



Manchester Airports Group (MAG)

Manchester Airports Holdings Limited

Annual Report and Accounts

For the year ended 31 March 2022

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SECURITY



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COMPANIES HOUSE



We have partnered with CarbonClick to help our passengers offset the carbon from their journeys

Contents

| | |
|--|----|
| Chair's foreword | 4 |
| Chief Executive's introduction | 6 |
| MAG at a glance | 9 |
| Our strategy | 10 |
| Climate change and sustainability | 13 |
| Divisional highlights | |
| Manchester Airport | 16 |
| London Stansted Airport | 18 |
| East Midlands Airport | 19 |
| CAVU | 20 |
| Our people | 22 |
| Annual report and consolidated financial statements | |
| Strategic report | |
| Key Performance Indicators (KPIs) | 23 |
| Chief Finance Officer's introduction | 25 |
| Financial Review | 26 |
| Corporate Social Responsibility | 40 |
| Governance report | |
| Officers and Professional Advisors | 49 |
| Leadership and governance | 50 |
| Internal controls and risk management | 67 |
| Task Force on Climate-Related Financial Disclosure | 75 |
| Task Force on Climate-Related Financial Disclosures (TCFD) reporting index | 77 |

| | |
|--|-----|
| Directors' report | 85 |
| Directors' responsibilities statement | 92 |
| Independent auditor's report | 93 |
| Group financial statements | |
| Accounting policies | 98 |
| Consolidated income statement | 117 |
| Consolidated statement of comprehensive income | 118 |
| Consolidated statement of changes in equity | 119 |
| Consolidated statement of financial position | 120 |
| Consolidated statement of cash flows | 121 |
| Notes to the Group Financial Statements | 122 |
| Company financial statements | |
| Accounting policies | 170 |
| Statement of financial position | 171 |
| Statement of changes in equity | 172 |
| Notes to the Company financial statements | 173 |

Chair's foreword

This year has been characterised by changing international travel rules as governments around the world navigated their way through vaccination programmes and new variants.

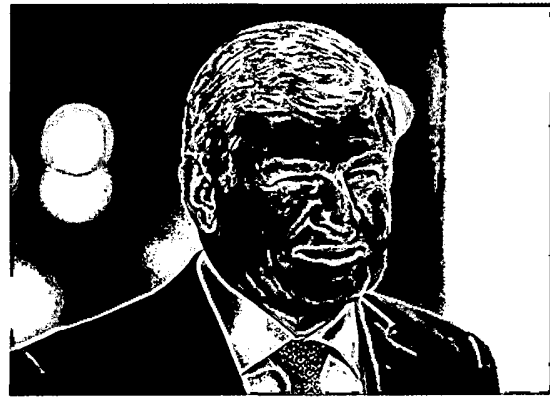
We should not forget that, at the beginning of the 2021/22 financial year, overseas leisure travel was illegal. As the year began, MAG joined calls from across the industry for a clear roadmap to the removal of restrictions when conditions allowed.

While the eventual introduction of the Government's Traffic Light System was a positive development, successive changes to the framework created uncertainty and undermined consumer confidence for large parts of the year. That was reflected in significantly suppressed passenger volumes at all airports, including those operated by MAG.

The easing of travel rules, due in no small part to the success of the UK's vaccination programme, led to a spike in traffic. MAG saw passenger volumes reach 58% of pre-pandemic levels heading into November.

However, the emergence of the Omicron variant set back the recovery of the aviation sector once more. A new set of temporary restrictions saw confidence knocked again in the run up to Christmas.

This constantly shifting landscape created unprecedented challenges for our management teams, but we were pleased to play a leading role within our industry in demonstrating the case for testing and quarantine requirements being removed entirely, which was confirmed during the final quarter of the period.



I am encouraged that the Government has indicated that such restrictions are more likely than not to remain a thing of the past. This direction of travel has given consumers the confidence to kick-start aviation's recovery.

While recovering at rapid pace has brought some challenges, as a Board we are looking forward to working with the management team to lead a strong recovery, maximising our wider contribution to the communities and regions we serve.

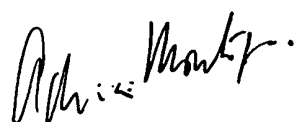
With that recovery already well underway, we remain committed to playing a leading role in the decarbonisation of aviation. We are pleased to report a series of key developments in that arena, which will help us work towards our overall ambition making MAG's airport operations net zero carbon by 2038.

In parallel, we look forward to the 41st Assembly of the International Civil Aviation Organisation (ICAO) later this year, and the prospect of a global commitment to achieving net zero aviation.

None of these achievements – the work to protect the business through the pandemic, the drive to support the recovery, and the investment in the future of our business and our sector – would be possible without the tireless commitment of everyone at MAG.

The Board and I want to put on record our thanks to everyone who has supported the business through this challenging year.

I also want to personally thank Sir Richard Leese, who stood down from our Board and as the Leader of Manchester City Council in late 2021. He has made an extraordinary contribution to our company, Greater Manchester and the whole of the North. We wish him well for the future and look forward to working just as closely with his successor, Cllr Bev Craig.



Sir Adrian Montague CBE



Chief Executive's introduction

For the second consecutive year, this report paints a picture of an aviation sector that was severely impacted by the international travel restrictions introduced in response to the coronavirus pandemic.

At the start of April 2021, all non-essential travel to and from the UK was prohibited, with many of MAG's most important markets effectively closed. We were joined by others in our industry in calling for a risk-based approach to restrictions, so that travel to different markets could be opened up depending on factors such as case rates and vaccination levels.

The Government's Global Travel Taskforce responded to this with its "traffic light system," which categorised countries as red, amber or green, with different restrictions applying in each case. While this appeared a positive development, a succession of changes – both to the categories themselves and to the countries within each designation – continued to cause uncertainty for the industry and consumers.

This meant that, for long periods of this year, passenger volumes remained significantly lower than they were pre-pandemic, with British travellers often subject to more stringent controls than those experienced in other countries. These measures resulted in a slower recovery in demand over Summer 2021 compared to most European countries.

The eventual relaxation of restrictions, in early October, had an almost immediate positive impact on demand. MAG's recovery at this time outstripped that of much of the UK market, underlining the strength of our proposition and the pent-up demand for travel.



However, the emergence and rapid spread of the Omicron variant in November hindered the sector's recovery once more, with the temporary re-introduction of complex, multi-stage testing requirements for people travelling to the UK. This change dramatically reduced passenger volumes and impacted our ability to plan ahead for a meaningful recovery.

Faced with these challenges, we were at the forefront of research to demonstrate the ineffectiveness of testing and quarantine requirements in preventing the spread of new variants, and highlight the significant economic impact caused by holding back the recovery of aviation.

The Government recognised these findings when it removed the remaining restrictions for fully vaccinated passengers at the turn of the calendar year, while also indicating such controls will only be re-introduced in exceptional circumstances.

This development sparked a rapid return of demand to the market, with passenger numbers rising sharply towards the end of the financial year. That trend has continued into the new period, with traffic across MAG in April 2022 reaching 80% of 2019 levels.

Like all airports across the UK, it has been challenging to build back our staffing levels quickly enough to meet this returning demand. This has meant we have at times seen disruption at some of our airports. But our major recruitment campaigns at all three MAG airports are delivering results, and we expect to have the resources we need in place ahead of the busy summer season.

The fact this improved outlook only materialised in the final month of the financial year means it has had limited impact on the performance of the Group during the period covered by this report.

Passenger volumes across the Group in FY22 were 20.5m. While this was up on the 6.3m served in FY21, it was still significantly lower than the 59.6m recorded in FY20.

Group revenue climbed to £462.1m, up from £178.6m in the prior year. Importantly, MAG returned to positive adjusted EBITDA* of £125.6m during the period, compared to a £149.4m loss in FY21.

While international passenger travel was heavily restricted for most of the year, it is worth recognising the strong performance of our airports when it comes to cargo, most notably East Midlands, the largest airport in the UK for freight-only flights.

Despite suppressed passenger volumes, we took the decision to open the extension of Manchester's Terminal Two – the centrepiece of our £1bn Transformation Programme – in July 2021.

Feedback from our passengers and colleagues about the new facility has been very positive and, as the year progressed, a growing number of airlines have moved into the terminal. New retailers and food and beverage operators have also opened, adding to the enhanced passenger experience.

MAG also continued to invest in its infrastructure, paving the way for a strong recovery in the new financial year. This included the delivery of a new £70m baggage system at London Stansted. We also secured approval for the next phase of growth at London Stansted, with permission granted by the Planning Inspectorate in May 2021 to increase the airport's passenger capacity from 35 to 43 million passengers per year.

We are always on the lookout for new ways we can add value for customers as they travel. That curiosity and innovation is what has led us to develop new products throughout the airport experience, such as airport hospitality, car parking and digital booking engines – and to deploy these not only at our three airports but around the world.

This year we have taken the next step on that journey with the creation of our new global distribution agency, CAVU. We are excited about the potential this new venture has to offer both for MAG and our partners in the wider travel sector.

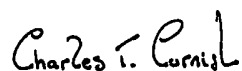
The past two years have been exceptionally difficult and we know that our recovery over the coming months will not be without its challenges. Our immediate focus is on rebuilding resource in our operation but we cannot ignore the strategic risks presented by external factors such as geopolitical stability and the war in Ukraine, the growing cost of living crisis here in the UK, and the relative insecurity of energy and fuel supplies. We are monitoring these and other risks closely to ensure we are ready for any further disruption we might face in due course.

Throughout this year, we have maintained our focus on building a sustainable future for our business. We remain committed to decarbonising aviation and are on track to achieve our goal of net zero for our operations by 2038.

More detail is contained in the relevant section of this report, but it is important to note several key developments including the launch of a partnership with CarbonClick, which gives all MAG passengers the chance to offset the emissions of their flights; and the signing of a Memorandum of Understanding with Fulcrum BioEnergy UK to support the development of Sustainable Aviation Fuel (SAF) in the North West.

We also remain committed to supporting the communities that surround our airports. We were pleased to re-open our Aerozone education facilities, which were forced to close during the pandemic. Our Airport Academies have also played a critical role in giving local jobseekers access to the thousands of job opportunities being created as our airports recover.

Finally, I would like to thank all MAG employees for their hard work and dedication during what has been another extremely challenging year for our industry. We are confident of a bright future for MAG as we continue on our recovery journey, and our people sit at the heart of our plans to achieve that.



Charlie Cornish

MAG at a glance

20.5m

Passengers
this year

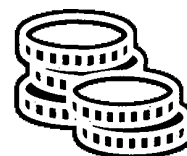
▲ 225%



£462.1m

revenue this year

▲ 159%



791,000

tonnes of cargo

▲ 3%



£125.6m

Adjusted EBITDA*

▲ 275m FY21:
-149.4m

234

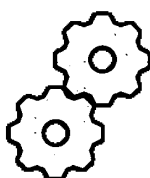
destinations
from our airports



4,300

MAG employees

▼ 22%



-£130.3m

Results from
operations

▲ 64%



£68.7m

Capital investment

▼ 55%



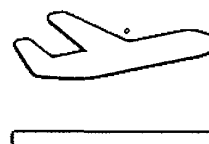
FT European
Climate Leader
2021 & 2022



Carbon Neutral
since
2016



Net zero
carbon by
2038



Passenger carbon
offsetting with
CarbonClick

*Adjusted EBITDA is explained on page 168

Our strategy

Our business

At MAG, we believe that our core purpose is to provide the airport facilities and travel services that people need to connect with the world.

The last two years of COVID-19 related disruption have shown just how important air travel is to modern living. The freedom to travel to see friends and family, to meet with colleagues and customers, and to experience different cultures brings with it enormous benefits.

By connecting people and places, air travel supports economic and social development at a global, national and local level.

Projections are for the demand for air travel to continue to increase both in the UK and overseas, with more of the world's population able to take advantage of the benefits of international connectivity.

Advances in technology will play a pivotal role in supporting the future of air travel. They will be essential in enabling air travel to decarbonise and achieve net zero by 2050, driving significant improvements in aircraft design and the development of alternatives to fossil fuels. Decarbonisation will be the aviation industry's biggest single challenge in the years ahead. To succeed, governments and aviation businesses will need to work together at a global level to make air travel truly sustainable and enable future generations to benefit in the same way that current generations have.

We are looking forward to air travel becoming even easier and more pleasant than it is today, so that people can spend more time relaxing and doing the things they enjoy.

At a local level, the way we operate our airports really matters to people living in surrounding communities and regions. We recognise how important it is to listen to local voices on a range of local impacts, such as noise and congestion. We know that these issues must be managed carefully and responsibly to minimise the impact on those living nearby.

Our airports also provide employment, skills and career opportunities for their local areas and support economic growth and investment in their regions by providing connectivity to international markets. We want our airports to be brilliant and diverse places to work and build a career, fully representing the communities they serve.

Taken together, these issues are the key influences on how we run our business and provide the context for our strategy.

Our stakeholders

We recognise that the way we fulfil our purpose is important to a wide range of stakeholders, including:

- the **passengers and businesses** who rely on our airports to provide the services they need to connect with the world
- the **airlines** that we work in partnership with to develop new routes and services for our passengers
- **colleagues** – both our own and those of partners operating on our sites – who work at our airports today in a wide range of skilled roles, as well as people seeking employment and looking to build careers in aviation
- the **communities** who are impacted by operational activities at each of our airports
- the **regional economies** that prosper through our supply chains and sectors of the UK economy that our airports support, such as tourism and leisure services

We are clear that we will create shareholder value by managing and developing our business in a responsible and sustainable way that recognises the needs of all our stakeholders and maintains the highest standards of safety and security.

Our strategic goals

The Group's strategy is designed to create sustainable value for our shareholders, customers and other stakeholders.

