undertakings > 1 year	2,748	3,110
	2,748	3,110

Amounts due by group undertakings of £2,748,000 (2022: £3,110,000) are unsecured, interest-free and repayable on demand. The expectation is that it will be received in more than 12 months from the balance sheet date.

11 Inventories

	2023	2022
	£000	£000
Raw materials and consumables	161	-

The Company acquired the trade and assets from fellow group undertakings, Manchester Airport Plc, Stansted Airport Limited and East Midlands International Airport Limited, in exchange for an intercompany loan equal to the book value of the transfers. Included in the transfer were inventories of £161,000, transferred on 31 March 2023.

12 Trade and other receivables < 1 year

	2023	2022
	£000	£000
Prepayments and accrued income	1,103	-
	1,103	-

The Company acquired the trade and assets from fellow group undertakings, Manchester Airport Plc, Stansted Airport Limited and East Midlands International Airport Limited, in exchange for an intercompany loan equal to the book value of the transfers. Included in the transfer were prepayments and accrued income of £1,103,000, transferred on 31 March 2023.

13 Trade and other payables

	2023	2022
	£000	£000
Amounts due to group undertakings	2,143	-
Accruals and deferred income	2,940	-
	5,083	-

Amounts due to group undertakings are unsecured, interest-free and repayable on demand. All amounts are classified as current, whilst the expectation is that it will be paid in more than 12 months from the balance sheet date.

The Company acquired the trade and assets from fellow group undertakings, Manchester Airport Plc, Stansted Airport Limited and East Midlands International Airport Limited, in exchange for an intercompany loan equal to the book value of the transfers. Included in the transfer were accruals and deferred income of £2,940,000, transferred on 31 March 2023.

Notes to the financial statements *(continued)*

14 Called up share capital

	2023	2022
	£000	£000
Issued, called up and fully paid		
1,000 Ordinary shares of 0.001p each	-	-

15 Reserves

	Share premium	**Retained earnings**
2023	**£000**	**£000**
At 1 April 2022	1,376	1,734
Profit for the year after taxation	-	-
At 31 March 2023	**1,376**	**1,734**

	Share premium	**Retained earnings**
	£000	**£000**
At 1 April 2021	1,376	1,321
Profit for the year after taxation	-	413
At 31 March 2022	1,376	1,734

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

The Company is a subsidiary undertaking of Simmerdown Limited. The smallest group in which the results of the Company are consolidated is that headed by Manchester Airports Holdings 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.

17 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 2023 is £1,436.1m (2022: £1,921.2m).

18 Post balance sheet events

Subsequent to the year end, on 12 May 2023 the Group secured a bridge to bond facility that provides the Group with assurance that it will be able to refinance its bond for £360.0m by providing the facility to drawdown £360.0m up to 12 May 2024, with options to extend to 12 May 2025. These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy. The bridge to bond facility is held within fellow group undertaking Manchester Airport Group Finance Limited. As required, drawings from the facility will be transferred within the Group in line with the Group's internal treasury policy.