Our strategy responds to the long-term outlook for the Group outlined above, and is focused on delivering four strategic goals:

Enable air travel

Serve passengers by offering facilities and travel services that provide a seamless and enjoyable airport experience

Leverage technology to create products and services that make air travel even easier and more enjoyable

Deliver value and remain competitive to attract airlines and passengers

Generate shareholder value

Generate shareholder value by developing a strong, growing and sustainable business

Provide a compelling investment proposition for shareholders by developing profitable and sustainable growth opportunities

Operate safely and responsibly

Operate airports in a safe and responsible way to protect customers, staff, the environment and local communities

Achieve net zero*

Work with our partners and government to reach net zero emissions for our operations by 2038, and for the wider UK aviation industry by 2050

In the short term, we will also focus on our recovery from the impacts of the COVID-19 pandemic, which has had a significant adverse impact on the performance of the Group over the last two years.

In the years leading up to the pandemic, the Group delivered sustained growth in shareholder value, significant investment in new facilities and improved levels of customer service. Through this recovery period, we will look to drive the Group back to previous levels of performance as soon as we can.

This will include working with airlines to grow passenger numbers and the choice of services available from our airports. It will also mean recruiting hundreds of new colleagues to deliver an improved passenger experience and bringing forward investment in new facilities to enable longer term growth.

As we move through this period, we will progressively increase our focus on driving forward our long-term strategic agenda and look for opportunities to grow shareholder returns through the development of new solutions and products to secure future revenue streams. We will seek out opportunities to work with others to drive the industry's progress towards achieving net zero by 2050 and our own transition to net zero by 2038.

As passenger demand grows back above pre-pandemic levels, our long-term strategy will focus on investing, transforming and connecting across three focus areas:

- Continued growth at our three airports, supported by sustainable infrastructure improvements
- Our Group transformation programme, providing improved levels of service and productivity at our airports
- Investing in other opportunities including complementary airport services and digital businesses that will accelerate growth

Climate change and sustainability

Over the last 12 months we have continued to demonstrate our commitment to delivering our five-year CSR Strategy – “Working together for a brighter future”.

Despite the challenges of the pandemic, the Group has made progress towards decarbonising our business and the wider aviation industry, ensured that education and training resources remained accessible, and provided support to our local communities when they needed it most.

Zero Carbon Airports

We understand the responsibility we have to reduce the environmental impacts of our business, and our ambitious target for our operations to be net zero carbon by 2038 demonstrates our commitment to a more sustainable future.

We are also proud to be founding members of the Jet Zero Council, working together with Government and the rest of our industry for UK aviation to achieve net zero by 2050.

Our first priority is working with our industry partners to directly reduce aviation emissions, and in November we announced a partnership with Fulcrum BioEnergy UK to support our use of Sustainable Aviation Fuels (SAF).

The partnership will make Manchester Airport the first in the UK to have a direct pipeline of SAF, transported directly from Fulcrum’s new ‘NorthPoint’ Biorefinery at Stanlow.

As a result of the partnership, we anticipate around 10% of the fuel used at Manchester airport will be SAF within five years of the NorthPoint site becoming operational in 2026.

The new refinery will also create more than 1,000 green jobs in the northwest, promoting the region’s role as a SAF cluster.

We are also doing what we can to reduce emissions at our airports in the near term. In October, we launched a carbon offsetting tool in partnership with CarbonClick, which allows passengers from all three of our airports to offset their flight emissions regardless of their airline or destination.

The high-quality offsets purchased by our passengers go towards improving biodiversity in the Lake District, and the production and distribution of efficient charcoal cookstoves in Ghana and Nigeria. We believe in the short term offsetting schemes like these are an important tool to aid the overall reduction of carbon emissions in our atmosphere.

Our progress towards aviation decarbonisation also gained independent recognition this year, with MAG being named a Financial Times European Climate Leader for both 2021 and 2022.



Opportunity For All

Providing diverse and exciting development opportunities for the communities closest to us is a keystone of our approach to CSR. Despite ongoing COVID-19 restrictions across the year, we have worked hard to ensure these career and education opportunities remained available and accessible.

Since January we have been recruiting rapidly as passenger numbers recover following the lifting of international travel restrictions. Our Airport Academies have been instrumental in this drive, helping jobseekers in our local communities to understand the roles available at our airports. We supported 15 local and regional jobs fairs in the last quarter of the year, where MAG colleagues have been ambassadors for an exciting career path in the aviation industry.

In the first half of the year, our Aerozone teams worked hard to deliver a range of virtual events for students across our local communities. In-person sessions then began again in the autumn and 1,404 students have attended our East Midlands and London Stansted airport Aerozones since November 2021. We were proud to officially launch our Manchester Airport Aerozone in January, and by the end of March had welcomed over 800 students.

We want to accelerate diversity in the aviation industry, and our virtual 'Girls in STEM' event brought together schools from across our three local communities, where over 500 students learned more about science and engineering roles at our airports and the importance of gender equality.



Mayor of Greater Manchester, Andy Burnham opened the Aerozone at Manchester Airport in February

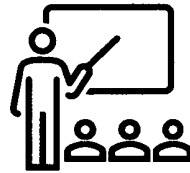
Local Voices

At MAG, we believe that the success of our airports should be shared with the regions and communities they serve. Our teams work to ensure that our engagement means local groups are heard and understood, so that we can respond to their feedback.

Virtual engagement has played a large role in our work this year, as we continued to hold regular Airport Consultative Committees and support the management of our Community Trust Funds.

This year our Funds supported vulnerable people in our local communities with over £200,000 in donations.

We commissioned an independent study earlier this year to ensure that our CSR priorities remain in line with those of local stakeholders. We are now using the results of the study to review how we work with our local communities to ensure we reach a more diverse and representative audience.



2,298

students in our
Aerozones and
Academies

More than
5,000
hours of
volunteering



86%

of our waste
diverted from
landfill this year

Manchester Airport

Manchester Airport handled 9.1 million passengers in FY22, equivalent to only 32% of FY19 levels. However, the lifting of restrictions in January means the airport ended the financial year well placed to support wider economic recovery as the UK's global gateway in the North.

Passenger numbers have grown sharply at Manchester since all remaining testing requirements were scrapped in England. By the start of the new financial year, volumes had returned to nearly 70% of pre-pandemic levels, with the return of demand once again outstripping that seen by many UK airports.

Like other businesses across the sector, labour market challenges and the process involved in clearing people to work in airside environments meant we were not able to recruit quickly enough to meet rising demand. We therefore saw some periods of disruption at Manchester Airport in the spring months.

However, we launched a large-scale recruitment campaign and, working closely with local partners and our own Airport Academy, we have welcomed hundreds of new colleagues into the operation.

Manchester's recovery has been driven by the return of many popular routes served by our most prominent carriers from before the pandemic, such as easyJet, Jet2.com, Ryanair and TUI.

The short-haul market has seen the strongest recovery, but Manchester has also been pleased to welcome back a wide range of direct long-haul services that connect the region to the world.

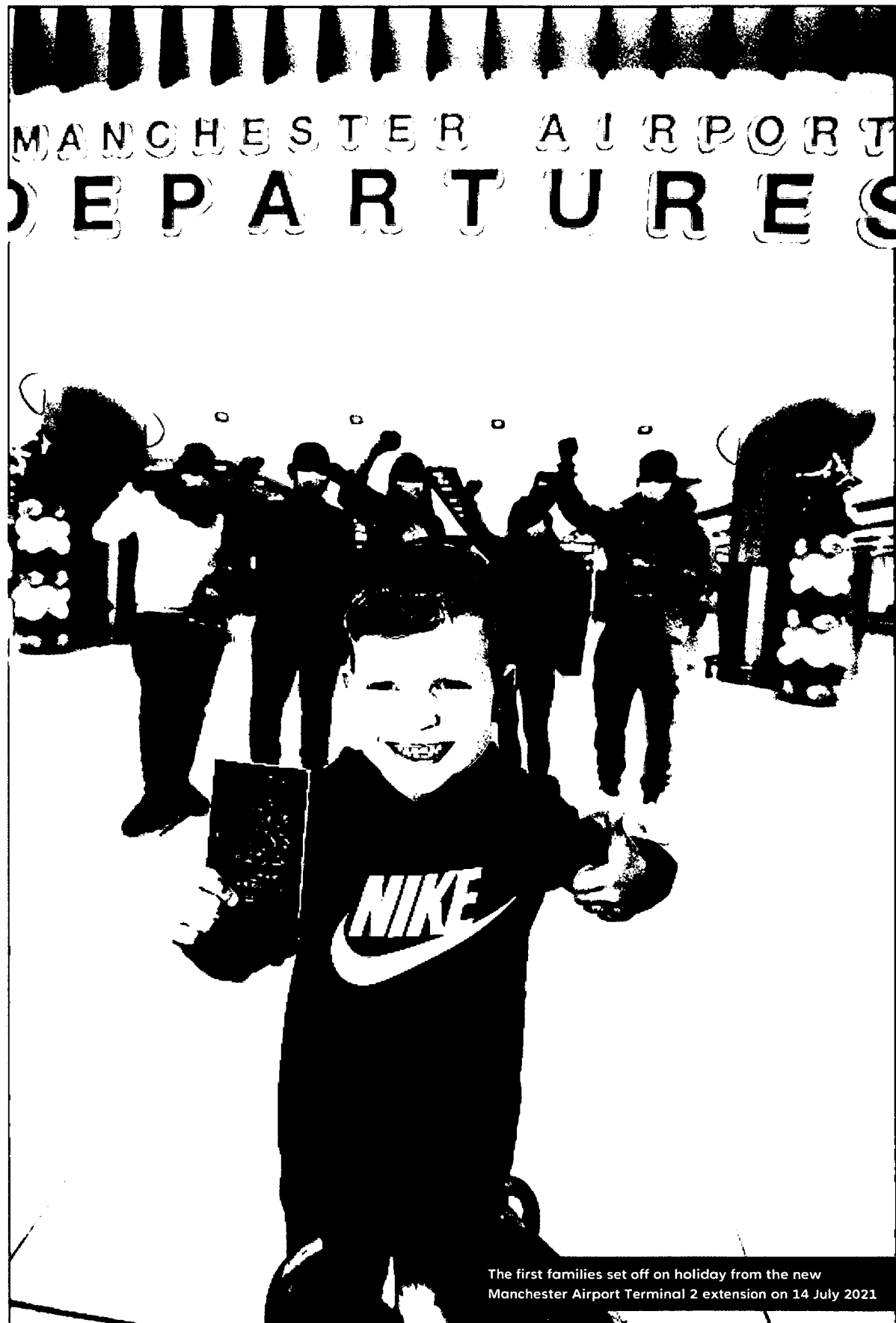
Alongside routes to destinations including Dhaka, Toronto and Jeddah, we were proud to welcome Aer Lingus to Manchester as the home of its new UK base, launching new services to Barbados, New York and Orlando, in a significant vote of confidence for the North of England.

Virgin Atlantic launched a new direct route to Montego Bay, while the airport also announced the arrival of a succession of new carriers during the period, including Kuwait Airways and Gulf Air, with their respective services set to start in the new financial year.

In July 2021, Manchester Airport marked a major milestone in its 83-year history with the opening of its extended Terminal Two, the centrepiece of its £1bn transformation programme. While the impact of the pandemic meant the terminal opened with fewer services than originally anticipated, the launch has been well received by customers, with more routes added during the year. A wide range of new retailers and food and beverage outlets have also started operating, increasing the choice for passenger travelling from the terminal.

All three of Manchester's terminals are now back in operation, along with both runways.

The year also saw key CSR milestones including the launch of Manchester's new Aerozone education centre. This fantastic facility was delivered as part of its Transformation Programme but the pandemic has stopped it from welcoming schools for most of the last two years.



The first families set off on holiday from the new Manchester Airport Terminal 2 extension on 14 July 2021

London Stansted Airport

With its wide range of European connections and robust passenger demographic, London Stansted has seen a very strong recovery as pandemic restrictions were lifted. In FY22 the airport served 10.3m passengers, bouncing back to more than 80% of pre-pandemic levels by March.

We have been investing in London Stansted to prepare for the full-scale return of international travel. In May 2021, we unveiled a £70m state-of-the-art baggage system upgrade, and in March this year we cut the ribbon on a £12m makeover to the international departure lounge with new bars, restaurants and retail outlets including Superdry, Comptoir Libanais and an 'InMotion' branch of WHSmith.

The airport has also continued to attract new routes and carriers, with PLAY airline's announcement in June 2021 that it would launch a four-weekly service to Reykjavik. In November, Ryanair announced a suite of new destinations including Stockholm, Copenhagen, Helsinki, Zagreb and Treviso.

In May 2021, the Planning Inspectorate confirmed approval for the airport to increase its passenger capacity from 35 to 43 million passengers per year. This important milestone will allow the airport to continue to grow sustainably, without changes to flight limits or disruption to local communities.

Like our other airports, London Stansted has been busily recruiting since January this year to get ready for the summer season. We reached out to jobseekers in the local area and have hosted virtual and in-person jobs fairs to hire more than 300 people, alongside even more roles with our partners including airlines, baggage handlers and retailers.



We have been proud to host several aid flights bound for Ukraine since February 2022

As part of our programme of sustainability and community outreach initiatives, we launched a consultation to create an on-site solar farm at London Stansted. The new farm will help to power the airport's operations and support our goal of reaching net zero carbon by 2038.

The pandemic meant we could not continue with much of our in-person community outreach activity but, in November 2021, the airport's Aerozone reopened to students after 18 months of virtual events.

London Stansted is one of the main freight airports in the South East and we have been proud to support charities and the UK Government with several shipments of aid and vital medical supplies to Ukraine, in partnership with Titan Airways.

East Midlands Airport

After its passenger operations returned in May 2021, East Midlands Airport welcomed 1.1m passengers this year, with traffic returning to 58% of pre-pandemic levels in March 2022.

Airlines identified the pent-up demand for travel from the airport as restrictions eased, and announced a variety of new routes. In June, easyJet launched a four-weekly service to Belfast, and Ryanair announced in November that it would operate 31 routes this summer to popular European holiday destinations including Alicante, Barcelona, Rhodes, and Chania.

The airport is also home to the relaunch of Flybe from April 2022, with the carrier offering a daily route to Amsterdam which will connect East Midlands' passengers to hundreds of global destinations from the Dutch hub.

East Midlands' cargo operation continues to go from strength to strength, with more tonnes flown by dedicated freight aircraft than any other UK airport. Businesses have increased their usage of air cargo specialists based at the airport to meet growing

demand from consumers for e-commerce. Cargo loads increased by 3.7% this year, with the airport handling over 455,000 tonnes of freight.

On a visit to the airport's evening cargo operations in December, Aviation Minister Robert Courts MP talked about East Midlands as a "key facilitator of UK trade" as he witnessed the handling of the growing demand for air freight from the site.

The national significance of the freight operation at East Midlands was recognised in March 2021 with its shortlisting for Freeport status. Much of this year has been spent working with the Government on the detailed proposals and delivery of the site, which will act a key enabler for international business within the region and is expected to create 60,000 jobs.

In early 2022, East Midlands Airport became the first airport in the UK to publish noise league tables. These tables will help us to work with our airlines to reduce local noise impacts by removing noisier aircraft types over time.



CAVU

One of our biggest strengths has always been a passion for developing and expanding our offering to customers, both directly to passengers and through the services we provide to partners in the travel sector.

Over the years, our combination of commercial agility and digital prowess has allowed us to find and secure new product opportunities including airport hospitality and car parking, as well as back-of-house travel services such as e-commerce platforms.

As we look to the future, we are committed to continuing this journey of innovation. We want to enhance our passenger offering through our industry-leading digital tools and, in March 2022, we announced the creation of a new digital business – CAVU.

CAVU was created from the union of MAGO (MAG's digital division), MAG US and our direct-to-consumer distribution brands including Airport Parking Reservations.com and ParkSleepFly. Separately, these companies have driven MAG's role as an airport innovator across three continents since 2015.



Together as CAVU, they make a global organisation with proven success, ambition, and an understanding of how to transform the modern, end-to-end airport journey.

Born within the aviation sector and backed by years of MAG expertise, CAVU has a crucial advantage over competitors. With detailed knowledge about airport operations, the new company aims to revolutionise the passenger journey.

CAVU operates as an agency serving MAG airports and external clients around the world. The organisation will help airports and others within the sector to develop solutions to enhance their offering to travellers. CAVU will focus on delivering products including E-commerce Platforms, Digital Marketing services and the deployment of premium passenger experiences such as lounges.

CAVU CEILING AND VISIBILITY UNLIMITED

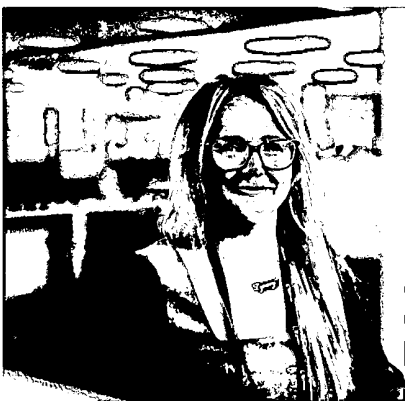
CAVU is a meteorology term, 'Ceiling and Visibility Unlimited' (CAVU), which designates the perfect flying condition, where the ceiling is more than 10,000ft and the visibility is more than ten miles.

More than just a name, CAVU is a mindset. It represents all that the company stands for. Its proud aviation heritage, its drive to push boundaries, and the very essence of what it does: creating seamless, enjoyable travel experiences for airport passengers.



"Our people are the beating heart of our business. Their enthusiasm and dedication keep our airports running, and after another difficult year I want to thank every colleague across MAG for their hard work."

Charlie Cornish, MAG CEO



Our people

Our colleagues are at the heart of our business, and we know that the pandemic has been particularly challenging for everyone working in the aviation sector. We have been working hard over the last 12 months to bring in new initiatives to support and protect our people at work.

After taking the difficult decision in October 2020 to reduce the size of our business, we have been focused on recruitment since late 2021 and have so far created more than 1,000 jobs across the Group to help meet the pent-up demand for international travel.

Our employment teams and Airport Academies have worked with local colleges, Job Centres and councils to host an intensive programme of virtual and in-person jobs fairs for each of our airports. We have also worked closely with the UK Government to ensure those who accept jobs with us can start as quickly as possible following appropriate security vetting processes.

The challenge of recruitment has been felt by MAG and businesses across our industry, and it is testament to the work of our teams that we have made such significant progress in our efforts to bring our business back to full strength. To date, we have welcomed over 1,500 new colleagues to MAG since January 2022.

Our relationships with our trade unions continue to be strong and constructive. Pay was temporarily reduced for everyone across MAG in 2020/21 as part of our response to the pandemic, and we reached an agreement with our trade unions during the 2021/22 which allowed colleagues who were not furloughed to return to full pay.

We believe that everyone should feel able and encouraged to be their authentic self at work, in a welcoming and supportive environment. Over the last year, we have made progress in delivering our Equity, Diversity and Inclusivity Strategy, setting up Colleague Resource Groups focused on Women, LGBTQIA+, Race and Ethnicity, and Men's Mental Health to support colleagues, raise awareness and help to foster an inclusive culture across MAG.

The long-term success of our business will rely on our work to help our people develop and grow. This year, we launched a Group-wide mentoring scheme that partners colleagues with senior leaders to support them in their careers at MAG.

We also announced our Data Literacy Programme for colleagues, in partnership with Multiverse. The programme is a key part of MAG's strategy to enhance on-the-job training and skills development opportunities for staff, while also supporting our ambition to use digital tools to maximise our airport operations. More than 100 colleagues have joined the programme and will receive expert support and training over a 12-36 month course in data skills and analytics.

Key Performance Indicators

| We focus on a number of key performance measures to ensure we build value for our shareholders on a consistent basis over the long term | | | | | |
|---|---|---|--|------------------|------------------|
| Measure | Aim | Context | Progress in 2022 | Progress in 2022 | Progress in 2022 |
| Revenue (continuing operations) | Achieve long-term and steady growth in revenue | We aim to deliver sustainable growth across all areas of our business - aviation, car parking, and retail | £462.1m 2021: £178.6m | ↑ | 158.7% |
| Adjusted EBITDA ¹ (continuing operations) | Generate a level of profit that allows re-investment in our infrastructure | We cover the cost of using our assets with income from our operations | £125.6m 2021: £(149.4)m | ↑ | N/A |
| Result from operations ² (continuing operations) | Achieve steady and increasing profit from operations | We expect all our operations to positively contribute to the Group's result. Result presented before impact of adjusted items | £(130.3)m 2021: £(364.6)m | ↑ | 64.3% |
| ROCE ¹ | Achieve a healthy ROCE which exceeds our cost of capital | We generate profits which cover the cost of investing in our asset base | (2.4)% 2021: (8.1)% | ↑ | 70.4% |
| Investment property value ³ | Generate growth in capital value of our property portfolio | We manage our property portfolio to realise maximum value from disposals and re-invest in new developments | £191.0m 2021: £168.9m | ↑ | 13.1% |
| Capital investment | Provide effective investment in operational assets to improve efficiency and support growth | We invest in opportunities that generate the best shareholder value, and enhance the quality of our airport services | £68.7m 2021: £154.0m | ↓ | (55.4)% |
| Adjusted cash generated from operations ¹ | Convert our operating profits into cash | We focus on converting our operating profits into cash to fund further investment and returns to shareholders | £166.5m 2021: £(188.7)m | ↑ | N/A |
| Shareholder return | Generate growth in distributions for shareholders | We provide returns to reward the shareholders' investment | £nil 2021: £nil | - | - |
| Passengers | Maximise passenger volumes through our airports | Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams | 20.5m 2021: 6.3m | ↑ | 225.4% |
| Departure punctuality ⁴ | Maintain a high level of on-time departures | We maximise our service to airline partners by providing efficient airport operations | 85.5% 2021: 93.4% | ↓ | (8.5)% |
| Destinations ⁵ | Provide access to all major global holiday and business destinations | As a premier airport services company, we aim to provide access to anywhere in the world from our airports | 234 2021: 193 | ↑ | 21.2% |
| Carbon Reduction - CO ₂ emissions ⁶ | Minimise the environmental impact of our operations | We closely monitor our CO ₂ emissions and environmental impact. | 0.48 2021: 1.02 | ↓ | (52.9)% |
| Area of noise footprint ⁷ | Being good neighbours with our communities | Minimising the impact of our operations on the local community | 35.3km ² 2021: 24.9km ² | ↑ | 41.8% |

| Measure | Aim | Context | Progress in 2022 | Progress in 2022 | Progress in 2022 |
|--|---|--|-----------------------|------------------|------------------|
| Number of education, skills, and employment engagements ⁸ | Supporting work in our communities | Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies | 10,757 2021: 1,559 | ↑ | 590.0% |
| Health and Safety RIDDOR - reportable accidents ^{7,9} | Maintain robust health and safety standards | The safety of our customers and colleagues is extremely important to us, and we value a safe working and operating environment for all | 7 2021: 2 | ↑ | 250.0% |

1. As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.
2. Results from operations is revenue net of employee and operating costs including depreciation and adjusted items.
3. Investment property related to the Group's core property and actively marketed investment property assets expected to be sold within the next 12 months, classified as assets held for sale.
4. Measured as a percentage of departures within 15 minutes of scheduled departure time. The decrease on the prior year is driven largely by external factors and ground handling protocol and contractual changes. We continue to work closely with all our airline partners and service agents to minimise the level of disruption and delays.
5. Destinations relate to individual airports with greater than 2000 passengers per annum (excludes cargo airports).
6. Our energy and emission performance have been restated for previous years to make use of the most recent and complete dataset. We measure carbon intensity against traffic units, which are defined by the International Civil Aviation Organization (ICAO) as equivalent to 1,000 passengers or 100 tonnes of freight. Over the last four years, the emission intensity of our operations has increased by 97%. Last year, as commercial air traffic increased across our airports, our energy use increased by 3%. With passenger numbers significantly below pre-pandemic levels, our energy use during FY22 remains 11% lower than FY20. As such, our emission intensity last year was 52% lower than in FY21 but above pre-pandemic levels. All residual emissions have been offset, and our CSR Strategy includes a commitment to transition to zero carbon operations. More information about our carbon footprint is provided at page 41 of this Report.
7. The removal of travel restrictions and return of air traffic has impacted our performance this year, leading to increased education, skills and employment activity, the return of air traffic and associated noise footprints and increased working time with associated RIDDOR incidents. Our Health & Safety management remains a key priority, when compared to pre-pandemic levels, there are no significant findings, issues or trends that have been identified. For full details of what is called as a reportable incident, see <https://www.hse.gov.uk/riddor/reportable-incidents.htm>.
8. Education, skills, and employment engagements include a range of skills and education services such as formal training, employment inductions, CV guidance, job referrals, assisting with job applications, mock interviews, providing information on access to traineeships and apprenticeships, career talks to schools and colleges, outplacement support, and signposting to external agencies and charity/community groups.
9. MAG's health and safety performance remains strong with a consistently low accident frequency rate. The number of RIDDOR reportable incidents has slightly increased in the reporting period which correlates to the with the significant increase in operations across MAG.

Chief Finance Officer's introduction

Throughout this year, as the effects of the COVID-19 pandemic on the aviation industry have fluctuated, at MAG we have balanced our ability to manage our costs and liquidity against maintaining our infrastructure to enable future growth.

The end of UK Government restrictions on international travel in March 2022 released the latent demand for travel among people living here in the UK. By the end of the financial year, our airports were seeing 70% of pre-pandemic traffic levels.

This recovery meant that, for the year overall, the Group catered for 20.5m passengers (2021: 6.3m), which was 33% of FY19 passenger numbers. This drove a 158.7% increase in revenue and adjusted EBITDA* increased to £125.6m (2021: loss of £149.4m). The Result from Operations also improved by £234.3m, to a loss of £130.3m.

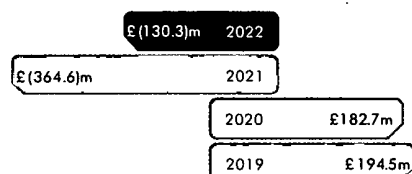
The Group's strategic financial responses to the pandemic and careful stewardship has allowed us to maintain strong levels of liquidity with Cash and Cash Equivalents at 31 March 2022 amounting to £462.9m (2021: £530.2m).



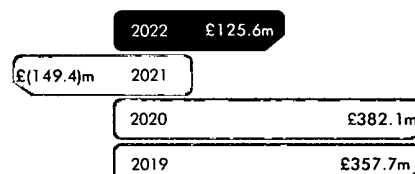
As we move into Summer 2022, we are working hard with our partners to recruit the staff we need and grow back stronger, ready for a strong recovery this year.

Jan Bramall

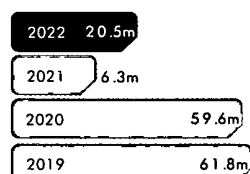
Results from Operations



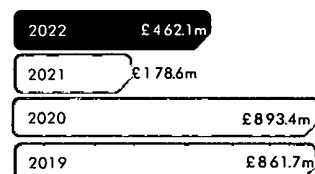
Adjusted EBITDA*



Passengers



Revenue



* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

Financial Review

Introduction

The following financial review, based on the consolidated financial statements of the Group, provides commentary on the performance of the Group's operations. The Group prepares its consolidated financial statements under International Financial Reporting Standards in accordance with UK-adopted international accounting standards ('UK-adopted IFRS').

Headline financials

The sustained but gradual recovery from the severe impact of the COVID-19 pandemic in FY22 saw MAG deliver a relatively strong performance maximising the upticks in demand as restrictions were eased. This resulted in a 225.4% increase in passenger levels to 20.5m (33% of pre-COVID-19 levels) and an uplift in revenue of £283.5m in comparison to FY21. MAG has also benefited from the carry forward of cost mitigation measures it initiated in its strategic finance response to the pandemic. Consequently, £275.0m of the benefit from increased activity levels has flowed through to adjusted EBITDA* which delivered a profit of £125.6m (in comparison to a loss in FY21 of £149.4m).

MAG has also exercised strong cash management throughout FY22 to maintain liquidity despite the residual impacts of the pandemic and ensure the long-term viability of the business. Additionally, full draw down of the available banking facilities; and the deferral of interest on the Group's shareholder loans have enabled MAG, despite the passenger led trading shortfall, to maintain a strong cash position of £462.9m (FY21: £530.2m).

| | Year ended 31 Mar 2022 (£m) | Year ended 31 Mar 2021 (£m) | Change (£m) | Change (%) |
|---|-----------------------------------|-----------------------------------|----------------|---------------|
| Passenger numbers | 20.5 | 6.3 | 14.2 | 225.4% |
| Revenue – continuing operations | 462.1 | 178.6 | 283.5 | 158.7% |
| Revenue – discontinued operations | - | 8.5 | (8.5) | (100.0)% |
| Adjusted EBITDA* – continuing operations | 125.6 | (149.4) | 275.0 | N/A |
| Adjusted EBITDA* – discontinued operations | - | 7.9 | (7.9) | (100.0)% |
| Result from operations* – continuing operations | (130.3) | (364.6) | 234.3 | 64.3% |
| Result from operations* – discontinued operations | - | 7.9 | (7.9) | (100.0)% |
| Result before taxation – continuing operations | (288.6) | (477.6) | 189.0 | 39.6% |
| Result before taxation – discontinued operations | (1.7) | 4.3 | (6.0) | N/A |
| Result after taxation – continuing operations | (319.6) | (435.2) | 115.6 | 26.6% |
| Result after taxation – discontinued operations | (1.7) | 41.9 | (43.6) | N/A |
| Adjusted cash generated from operations* | 166.5 | (188.7) | 355.2 | N/A |
| Capital investment | 68.7 | 154.0 | (85.3) | (55.4)% |
| Dividends paid in period | - | - | - | - |
| Net Cash and Cash Equivalents* | 462.9 | 530.2 | (67.3) | (12.7)% |
| Net Debt – including IFRS 16 | (2,956.1) | (2,794.4) | (161.7) | 5.8% |
| Net Debt – excluding IFRS 16* | (2,520.3) | (2,358.1) | (162.2) | 6.9% |
| Equity shareholders' funds | 724.9 | 997.9 | (273.0) | (27.4)% |

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

Measures used to assess performance

The Group uses a number of measures to assess financial performance that are not defined within IFRS and are widely referred to as 'Alternative Performance Measures' ("APMs"). The Group's accounting policies related to APMs are detailed at page 114. Additionally, note 40 to the Annual Report at page 166 details a full description of all of the Group's APMs, their purpose and definition along with a reconciliation to the nearest IFRS measurement.

APMs are defined by management and should not be considered as comparable with similarly titled measures provided by other companies. They are not considered superior to IFRS measures but are issued by management to provide additional information which may prove useful to the readers of the accounts. Many of the Group's APMs are referred to as 'adjusted' meaning prior to the impact of 'adjusted items'. Adjusted items are separately disclosed and relate to items that are significant in size and/or infrequent in nature, and where, in the directors' view, their separate disclosure gives additional information on the Group's underlying financial performance.

For example, costs incurred owing to restructuring activities, financial instrument modification gains, additional expenditure owing to Group transformation activities, and Merger & Acquisition activity are considered infrequent and are presented within Adjusted items as adjustments to the IFRS measures of financial performance.

Reconciliation of APMs

The reconciliation of APMs used within these statements are accompanied by a reference to the relevant IFRS measure and the adjustments made and is provided at page 166 in note 40 to the financial statements.

Adjusted EBITDA

The directors use these measures to review the performance of the Group, most notably the Group's performance targets. These are based on a number of measures, but the predominant one applied is adjusted EBITDA*.

| Continuing operations | 2022 | | | 2021 | | |
|----------------------------------|------------------------------------|-------------------------|----------------------------------|-----------------------------------|-------------------------|----------------------------------|
| | Before adjusting items £m | Adjusted items £m | After adjusted items £m | Before adjusted items £m | Adjusted items £m | After adjusted items £m |
| Adjusted EBITDA* | 125.6 | (6.1) | 119.5 | (149.4) | (38.3) | (187.7) |
| Depreciation and amortisation | (238.8) | (11.0) | (249.8) | (176.9) | - | (176.9) |
| Adjusted Result from Operations* | (113.2) | (17.1) | (130.3) | (326.3) | (38.3) | (364.6) |

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

Summary trading performance

| Summary of Revenue Stream | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | Change £m | Change % |
|--|-----------------------------------|-----------------------------------|--------------|-----------------|
| Aviation income | 179.9 | 74.3 | 105.6 | 142.1% |
| Retail concessions | 81.2 | 16.2 | 65.0 | 401.2% |
| Car parking | 126.7 | 39.5 | 87.2 | 220.8% |
| Property & property related income | 21.1 | 20.5 | 0.6 | 2.9% |
| Other | 53.2 | 28.1 | 25.1 | 89.3% |
| Total Revenue - continuing operations | 462.1 | 178.6 | 283.5 | 158.7% |
| Total Revenue - discontinued operations | - | 8.5 | (8.5) | (100.0)% |

| Summary of Revenue by Division | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | Change £m | Change % |
|--|-----------------------------------|-----------------------------------|--------------|-----------------|
| Manchester Airport | 188.5 | 70.8 | 117.7 | 166.2% |
| London Stansted Airport | 180.8 | 66.1 | 114.7 | 173.5% |
| East Midlands Airport | 57.6 | 36.3 | 21.3 | 58.7% |
| MAG US | 31.4 | 6.0 | 25.4 | 423.3% |
| Group, Consolidation and other | 3.8 | (0.6) | 4.4 | N/A |
| Total Revenue - continuing operations | 462.1 | 178.6 | 283.5 | 158.7% |
| Total Revenue - discontinued operations | - | 8.5 | (8.5) | (100.0)% |

This year's business performance reflects the industry's gradual emergence from the severe impact of the pandemic experienced in FY21. During the early part of the year the travel sector was impacted by the UK Government's 'stay in the UK' guidance which was only revoked on 17 May 2021. The UK Government's traffic light system provided a partial resumption of international travel but suppressed demand during the 2021 Summer months. Autumn saw an increase in passenger volumes though this was briefly curtailed by the Omicron variant in the winter.

In 2022, the appreciation of the benefits of the UK vaccine roll-out coupled with the less virulent nature of the virus enabled an easing of restrictions. By mid-March 2022 all travel restrictions had been abolished and the latent UK demand to travel was evidenced as MAG experienced passenger volumes at 70% of pre-COVID-19 levels by the end of the financial year. The overall impact on the year resulted in passenger numbers being 33% of pre-COVID-19 levels. Whilst all airports experienced growth in FY22, the recovery in passenger numbers was noticeable at the Group's larger airports, especially London Stansted.

The Group has experienced an overall revenue increase of 158.7% in comparison to the prior period. The increases in the airport divisions are largely driven by passenger footfall through the airports, with car parking and retail recoveries driving revenue uplift beyond the pure impact of passenger volumes.

Summary trading performance continued

The revenue increase of 58.7% at East Midlands relates largely to the continuing strong development of cargo income, which increased by a further £9.5m in the year, demonstrating the airport's importance as a cargo hub in the UK. MAG US contributed strongly in the year leveraging off the resilient passenger numbers in the US throughout the pandemic along with a full year contribution from the distribution businesses acquired by the Group in FY21.

Aviation revenue increased by 142.1% in comparison to the prior year. Increases are largely driven by the uplift in passenger volumes - however the increase in passengers is not proportionate to the revenue increase due to a higher proportion of low-cost carriers within the passenger mix. Cargo continues to provide an increasing contribution to aviation revenues and cargo income has increased by £9.7m to £45.3m.

The Group's retail revenue stream, which experienced the largest reductions in FY21, has rebounded the most significantly increasing by 401.2% to £81.2m through: yield improvements; strong performance in the duty-free sector; the opening of T2 at Manchester; and MAG's pro-active work with its partners through the past two years supporting the recovery. Car parking revenues increased with the uplift in passengers, supported by the full year contribution of the US distribution businesses.

Property income remained relatively stable during the year, showing a 2.9% increase over the prior year. Other income has increased by 89.3% with passenger related activities such as testing income, refuelling, and retail travel services providing the main year on year improvements, along with improved (non-passenger related) utilities recovery.

| Operating costs | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | Change £m | Change % |
|---|-----------------------------------|-----------------------------------|---------------|---------------|
| Employment costs | (182.9) | (203.9) | 21.0 | (10.3)% |
| Less: Job Retention Scheme income | 18.2 | 58.9 | (40.7) | (69.1)% |
| Net employment costs | (164.7) | (145.0) | (19.7) | 13.6% |
| Other operating charges | (189.9) | (202.4) | 12.5 | (6.2)% |
| Less: Airport and Ground Operations Support Scheme | 17.8 | 19.5 | (1.7) | (8.7)% |
| Net Other Operating Charges | (172.1) | (182.9) | (10.8) | (5.9)% |
| Net Overall Operating Costs | (336.8) | (327.9) | (8.9) | 2.7% |
| Profit/(Loss) on sale of property plant and equipment | 0.3 | (0.1) | 0.4 | N/A |
| Depreciation and amortisation | (238.8) | (176.9) | (61.9) | 35.0% |
| Net Total Costs - continuing operations * | (575.3) | (504.9) | (70.4) | 13.9% |

* - before adjusted items

Excluding the impact of sale of fixed assets, depreciation and amortisation, the Group's net overall operating costs, comprising employee costs and non-employee costs, increased marginally to £336.8m (2021: £327.9m). The prudent cost management actions, initiated by the Group's strategic finance responses in 2020 and 2021, enabling MAG to achieve cost savings in the year almost offsetting the £42.4m reduction in government support provided through the Job Retention Schemes and Airport and Ground Operations Support Scheme (AGOSS) in comparison to the prior year.

Summary trading performance continued

Employee costs increased by £19.7m resulting from: reduction in support from the UK Government's Job Retention Scheme (£40.7m), and partially offset by £21.0m of other employee cost reduction activities (initiatives to reduce overtime, temporary resources, recruitment, incentives and the full year impact of prior year restructuring of the organisation to reflect demand levels experienced by the Group). See note 4 to the financial statements where costs are analysed further.

The Group has also achieved other operating cost savings of £12.5m. Whilst the Group's non-employee overhead base contains many fixed cost components management have sought to identify and negotiate cost reductions where the temporary fall in activity levels have merited it. The savings are in areas including: discretionary spend; rent rates & utilities; airfield costs, insurance and marketing more than offsetting the reduction of £1.7m of UK Government support through the AGOSS.

| Adjusted EBITDA* by Division | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | Change £m | Change % |
|--|-----------------------------------|-----------------------------------|--------------|-----------------|
| Manchester Airport | 47.0 | (91.5) | 138.5 | N/A |
| London Stansted Airport | 51.7 | (58.4) | 110.1 | N/A |
| East Midlands Airport | 24.2 | 5.5 | 18.7 | 340.0% |
| MAG US | 7.6 | (1.3) | 8.9 | N/A |
| Group, consolidation and other | (4.9) | (3.7) | (1.2) | (32.4)% |
| Total adjusted EBITDA* - continuing operations | 125.6 | (149.4) | 275.0 | N/A |
| Total adjusted EBITDA* - discontinuing operations | - | 7.9 | (7.9) | (100.0)% |

Adjusted EBITDA* position for the Group shows an increase of £275.0m to a profit of £125.6m driven by the £283.5m pax driven revenue uplift, whilst strong cost control over the operating cost base enabled costs to rise by only £8.9m in comparison to the prior year. Depreciation and amortisation costs before adjusted items relating to continuing operations are 35.0% higher than the prior year at £238.8m. This increase reflects: the bringing into use the Manchester Transformation Project (MAN-TP) and Stansted Transformation Project (STN-TP) pre-pandemic phases of the programmes during the year; accelerated depreciation of licence costs at Stansted relating to previous planning consents following the successful 43m+ planning consent obtained during the year; accelerated depreciation on the legacy software of entities transferring onto the new CAVU operating system, and a full year of amortisation of intangible assets arising as part of the acquisition of the US online aggregator businesses in FY21. Additionally, an impairment charge of £11.0m relating to: residual retail assets in Manchester Terminal 2 (£9.2m shown in "impairment of assets" in adjusted items) and US contract assets (£1.8m shown in "Legal and other items" in adjusted items).

The Group has also recognised a charge of £8.3m of adjusted items in the current year's accounts in comparison to a credit of £15.9m in the prior year. In addition to the aforementioned impairment charge of £11.0m, the accounts have recognised: a further £8.8m modification gain credit relating to the Group's shareholder loans (as analysed in note 7 to the financial statements); a loss of £1.7m on discontinued operations; and a charge of £6.1m relating to operating expenses which impact upon the Group's adjusted EBITDA* performance metric.

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

Summary trading performance continued

The principal components of the £6.1m charge recognised in the current year include: restructuring £2.6m; net pension curtailment & settlement charge of £1.6m; £0.9m on costs related to historical acquisitions; and £4.0m for legal and settlement costs for various claims spread across the three UK airports.

| Results from operations by Division | Year ended 31 March 2022 £m | Year ended 31 March 2021 £m | Change £m | Change % |
|--|-----------------------------------|-----------------------------------|--------------|-------------|
| Manchester Airport | (84.9) | (189.2) | 104.3 | (55.1%) |
| London Stansted Airport | (27.7) | (143.8) | 166.1 | (80.7%) |
| East Midlands Airport | 10.4 | (9.7) | 20.1 | N/A |
| MAG US | (0.8) | (6.8) | 6.0 | (88.2%) |
| Group, consolidation and other | (27.3) | (15.1) | 12.2 | (80.8%) |
| Total result from operations - continuing operations | (130.3) | (364.6) | 234.3 | 64.3% |
| Total result from operations – discontinued operations | - | 7.9 | (7.9) | (100.0)% |

COVID-19 and recovery from the pandemic

FY22 has seen a sustained, but modest recovery from the severe impact on the airline sector from the pandemic experienced in FY21. In considering the impact that COVID-19 has had on the FY22 figures management have had to consider the year as a whole. Whilst the end of March 2022 welcomed passengers at 70% of pre-COVID-19 levels there has been gradual unwind of travel restrictions throughout the period with the final barriers to recovery only being removed on 18 March 2022. The trading performance highlights the impact of the pandemic such that over the whole year passenger levels were at 33% of pre-COVID-19 levels.

The business has continued to utilise the government support available in the form of the CJRS and AGOSS government grants, albeit at a lower level than in FY21. MAG has leveraged off the cost reduction activities, in the prior year so that the reduction in government support has been absorbed by compensating reductions in the Group's operating cost base.

Whilst FY22 has seen us experiencing a modest recovery from the pandemic, MAG has also considered the risks of future variants of COVID-19 and macroeconomic considerations, such as the cost of living crisis and the Ukraine war, on the Group as a going concern (covered in the Basis of Preparation at page 98), and the carrying value of both its non-financial and financial assets. COVID-19 remains an impairment trigger that has resulted in the Group reviewing the carrying value of its significant assets. Management acknowledge the challenges of estimating the recoverable amounts of its assets given their dependency on future cashflows, which depend upon potential future variants of the virus, macroeconomic factors in the short-term and climate change in the mid to long term. As a result, the accounting policies section on page 107 provides more detail of the impairment testing process undertaken and the assumptions used in arriving at the impairment assessment.

Additionally, the pandemic has also given rise to the modification of MAG's contractual arrangements. Most notably, a further modification gain has been recognised on shareholder loans, owing to the revision in anticipated cashflows, but MAG has also negotiated contractual agreements with both customers and suppliers to reflect the impact of the pandemic on trading.

Business outlook

In addition to the impact of COVID-19 on the financial results for the year ended 31 March 2022, MAG have considered the prospects for the business beyond the reporting date including:

- Careful cost management leveraging off the strategic finance responses in 2020 and 2021, coupled with the strong recovery that MAG is experiencing enables the directors to confirm that the going concern assumption can be applied in the preparation of these financial statements. Management's assessment of going concern, including the material uncertainty that the combined residual impact of COVID-19 along with current macroeconomic concerns, is detailed in the Basis of Preparation on page 98;
- To support the Group's growth into FY23 and beyond, MAG will be working with its partners to recruit and train staff to enable us to grow back quickly and stronger;
- MAG can now look forward to a period of growth, rebuilding our financial strength and:
 - returning investment to our airports; and
 - looking at exciting new opportunities, such as the launch of CAVU;
- Now, as we exit the pandemic, we are committed to ensuring our recovery is through sustainable growth adhering to the four pillars of our CSR strategy leading the sector to meeting net zero targets.

MAG continues to have strong fundamentals. Careful and prudent cost management have enabled us to have the liquidity to not only navigate the recovery, but also to maintain flexibility going forward and both identify and exploit opportunities for business growth. Our well invested infrastructure and talented people will be key assets to maximising the opportunities.

Trading units

Manchester Airport

Manchester Airport delivered 9.1m passengers travelling through the airport in the year to 31 March 2022, an increase of 225.0% over the prior year.

| | FY22 | FY21 | Change | Change % |
|-----------------------|-------|--------|--------|----------|
| Passengers (million) | 9.1 | 2.8 | 6.3 | 225.0% |
| Revenue (£m) | 188.5 | 70.8 | 117.7 | 166.2% |
| Adjusted EBITDA* (£m) | 47.0 | (91.5) | 138.5 | N/A |

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

| £ per Passenger | FY22 | FY21 | FY20 |
|-----------------|------|------|------|
| Aviation | 7.9 | 7.4 | 6.3 |
| Commercial | 12.8 | 17.5 | 9.0 |
| Operating costs | 15.5 | 57.1 | 8.2 |

Manchester Airport continued

The 6.3m increase in passengers translated into an £117.7m uplift in revenue at Manchester to £188.5m, with increases seen in all the core revenue streams of aviation, retail and car parking due to principally being volume related. Passenger growth was led by Ryanair, easyjet, Jet2.com and TUI. Revenue growth was supported by improved year on year yields in retail and aviation and an uplift in other income.

The airport has leveraged off the active management of its cost base initiated in the prior year and has delivered year on year cost reductions of £20.8m in FY22 compared to FY21, with the bulk of the savings coming in rent, rates and utilities and airfield costs. The relatively fixed nature of the cost base has led management to look to renegotiate to achieve savings in the period to reflect the temporarily reduced activity levels. These savings are net of the impact of reduced Government support during the year through the CJRS and AGOSS. Coupled with the increase in passenger numbers, these savings have given rise to the reduction in cost per passenger.

The combined impact of improving revenue by £117.7m coupled with the further year on year operating cost savings of £18.0m has resulted in Manchester's adjusted EBITDA* increasing by £138.5m to a profit of £47.0m (2021: £91.5m loss)

During the first half of FY22, the airport brought into use the first phase of MAN-TP resulting in an increased depreciation charge of £31.6m (40.1%).

London Stansted Airport

London Stansted Airport has experienced an increase of 232.3% in passenger numbers over the course of the whole year with a total of 10.3m passengers.

| | FY22 | FY21 | Change | Change % |
|-----------------------|-------|--------|--------|----------|
| Passengers (million) | 10.3 | 3.1 | 7.2 | 232.3% |
| Revenue (£m) | 180.8 | 66.1 | 114.7 | 173.5% |
| Adjusted EBITDA* (£m) | 51.7 | (58.4) | 110.1 | N/A |

| £ per Passenger | FY22 | FY21 | FY20 |
|-----------------|------|------|------|
| Aviation | 7.0 | 9.2 | 5.8 |
| Commercial | 10.5 | 12.3 | 7.8 |
| Operating costs | 12.5 | 40.6 | 7.2 |

The 7.2m increase in passengers translated into an £114.7m uplift in revenue at Stansted with all key revenue lines, aviation, retail and car parking experiencing increases driven by the passenger volumes (principally through Ryanair). The increases in revenue were assisted by stronger retail yields along with a £11.0m increase in other income.

Whilst passenger volumes have increased, the cost base has only increased by £4.6m to £129.1m. This is as a result of the airport's careful cost management actions almost offsetting the reduction in Government Support received through the CJRS and AGOSS and the business achieving its year on year savings in its non-employee cost base in the areas of: rates & utilities, airfield costs, and insurance.

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

London Stansted Airport continued

The combined impact of increased revenue by £114.7m was partially offset by the operating cost increment of £4.6m and has resulted in Stansted's adjusted EBITDA* increasing by £110.1m to a profit of £51.7m (2021: £58.4m loss)

Whilst the airport slowed the pace of its work on STN-TP, the new £70.0m hold baggage system has been brought into use in the year. This has led to an increase in depreciation charge of 17.9% to £81.8m.

East Midlands Airport

East Midlands Airport has a very important dual role as the biggest airport for dedicated cargo traffic in the UK, and as a passenger airport.

| | FY22 | FY21 | Change | Change % |
|-----------------------|------|------|--------|----------|
| Passengers (million) | 1.1 | 0.4 | 0.7 | 175.0% |
| Revenue (£m) | 57.6 | 36.3 | 21.3 | 58.7% |
| Adjusted EBITDA* (£m) | 24.2 | 5.5 | 18.7 | 340.0% |

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

| £ per Passenger | FY22 | FY21 | FY20 |
|-----------------|------|------|------|
| Aviation | 32.7 | 60.3 | 5.8 |
| Commercial | 19.6 | 27.5 | 10.0 |
| Operating costs | 30.4 | 74.5 | 10.3 |

Passenger numbers have improved by 0.7m compared to FY21, increasing from 0.4m to 1.1m and delivering a £1.7m uplift in passenger aviation income. However, it is the growth in cargo activity over the period, increasing by £9.5m to £32.9m, that has been the primary driver of the increase in aviation revenues. Significant cargo activity growth at EMA (40% increase) reflects the airport's position as a key cargo hub for the UK and the increased demand for dedicated cargo flights during the COVID-19 pandemic. Strong growth in commercial yields from the airport's car parking and retail operations have also contributed to an overall increase in revenue of £21.3m. This, coupled with strong cost management, and savings secured in rates and utilities has helped East Midlands improve its adjusted EBITDA* position by £18.7m to £24.2m (2021: £5.5m).

MAG US

MAG US performed strongly during FY22 with the integration of the recently acquired distribution businesses adding to the uplift in revenue and positive adjusted EBITDA* of £7.6m (2021: (1.3m)). This was supported by a good recovery in its Escape Lounge business which has leveraged off the increased US passengers to deliver an adjusted EBITDA* at 75% of pre-COVID-19 levels.

| | FY22 | FY21 | Change | Change % |
|-----------------------|------|-------|--------|----------|
| Revenue (£m) | 31.4 | 6.0 | 25.4 | 423.3% |
| Adjusted EBITDA* (£m) | 7.6 | (1.3) | 8.9 | N/A |

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

MAG US continued

As at 31 March 2022, all of MAG's US businesses, incorporating both the legacy lounge business and the online aggregator businesses acquired in FY21, formed part of the newly launched CAVU business segment.

Property

The MAG Property division manages the Group's core property investment portfolio comprising offices, hotels and cargo properties, and is also responsible for managing the Group's investment in the Airport City project.

The investment properties are revalued to fair value at each reporting date by independent property valuers and factored in the Group's anticipated proceeds from the sale of the non-core property portfolio. During the year ended 31 March 2022 the Group's investment properties experienced a £22.1m upward revaluation to £191.0m (including assets held for sale), representing a 13.1% underlying increase in the value of the portfolio.

MAG continues to retain a 20% interest in the Airport City development. As MAG exercises neither contractual control nor joint control of the joint venture, the Group has continued to account for its investment on an equity basis as an associate. The additional investment during the year of £1.3m and a profit of £0.4m increased the carrying value to £11.8m and is attributed to the Group's shareholding as at 31 March 2022 (2021: £10.1m).

CAVU

On 31 March 2022 MAG launched its new digital business, CAVU. CAVU comprises the legacy MAG-O and MAG US businesses which have been bolstered in the past four years through acquisitions in both the UK and the US. These businesses have a track record of developing and delivering products for airport hospitality and car-parking. CAVU will continue to work with both MAG companies and external clients to develop and provide services to aviation customers across the whole customer journey.

MAG see this innovative area, where the Group has a proven track record, as an area where the Group can provide service to the wider travel sector as well as MAG's core airport businesses. Management will regard this business as a separate reportable segment in the FY23 accounts to align with the structure of management reporting within the Group.

Cashflow

Adjusted cash generated from continuing operations* has increased to a net inflow of £166.5m, a significant improvement in comparison to the outflow of £188.7m in FY21. Adjusted cash generated from operating activities* represented 132.6% of adjusted EBITDA*, with the increase principally arising owing to strong working capital management by the Group.

Over the year ended 31 March 2022, the Group's net cash position reduced by £67.3m to £462.9m. £166.5m of cash generated by operations was more than offset by: a net outflow of £84.1m for tax and interest, investing activities outflow of £118.4m, financing outflow of £10.5m, and an outflow of £20.8m in relation to adjusted items.

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

Cashflow continued

| Group Cash flow (£m) | FY22 | FY21 | % Change |
|---|---------|---------|----------|
| Adjusted cash generated from/ (used by) operations* | 166.5 | (188.7) | N/A |
| Adjusted items | (20.8) | (39.1) | 46.8% |
| Cash generated from/ (used by) operations | 145.7 | (227.8) | N/A |
| Net operating cash from discontinued operations | - | 0.7 | (100.0)% |
| Interest | (83.7) | (80.0) | 4.6% |
| Tax paid/(refund) | (0.4) | 42.1 | (101.0)% |
| Net cash used in investing activities | (118.4) | (201.4) | 41.2% |
| Sale of investment in discontinued operations | - | 400.1 | (100.0)% |
| Dividends paid | - | - | - |
| Net cash (used in)/ from financing activities | (10.5) | 325.2 | N/A |
| Net (decrease)/ increase in cash and cash equivalents | (67.3) | 258.9 | N/A |
| Year end position: | | | |
| Net cash and cash equivalents* | 462.9 | 530.2 | (12.7)% |

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

Financing and interest

MAG's financing strategy incorporates maintaining its strong investment grade ratings with Fitch and Moody's and a long-term financing structure to support growth. This strong foundation has been fundamental to the Group's financial resilience in the past, including throughout the COVID-19 pandemic. This same platform will also be key in enabling the Group to maintain its operational capabilities and benefit from the upturn in demand levels as it occurs.

Group net debt (excluding leases) has increased to £2,520.3m (2021: £2,358.1m). The movement during the year reflects the cash inflow from operating activities after interest and tax of £61.6m offset by the outflow from investments of £118.4m resulting in a net £56.8m outflow before financing. Consequently, after taking into account IFRS 16, Group net debt of £2,956.1m comprises: long-term fixed rate bonds (£1,438.0m); shareholder loans (£1,062.0m); drawdown funds from the £500.0m Secured Revolving Credit Facility (£483.2m) and lease liabilities (£435.8m); offset by net cash of £462.9m at 31 March 2022.

Group net interest payable in the financial statements amounts to £181.3m and reflects an increase of 69.8% in comparison to the prior year (2021: £106.8m). Both current and prior year interest charges are impacted by modification gains on the Group's shareholder loans (2022: £8.8m, 2021: £54.2m). These modification gains arise as a result of the deferral in payment of loan interest as part of the FY21 strategic finance response. As the deferred interest attracts a lower interest charge than the effective interest rate on the loans, the further into the future that the repayment of the interest is estimated, the larger the modification gain. The modification gains have been classified in the accounts as adjusted items. The Group currently forecasts that the accrued shareholder loan interest will start to be repaid commencing in FY24 and will continue until FY27.

Financing and interest continued

Excluding modification gains, the underlying interest payable has increased by 18.1% to £190.1m (2021: £161.0m), whilst interest paid in the year amounted to £83.7m (2021: £80.0m), comprised of interest on senior debt and lease liabilities. £106.4m (2021: £81.0m) of residual interest costs relate primarily to accrued shareholder loan interest. Interest on the Group's secured funding increased marginally, due to the full year impact of the additional £300.0m shareholder loan funding secured in FY21, along with payment deferral, which caused interest to increase by £16.0m. FY22 saw lower capitalisation of borrowing costs of £0.6m (2021: £10.4m) relating to capital investment programmes, in line with IAS 23 and the Group's accounting policies, owing to the completion of existing phases of MAN-TP. IFRS 16 lease interest (net of interest income on the long-term lease receivable) increased marginally to £22.7m (2021: £22.4m), and IAS 19 interest on the Group's defined benefit pension schemes reduced to £0.9m (2021: £1.1m).

Capital expenditure

As a result of the COVID-19 pandemic, MAG focused its capital expenditure programmes to complete the phases of the transformation programmes which were in progress, with the existing phases of both MAN-TP and STN-TP practically completing in FY21. Consequently, the Group's investment of £68.7m (2021: £154.0m) in infrastructure during the year reflected the Group's strategy to ensure that capital expenditure is focused upon essential and regulatory requirements, such as maintenance and security. MAG's property plant and equipment balance has reduced marginally at £3,140.9m (2021: £3,296.5m) with depreciation of £209.5m more than offsetting the investment made during the year.

Leases (IFRS 16)

During the year ended 31 March 2022, the Group's lease liability reduced slightly to £435.8m (2021: £436.3m), as did the Group's right-of-use asset position which amounted to £417.7m (2021: £419.5m) with £11.0m depreciation charge more than offsetting the additions, modifications and remeasurements of £9.6m.

Pensions

The accounting deficit is calculated by the Directors and supported by independent scheme actuaries, PwC, who incorporate data taken from a number of sources in calculating the closing position at the year-end across the four defined benefit schemes. During the year all of the Group's defined benefit schemes were closed to future salary accruals following a period of consultation.

| Summary of changes in aggregate pension scheme deficit | £m |
|--|--------|
| Deficit as at 31 March 2021 | (54.9) |
| Current service & past service cost | (1.9) |
| Other financial expenses | (2.2) |
| Contributions | 15.2 |
| Curtailed gain | 10.4 |
| Settlement loss | (7.5) |
| Actuarial gain | 89.6 |
| Impact of asset ceiling | (26.6) |
| Surplus as at 31 March 2022 | 22.1 |

Pensions continued

As part of MAG's pension risk management strategy, and following consultation with scheme members, the Group's defined benefit pension schemes were closed to future accrual during the year. All members transitioned into the defined contribution plan administered by Legal & General. This amendment to the schemes resulted in a curtailment gain of £10.4m. As part of the scheme closure with GMPF MAG also settled liabilities for three Group companies which resulted in a settlement loss of £7.5m. Both the curtailment gain and the settlement loss have been recognised within adjusted items in the Income Statement.

MAG's exit from GMPF, which is a local government multi-employers scheme, resulted in MAG entering into a Deferred Debt Arrangement (DDA) with GMPF. Following the signing of the DDA, the Group continues to fund obligations in relation to assets and liabilities in the GMPF in respect of Manchester Airport Plc on an ongoing basis. The Group continues to contribute to support the GMPF in future (with no immediate exit debt).

During the year the aggregate of the Group's defined benefit schemes moved with the IAS 19 accounting deficit of £54.9m transforming into a surplus of £22.1m. In addition to the settlement loss and curtailment gain this reflects a £63.0m actuarial gain relating to a reduction in scheme liabilities of £33.3m, principally driven by the increase in the discount rate, and return on schemes assets of £46.1m above the expected return. The £11.1m residual movement relates to the surplus of contributions paid into the scheme in comparison to expenditure recognised through the income statement.

The net surplus of £22.1m in the accounts reflects a net liability of £6.2m in the EMIA and GMPF scheme and a surplus of £28.3m in the STAL scheme. The surplus in GMPF of £25.0m has not been recognised, in line with 'IFRIC 14', based on the DDA and LGPS regulations and due to the closure of GMPF to future accrual in the year. A liability of £1.6m has been made to reflect the present value of future agreed deficit recovery contributions into GMPF in line with 'IFRIC 14'. The total of £22.1m shows the net position across the Group, however the surplus in Stansted cannot be offset against the deficit of the other schemes, so these are presented separately.

Taxation

The total tax charge in the consolidated income statement is £31.0m compared to a £42.4m credit in the prior year. The principal driver behind the tax charge is the increase in corporation tax rate from 1 April 2023, which received Royal assent during the year. The resultant impact on the Group's deferred tax balances gave rise to an additional charge of £55.5m. The underlying effective current tax rate of (10.7%) (2021: 8.5%) is higher than the standard rate of corporation tax of 19%, largely due to the level of non-deductible interest and disallowable depreciation in excess of capital allowances. The total tax paid in the year of £0.4m relates to tax on US profits. The prior year refund of £42.1m primarily relates to a UK tax refund of amounts paid in respect of FY20 profits which were sheltered by FY21 losses.

Equity Shareholders funds and dividends

Equity shareholders' funds are £724.9m as at 31 March 2022 (2021: £997.9m). The movement comprises £321.3m loss after tax and adjusted items, a gain on remeasurement of pension liabilities (net of tax) of £48.4m, a loss of £1.3m due to the effect of change in rate of corporation tax and a foreign exchange gain of £1.2m on the investment in MAG US.

Equity Shareholders funds and dividends continued

Whilst the Group has a long-term objective to grow dividends to shareholders in a sustainable manner, owing to the ongoing impact of COVID-19 upon the Group's current trading outlook there is no proposed final dividend for the year ended 31 March 2022.

Post-balance sheet events

Subsequent to the year end, on 27 May 2022 the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500m revolving credit facility and £90m in standby liquidity facilities, each with a five-year term, maturing in May 2027, with optional extensions. The liquidity facility is sized to cover 12 months interest on secured debt and is a 364-day revolving facility with a five-year term on each annual renewal. The facilities replace similar facilities that were due to mature in June 2023. These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy.



Jan Bramall

Group Chief Financial Officer

6 July 2022

Corporate Social Responsibility

'Working together for a brighter future'

In this time of recovery and transition, we are thankful to our colleagues and partners who have worked tirelessly to deliver our 2020-2025 Corporate Social Responsibility (CSR) Strategy 'Working together for a brighter future'. The impacts of the pandemic continue to be felt across our business and our local communities, and so delivering our CSR Strategy is more important now than ever. As we enter the third year of our CSR Strategy, we continue to be led by our clear strategic priorities of; achieving zero carbon airports, providing opportunity for all, and listening to local voices, to lead our industry and the regions our airports serve toward a brighter future.

Due to the turbulence of the last 18 months, we have re-evaluated the most material CSR topics for our business. The re-evaluation was informed by our stakeholders' views, which in turn shaped our assessment of materiality for our business. Whilst priority corporate social responsibility issues remain largely unchanged since 2020, stakeholders highlighted the importance of effective community relations to support the business as our activities recover. The feedback we have received demonstrates that our CSR Strategy remains relevant to our business and stakeholders. We will continue to review and reflect changing priorities as we work together for a brighter future.

The third year of our CSR Strategy will build on our achievements and also introduce new focus areas, including:

- Develop zero carbon transition plans and associated emissions trajectories to secure the delivery of our target to be net-zero by 2038
- Deliver our current Noise Action Plans (NAPs) for each of our airports, developing and consulting on new NAPs to be effective from 2025 in line with regulatory requirements
- Consider the embodied carbon within airport infrastructure, identifying and implementing opportunities to minimise this
- Develop our Good Work Charter to consolidate our programmes on access to upskilling opportunities, employee wellbeing, working conditions, pay and benefits.
- Maximise the benefit of our MAG Connect Airport Academies to support the recovery of our airports and business partners, as well as addressing social mobility, access to quality work, and career development.
- Expand our outreach and engagement to increase representation from a younger demographic through the introduction of youth forums across each of our airports

Zero Carbon Airports

Our commitment:



Building on our platform of carbon neutrality, we are committed to cutting any remaining reliance on fossil fuels, whilst working alongside our partners to reduce the waste and emissions of activities related to our operation.

Our influence extends beyond our own business, and we commit to working in partnership with the wider aviation industry to build a more sustainable future of transport.

We continue to work hard to reduce the environmental impact of our industry. For more than 16 years, MAG has placed the decarbonisation of our airports and the wider aviation sector at the heart of our sustainability commitment. We comprehensively reduce emissions from our operations whilst recognising that our influence and responsibility extend across our value chain. With this in mind, we continue to work with our industry partners to build a more sustainable future for transport.

Our target to make our airport operations net-zero carbon by 2038 demonstrates our industry leading commitment to decarbonisation, and doing so, 12 years ahead of Government's national target. Our leadership was recognised by the Financial Times' European Climate Leader list in both 2021 and 2022, and we ranked as the highest performing business in the transport category. We continue to advance our contribution to the UK

Government's Jet Zero Council on which our Chief Executive Officer, Charlie Cornish, has been a member since 2020.

Last year, our gross market-based carbon emissions decreased by 52.9% and our emission intensity decreased from 1.02 tonnes CO₂e per traffic unit (TU) to 0.48 tonnes CO₂e/TU. Whilst commercial recovery was high on our agenda, our decarbonisation efforts were uncompromising. Each of our three airports maintains Airport Carbon Accreditation, recognising our status as a carbon neutral airport group. In October, we launched a new initiative in partnership with CarbonClick. Through this online tool our passengers can calculate their carbon footprint and offset emissions from their flights using high quality credits from UK-based woodland creation in the Lake District and the production and distribution of efficient charcoal cookstoves in Ghana and Nigeria.

We have pursued innovative pathways to deliver our Zero Carbon Airports programme. We received positive feedback from airlines on our programme including our competition for five years of landing fees for the first zero-emission commercial aircraft to be based at one of our airports. This reflects our commitment to play a leading role in the UK's Sustainable Aviation Decarbonisation Road-Map. We have worked closely with the Airspace Technology Institute's FlyZero project to explore the feasibility of operating commercial aircraft with zero carbon emissions. We are proud that Manchester Airport featured as a key case study for investigating the impact of zero-emission hydrogen aircraft on airport infrastructure.

Over the coming year, we will continue to focus on our contribution to the UK Sustainable Aviation Decarbonisation Road-Map. We are excited about the prospect of a solar farm project at London Stansted Airport. This will mark another milestone in our journey to net-zero, creating a framework from which we can develop similar projects at Manchester Airport and East Midlands Airport. We will also be undertaking full lifecycle embodied carbon analysis of an upcoming construction project, with plans to integrate this analysis further going forward. This will provide a more comprehensive picture of the carbon cost of each project and help us to identify key areas in our supply chain to focus our decarbonisation efforts.

In October 2021 we signed a memorandum of understanding within our partnership with Fulcrum BioEnergy UK which will make Manchester Airport the first airport in the UK to have a direct supply of Sustainable Aviation Fuels (SAFs) from a new refinery plant.

Zero Carbon Airports continued

Investment in SAF production and distribution has huge potential to support our local communities, especially in the North-West region. Industry assessments indicate the potential for up to three plants supporting around 1,500 jobs and adding more than £200m to the regional economy. This presents a significant opportunity for MAG to act as a national leader in the provision of skilled green skills and jobs for all.

Airspace modernisation is a priority for airport decarbonisation, whilst reducing air-traffic congestion and noise. At London Stansted Airport we successfully submitted our airspace change design options for appraisal by the Civil Aviation Authority (CAA). This takes us one step closer to introducing new ways of flying.

We are continually building our understanding and mitigation of the financial implications of climate change to our business. This year, we have improved our reporting against the recommendations of the Task Force on Climate-related Financial Disclosures. See page 77 of this report for more detail. In Autumn 2022 we will be publishing our annual Corporate Social Responsibility (CSR) Report, which will include further detail about the progress we have made as we work towards our ambitious climate change commitments and research into climate adaptation.

At COP26 in October 2021, the UK demonstrated great leadership in embracing the growing need for financial stakeholders to integrate climate change into their decision-making processes. Looking ahead, the United Nations International Civil Aviation Organization General Assembly, considered to be 'aviation's COP', will be held in September this year. This event marks an opportunity for national governments to align international policy with a more ambitious long-term decarbonisation target. Beyond reducing our carbon emissions, our approach to reducing our overall environmental impact and improving the management of energy, waste and water efficiency has centred on the expansion of our accredited management systems across the three airports.

Our approach to environmental management at all of our airports is fully aligned with the international standard ISO 14001 which provides a framework to continually improve environmental performance. Our focus this year will be on transitioning to a group-wide management system certified to ISO 14001. London Stansted Airport also maintained certification to the ISO 50001 Energy Management System, and we aim for all our airports to be certified to this standard by December 2023.

We recognise our impact on nature and biodiversity, and how vital it is to preserve and restore nature. As well as nature and biodiversity becoming an increasing area of focus for our communities and stakeholders. In response, we will be aligning to the Biodiversity Net-Gain requirements on new developments in the impending UK Environment Bill, along with a host of further commitments included in our new group Conservation Strategy due to be published later this year. We also welcome the introduction of reporting standards from the Task Force for Nature-related Financial Disclosures.

Opportunity for all

Our commitment:



We commit to creating quality employment. We believe in providing opportunity for all, in a safe, inclusive and diverse environment where colleagues are able to fulfil their potential and better meet the needs of our customers.

Our influence extends beyond our own business, and we commit to working with all of our partners on our airport sites to ensure high standards are upheld by all.

Providing great opportunities to our colleagues and business partners, and ensuring we return benefits to the people who live closest to our airports, is central to our values. We collaborate to provide opportunities in and around each of our airports by fostering a culture of inclusivity, equality, and diversity; investing in the skills, training and education development; and inspiring the next generation of talent in the aviation sector. Our CSR Strategy continues to position MAG as a provider of high-quality employment and opportunity for all. Last year, we worked hard to showcase MAG as an employer of choice, and aviation as a destination career to increase the pipeline of talent that will be necessary to support our recovery. Changes to our operating model during the pandemic have led to increased collaboration, idea sharing and the expansion of our education and employability initiatives across the three airports.

We worked hard to maintain engagement with local students through virtual events and were pleased to see our Aerozones reopen in late 2021. The demand for Aerozone engagement from local schools was high and by final quarter of the year there were over 2,298 young visitors at the Aerozones across our airports, with 76% coming from priority areas. We were incredibly excited by Manchester Airport Aerozone receiving its first students in January of this year. Last year, we also hosted several educational events aimed at inspiring the next generation of aviation professionals as well as tackling gender biases. Our group-wide 'Girls in STEM' virtual event marks a key initiative, with over 500 pupils in attendance, reaching 17 secondary schools from local communities, and was open to all genders. The event was highly successful in showcasing the variety of STEM (science, technology, engineering, and mathematics) roles at our airports and promoting gender equality in the sector. As part of our community outreach and mission to support local schools in priority areas on topics such as literacy, we are grateful for the support of WHSmith on World Book Day, which allowed us to provide 1,500 books and £450 in book vouchers to schools in the local communities in greatest need of support.

Our MAG Connect Airport Academies provide a focal point for people looking to begin or develop a career within aviation. This year, they promoted training opportunities and tailored courses for 10,757 individuals from our local communities. Our efforts to support employment in our local communities have been led by our pre-employment programmes in partnership with local colleges and the Jobcentre Plus, aimed at providing fully funded opportunities to individuals in need of additional support to enter employment. We also expanded the upskill opportunities available to our colleagues through our academies. This included offering over 100 training courses covering a range of topics including IT, GCSE level English and maths, logistics programmes, and many more, in response to employee demand. Last year we ran a number of successful airport-wide and sector-specific recruitment events including 12 virtual and three in person jobs fairs. We strive for our colleagues to have an enjoyable work experience across the three airports, free from unnecessary obstructions. Transport connectivity is a key example of a common concern for our commuting colleagues. As such, sustainable transport connecting colleagues to work is a key priority and we have worked to agree travel discounts of up to 80%.

The health, safety, security and wellbeing of all who work and travel through our airports is our top priority at MAG. 'Safe hands' remains one of our core business values, encompassing our ethos of honesty, responsibility and total accountability for our decisions.

Opportunity for all continued

Due to the ongoing risk of COVID-19 to our staff, passengers and business partners, we developed bespoke risk assessments at each of our airports which are regularly updated in line with Public Health England, NHS and government guidance. Our management processes approach for health and safety was recognised by the Civil Aviation Authority's public health accreditation and independently certified to the international health and safety standard ISO 45001 across all three of our airports.

In April 2022, we launched our new three-year, group-wide health, safety and operational resilience strategy; 'Vision Zero 2: The Next Chapter'. Vision Zero 2 is a transformational programme that will initially concentrate on the continued mitigation of the impacts of the pandemic in FY22. And then shift focus to growing creativity and innovation in FY23, and culminate in FY24, further embedding health and safety into our culture and operations. The new strategy is being integrated into the business through detailed action plans bespoke to each airport and will extend beyond the initial time horizons into the long term.

We believe that a strong culture of equality, diversity, inclusion and equity can unify teams and creates an environment in which everybody can flourish. This year, we are excited to announce the appointment of a new role of Head of Diversity and Inclusion. We are also proud to have launched our new target-led Diversity and Inclusion strategy in July 2021. The strategy focuses on four pillars of activity to inspire women in aviation, drive equity and diversity at leadership levels, cultivate more early talent in the business, and create an equitable and inclusive culture where everyone can thrive.

We further responded to the needs of our colleagues by launching various employee diversity networks; having trained 97 colleagues on mental health first-aid training courses; launching our group-wide wellbeing series to support colleagues' mental wellbeing and to provide coping strategies and build resilience; and launching our Employee Assistance Programme for all staff. We also signed up to the Disability Confident employers' scheme to inspire creative and inclusive thinking about disability and how we can take action to improve the recruitment, retention and development of disabled people. Beyond our staff, we recognise the importance of diversity, inclusion, equality and equity to our passengers. This year, we ran diversity forums to ensure our services provide support for passengers with additional needs. We were pleased that the CAA recognised our work, providing a rating of 'Good' in line with our CSR Strategy target.

A largely furloughed workforce in April 2021 meant there was only a small community of fully working employees to inform our statutory Gender Pay Gap reporting requirements¹. In order to provide a meaningful comparison to earlier years we also calculated our Gender Pay Gap as if all our employees were fully working. On this basis, we are pleased that for 2021 our median pay gap reduced from 4.6% to 2.3%, and the mean reduced from 10.2% to 7.2%.

At MAG, we seek to provide a great work-life balance for all of our staff. In 2022 we launched our Flexible Working Policy which provides structure and enables the provision of flexible and hybrid working. We have also undertaken a review of our maternity, paternity and adoption policies. With an increase in hybrid working as a result of the pandemic, we have responded through the provision of health and safety self-assessments and occupational health and safety training to improve home working environments. The ultimate goal of our training and engagement is for each of our colleagues across the airports to recognise their strengths to aid their professional development.

We are committed to maintaining strong and trusting relationships with our supply chain partners. Last year, as the effects of the pandemic continued to be felt across our supply chain, we minimised the impact on our local suppliers by maintaining our strong relationships and, where possible, providing support during periods of low activity.

Opportunity for all continued

Although we were unable to deliver our annual engagement events in person, we were able to transform our Meet the Buyers event to a virtual platform with great effect. This allowed us to engage with our local supply chain whilst providing a platform for our stakeholders to highlight their excellent work.

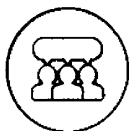
We aim to continually raise our professional standards to promote sustainable practices across our airports and their supply chains. To increase our mitigation of modern slavery risks, a new expanded Modern Slavery Working Group has been established which includes a range of senior leaders, business partners and control authorities. This followed the updates to our Modern Slavery Transparency Statement² in September 2021. Through our relationship with the Slave Free Alliance, in place since 2019, together we delivered awareness sessions with executive committee members. This was then expanded to all senior leaders across the airports. We recognise the risk of trafficking within our industry, therefore we brought in Slave Free Alliance to run tailored training for our procurement team to identify risks in the supply chain and on-site (see our Modern Slavery Statement). We are committed to improving the transparency of our payment practices; our thorough payment batch review process has enhanced the visibility of our payment practices allowing a consistent approach towards prompt payment for our external partners.

¹ Our Gender Pay Gap Report is available online at: <https://www.magaairports.com/responsible-business/gender-pay-gap-reporting/>

² Our Modern Slavery Statement is available online at: <https://www.magaairports.com/responsible-business/modern-slavery-transparency-statements/>

Local voices

Our commitment:



We are dedicated to addressing the local issues which matter most to the people living near us.

We commit to engaging local voices, addressing noise and other local priorities, and providing opportunities for local people and businesses.

We will build trust with our communities and aim to improve their quality of life.

The success of our airports is rooted in the collaborative and trusting relationships that we hold with our local communities. In engaging with local communities listen first, to understand, and respond to the issues of highest importance. Our CSR Strategy is underpinned by a focus on ensuring the successes of our airports are shared with the regions they serve.

In January 2022 we commissioned an independent study to assess how our stakeholders' views have evolved over recent years, as well as their level of awareness and trust in our ability to deliver on our commitments. The survey was sent to over 2,000 community stakeholders which will allow us to inform how we rebuild our community engagement initiatives and enable stronger levels of trust with our local communities. Going forward, we will review our outreach processes to ensure we are listening and responding to the comments we receive and that we capture the voices of all our stakeholders.

A key commitment of our CSR strategy is to expand the scope of our community outreach to be inclusive of a more diverse group of local community stakeholders. This includes an exciting commitment to introduce youth forums at each of our airports, providing a platform through which we can listen to the voices of young people representing customers, communities and prospective employees. This year, we have worked with stakeholders to develop an approach to youth forums which will be piloted this spring. Alongside the reintroduction of wide-ranging outreach opportunities, the coming year will see us respond to feedback from the pilot Youth Forum, introducing a forum at each airport to enhance the diversity of our consultation exercises. This will be particularly important as we embark up a review of our airports' Sustainable Development Plans, Noise Action Plans and continue our Future Airspace Programme.

Local voices continued

Throughout last year we supported the continued operation of the Airport Consultative Committees to ensure our local communities remained informed about the latest developments and our plans. As in-person meetings were not always possible, we introduced hybrid virtual meetings to ensure their continuation, which also served to improve accessibility for the attendees. The format proved to be extremely effective with high levels of attendance that enabled us to inform large audiences of key developments.

Our colleagues demonstrated an outstanding commitment to support their local communities through individually led volunteering efforts throughout the pandemic. In 2021, our Community Funds continued to provide grant funding to support local community organisations around each of our airports. On an ongoing basis, we are working to understand the evolving needs of our communities. Through our outreach channels we listened to our communities need for our business to provide greater support to charities providing support services for mental health and wellbeing. We responded by addressing this concern and amending the application criteria to facilitate funding for related digital and technical services at the applicable airports.

We recognise that noise disturbance is one of the most important issues for the communities who live closest to our airports. In the first half of last year, air traffic remained below pre-pandemic levels. However, with commercial activity recovering, noise complaints are rising to levels comparable to FY20. Our efforts to mitigate the noise impact at our airports have been led by the development of Noise Action Plans; setting out the controls we have put in place to minimise noise disturbance. We remain committed to the delivery of these plans and to regularly engaging with local communities on this important issue. Our Flight Evaluation Unit investigate and respond to enquiries received from local residents and work closely with our air traffic control and airline partners to ensure aircraft operations are sensitive to our local settings.

To disincentivise the use of noisier aircraft, this year we introduced a new surcharge for 'QC4' aircraft such as the Boeing 747-400 operating at night at East Midlands Airport. Proceeds from this surcharge are contributed to the East Midlands Airport Community Fund, enabling the airport to launch an Eco-Gardens competition for local schools. This initiative aims to provide students with the opportunity to experience first-hand the tangible value of nature and learn about the real impact of climate change.

In the coming year, we will continue to expand our engagement programmes and are committed to reaching a more diverse and representative section of our local communities to ensure we are reflective of the most important needs. We aim to utilise the broad range of skill sets from across our teams to the benefit of our local communities working in partnership to engage local voices.

Our sustainability performance

| Issue | Objective | Indicator | Status | 2021/22 | 2020/21 | Change |
|--|---|---|--------|---------|---------|--------|
| Carbon reduction | Minimise the environmental impact of our airports | 'SECR' Scope 1, 2 and 3 greenhouse gas emissions*, market based emissions per traffic unit (tonnes CO ₂ e) | ↑ | 0.48 | 1.02 | -53% |
| Area of noise footprint ² | Being good neighbours within our communities | Area of daytime 57dB LAeq noise contour | ↑ | 35.3 | 24.9 | +42% |
| Number of education, skills, and employment engagements ^{1,2} | Supporting work within our communities | Number of people supported by MAG Connect Airport Academies | ↑ | 10,757 | 1,599 | +590% |
| Health and safety 'RIDDOR' reportable accidents ² | Maintain robust health and safety standards | Number of 'RIDDOR' reportable incidents | ↑ | 7 | 2 | +250% |

¹ Education, skills, and employment engagements includes a range of skills and education services such as formal training, employment inductions, CV guidance, job referrals, assisting with job applications, mock interviews, providing information on access to traineeships and apprenticeships, career talks to schools and colleges, outplacement support, and signposting to external agencies and charity/community groups

² The removal of travel restrictions and return of air traffic has impacted our performance this year, leading to increased education, skills and employment activity, the return of air traffic and associated noise footprints and increased working time with associated RIDDOR incidents. Our Health & Safety management remains a key priority, when compared to pre-pandemic levels, there are no significant findings, issues or trends that have been identified.

* 'SECR' scope 1, 2 and 3 greenhouse gas emissions are defined in our latest emissions report, which can be found here: <https://www.magairports.com/media/1737/mag-emissions-report-2020-21.pdf>

Our energy and emission performance

MAG has reported the climate impacts of its operations for many years. An overview of energy use and emissions is published in this Report, which fulfils our obligations under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The information presented below sets out the energy use and emissions for which MAG is responsible, including the energy and emissions associated with the operation of our buildings and vehicle fleets. Our energy use and associated climate impacts are presented in absolute terms and as a measure of 'intensity' compared to our passenger and cargo throughput measured as 'Traffic Units'¹ (which are defined by the International Civil Aviation Organization (ICAO) as equivalent to 1,000 passengers or 100 tonnes of freight).

In preparing this report we have followed environmental reporting guidelines published by the Government, we have also adopted the principles of the World Resources Institute's Greenhouse Gas Protocol. Our energy use and associated emissions have been gathered largely from a collection of primary data, where this has not been possible, we have estimated consumption by extrapolating historic energy use. This year 0.4% of our energy use, 0.3% of our location-based and 0.8% of our market-based emissions have been estimated. Reported figures have been independently verified by TÜV NORD CERT GmbH.

We know that information about our greenhouse gas emissions is important to stakeholders and believe that providing this will support a more informed discussion about climate change. As such, alongside this year's CSR Report, we will publish a supplement providing detailed information about emissions from MAG's activities and other emissions indirectly associated with our business.

Our energy and emission performance continued

| | 2021/22 | 2020/21 ² | 2019/20 ² | 2018/19 ² |
|---|-------------|----------------------|----------------------|----------------------|
| Energy consumption used to calculate emissions (kWh) ⁴ | 178,771,261 | 174,147,424 | 200,230,145 | 190,474,808 |
| Emissions from combustion of gas (Scope 1, tCO ₂ e) | 11,570 | 11,905 | 9,806 | 9,752 |
| Emissions from combustion of fuel for transport purposes (Scope 1, tCO ₂ e) | 2,063 | 2,322 | 5,523 | 4,665 |
| Emissions from business travel in rental cars or employee-owned vehicles where MAG is responsible for purchasing the fuel (Scope 3, tCO ₂ e) | 58 | 7 | 90 | 98 |
| Emissions from purchased electricity ³ (Scope 2, location-based, tCO ₂ e) | 22,737 | 23,407 | 32,023 | 30,367 |
| Emissions from purchased electricity (Scope 2, market-based, tCO ₂ e) | 49 | 59 | 74 | 5 |
| Total gross emissions based on the above (Location-based, tCO ₂ e) | 36,428 | 37,641 | 47,442 | 44,882 |
| Total gross emissions based on the above (Market-based, tCO ₂ e) | 13,740 | 14,293 | 15,493 | 14,520 |
| Intensity measure (Traffic units ¹) | 28,448 | 13,986 | 66,899 | 69,167 |
| Intensity ratio (Location-based emissions, tCO ₂ e /traffic unit) | 1.28 | 2.69 | 0.71 | 0.65 |
| Intensity ratio ⁴ (Market-based emissions, tCO ₂ e /traffic unit) | 0.48 | 1.02 | 0.23 | 0.21 |
| Carbon offsets (purchased and retired, tCO ₂ e) | 13,740 | 14,288 | 15,439 | 14,520 |
| Total net emissions based on the above (Location-based, tCO ₂ e) | 22,688 | 23,353 | 31,950 | 30,367 |
| Total net emissions based on the above (Market-based, tCO ₂ e) | - | - | - | - |

¹ We measure carbon intensity against traffic units, which are defined by the International Civil Aviation Organization (ICAO) as equivalent to 1,000 passengers or 100 tonnes of freight.

² Our energy and emission performance have been restated for previous years to make use of the most recent and complete dataset. This approach follows best practice outlined in the World Resources Institute Greenhouse Gas Protocol and guidance issued by the UK Government. As a result, our previously published energy consumption for 2020-21 has decreased by 4%, 2019-20 has decreased by 3.7% and energy consumption for 2018-19 has decreased by 8.7%.

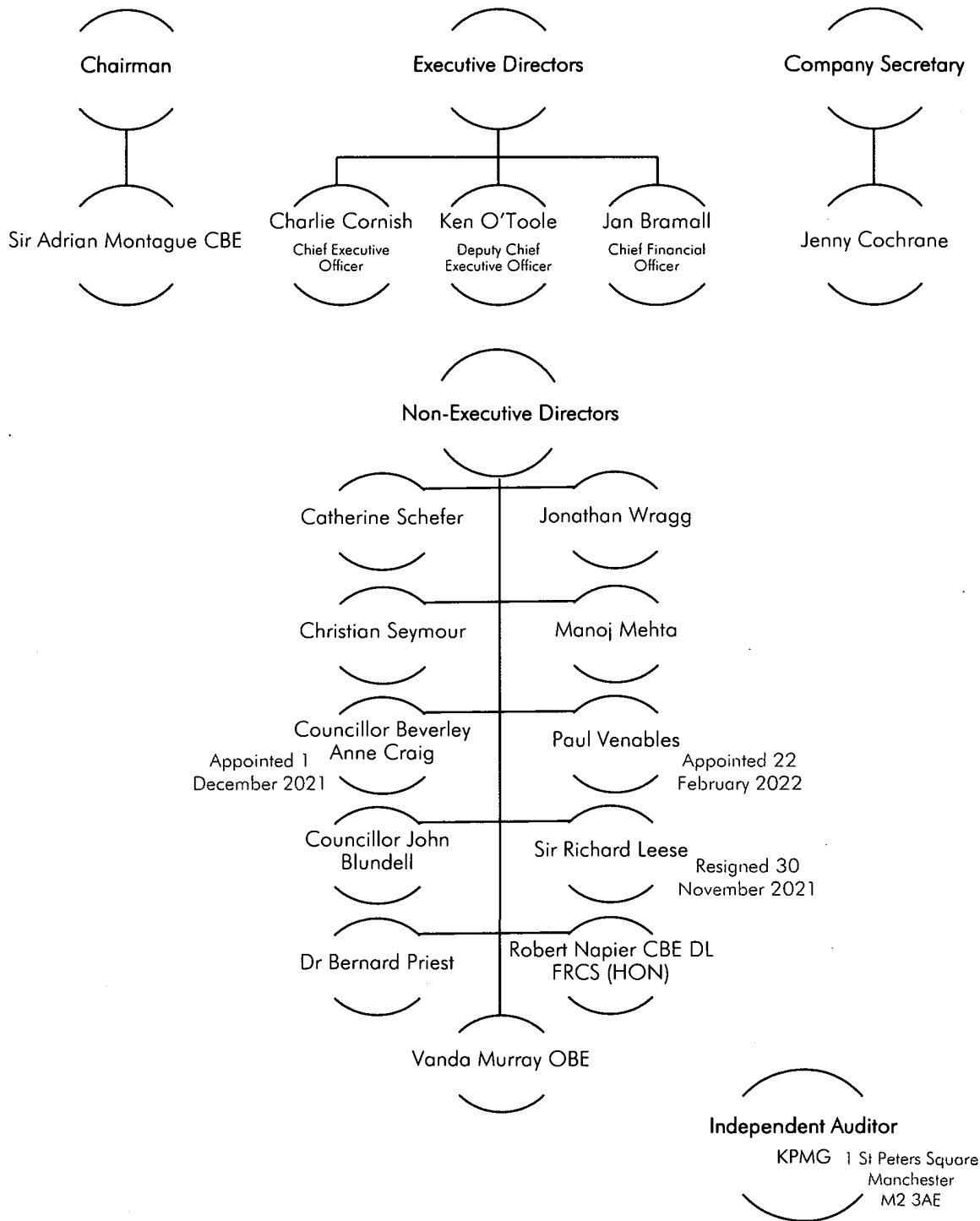
³ Location-based emissions are based on the average emission intensity of the UK electricity grid. MAG proactively chooses to purchase renewable electricity which is backed by Renewable Energy Guarantees of Origin. To demonstrate the carbon saving of our procurement decision we 'dual report' our location and market-based greenhouse gas emissions.

• Over the last four years, the emission intensity of our operations has increased by 97%. Last year, as commercial air traffic increased across our airports, our energy use increased by 3%. With passenger numbers significantly below pre-pandemic levels, our energy use during 2021/22 remains 11% lower than 2019/20. As such, our emission intensity last year was 53% lower than in 2020/21 but above pre-pandemic levels. All residual emissions have been offset, and our CSR Strategy includes a commitment to transition to zero carbon operations.

⁴ 'SECR' scope 1, 2 and 3 greenhouse gas emissions are defined in our latest emissions report, which can be found here: <https://www.magairports.com/media/1737/mag-emissions-report-2020-21.pdf>

Officers and Professional Advisors

Board of Directors as 31 March 2022 comprised the following individuals:



Leadership and governance

This year has again seen shifting restrictions on international travel, culminating in the removal of all remaining restrictions on travel to the UK in March 2022. These changing conditions have continued to present challenges to how we do business, and we have needed to adjust our operations to respond to the latest regulations and manage costs while always protecting the health, safety and wellbeing of our customers, staff and partners.

We have been able to navigate these challenges by drawing on the skills, expertise and dedication of our staff at every level of the Company. This is supported by robust business resilience plans, governance processes and internal control frameworks, and bolstered by the diverse insights and advice we receive from our Board.

Strong corporate governance is a core foundation for any successful company, and we are committed to maintaining the highest standards of corporate governance and adopting best practice as it emerges. The following Corporate Governance Report, including the Board Committees' Reports and Directors' Reports, sets out how MAG applies governance standards in practice and reports against the Wates Principles, which MAG has adopted as its corporate governance code.

MAG places great importance on the Board's role in embedding a positive culture and values across the organisation. The views of stakeholders are monitored by the Company's CSR Committee, chaired by Vanda Murray, and the Board's consideration of stakeholder views is described more fully in the s172 statement below.

Furthermore, MAG recognises that diversity in its workforce provides access to a wider range of talents, experience and skills, promoting greater creativity, innovation and high performance. Further information is provided in the Nomination Committee section on page 59.

This year, we have carried out a full review of our strategic risks. We were pleased to welcome two new Non-Executive Directors to our Board this year in the form of Cllr Bev Craig in December 2021, and Paul Venables in February 2022 (Audit Chair designate). Sir Richard Leese retired from our Board in November 2021. The Board Evaluation process was deferred due to COVID-19 priorities and planned changes to the Board and as such a full Board Evaluation programme will commence over the course of the year.

Stakeholder Introduction

Statement by the Directors in Performance of their Statutory Duties in Accordance with s172(1) Companies Act 2006

Section 172(1) of the Companies Act 2006 requires directors to promote the success of the company for the benefit of its stakeholders and to achieve the Company's purpose. The Board of Directors are aware of their responsibilities and consider they have acted in accordance with their statutory duties. This section sets out how they have discharged this obligation.

Stakeholder Introduction continued

The company's key stakeholders, and our interaction with them, is summarised below.

| Stakeholder | Why they matter to MAG | What matters to them | How the Board interacts |
|---------------------------------|--|---|---|
| Shareholders | <p>Our shareholders provide the equity finance necessary to support the operation and future development of the business.</p> <p>Shareholders also appoint Non-Executive Directors who are critical to overall governance and make a valuable contribution to the working of the Board.</p> | <p>Our shareholders have invested in the long-term success of MAG. In return they seek predictable and sustainable returns on their investment.</p> <p>Our shareholders require high standards of governance, responsible business practices and transparent disclosure of information to inform their decision making.</p> | <p>Shareholders are directly represented on the Board and oversee the appointment of Non-Executive Directors. They receive regular reports from the management team on all aspects of the business. Shareholders receive regular reports from the CSR Committee, which considers responsible business practices, including environmental and community impacts, health, safety and wellbeing as well as equity, diversity and inclusivity (ED&I).</p> |
| Colleagues | <p>Colleagues are our greatest asset. They make our strategy a reality and deliver services to our customers. Their energy and ideas are critical to the continued innovation and improvement of the services we offer.</p> | <p>Our colleagues want a workplace that is safe, inclusive and offers them opportunities to develop their career. They expect to be treated fairly and to be rewarded appropriately for their contribution to the success of the company.</p> <p>Colleagues want to be a part of the decisions that affect them and to be supported by effective systems of internal communication.</p> | <p>The Board receives regular reports on safety matters and scrutinises safety performance. The CSR Committee, which is attended by the Chief People Officer, provides an opportunity for workplace issues, including fair pay, equality, diversity and inclusion to be discussed.</p> |
| Passengers | <p>Passengers provide much of our income. They are the foundation for our business. It is important that, working with our airline partners, we provide an appropriate range of services to meet their transport needs.</p> | <p>Our customers want our airports to be accessible; to provide a safe, secure, clean and welcoming environment, and to experience an efficient service.</p> | <p>The Board receives regular reports on passenger feedback, including our use of the Net Promoter Score. The Board's consideration of passenger experience includes detailed reports on the service provided to passengers who require additional support to access our services.</p> |
| Communities and the environment | <p>Many of our colleagues and customers are drawn from local communities and the economic impact of our operations is greatest in the regions we serve.</p> <p>Noise, congestion and local air quality impacts that arise due to our operations have greatest impact on communities closest to our airports, though some of the impacts of our operations, including climate change, have wider implications.</p> <p>It is vital that we understand the priorities of communities and ensure our operations take place within acceptable environmental limits. By doing so we earn our social licence to operate and grow.</p> | <p>Local communities want to share the economic success of our airports. They expect us to take all reasonable steps to reduce local impacts, including noise and emissions.</p> <p>Communities are concerned by climate change and expect us to progressively reduce the emissions of our airports and work with airlines to ensure that together we play a full part in delivering the government's net zero targets.</p> | <p>The Board has established the CSR Committee to allow extensive discussion of these issues. The Board regularly considers environmental impacts, including climate risks and considers the views of local communities through an independently facilitated materiality survey.</p> |

Stakeholder Introduction continued

| Stakeholder | Why they matter to MAG | What matters to them | How the Board interacts |
|---|--|--|--|
| Customers, partners and suppliers | <p>We deliver our services with the support of our airline customers, business partners and suppliers. Having effective relationships with them supports the long-term success of our businesses and maximises mutual benefit.</p> <p>It is important that those that we work with adopt responsible and sustainable practices, to minimise the risk to our operations and reputation.</p> | Our customers, partners and suppliers want to work with us to maximise mutual benefit. | <p>We work collaboratively including one-to-one key account management meetings with all our business partners – including airlines, retailers, tenants and aviation service partners. Our Airport Consultative Committees bring these customer groups together with passenger and community representatives, whilst our Airport Operator Committees bring airlines together to consider operational practices and management policies. Significant issues are drawn to the attention of the Board and associated risks are captured in our risk register.</p> <p>Our approach to procurement is accredited to the Corporate Certification Standard of the Chartered Institute of Procurement and Supply. This incorporates practices to make responsible procurement decisions which treat suppliers fairly, mitigate modern slavery, and ensure prompt payment. The Board receives regular reports on the management of the risks of modern slavery.</p> |
| Industry, regulatory bodies, government and government agencies | Our operations are highly regulated. The policy and regulatory framework is an important factor that determines how we operate including ensuring that we operate safely and securely, that competition is fair and that our environmental impacts are within acceptable limits. | Government and industry regulators seek to work closely with industry partners and their associations to ensure that the policy and regulatory framework is informed by and takes full account of relevant issues. | The Board receives regular updates on government policy and oversees our work to engage with government, government agencies and regulatory bodies to help formulate and implement their policies. |

Having regard to the likely consequences of decisions in the long term

As set out on page 69, the Board oversees a risk management process, including a dedicated Audit Committee that oversees the management and implementation of the risk framework. The regular review and assessment of risk that is shared with the board protects the long-term interests of MAG. This year key risks identified include the recruitment of relatively large numbers of staff as the business recovers from the impact of the pandemic, the uncertainty associated with the UK's exit from the European Union, climate change, safety, security and the regulatory environment.

Whilst it has been necessary in some instances to reduce and realign investment plans to respond to the impact of the pandemic, the Board has continued to support the measures necessary to secure the long-term recovery of the business, including the completion of phase one of the Manchester Transformation Project, which will deliver new terminal capacity. The Board has also supported investment in a Future Airspace Programme, to ensure that airspace arrangements can support the objective to make best use of the airports' physical infrastructure.

Having regard to the interests of the company's employees

This has been another challenging year for our colleagues. Despite taking full advantage of the Government's Coronavirus Job Retention Scheme (CJRS), it has been necessary to better match the size of the workforce to the reduced passenger numbers using our airports in FY22. As passenger numbers began to recover, the impact of the Omicron variant, including the reimposition of Government travel restrictions, led to continued volatility. Where it has been necessary to make redundancies, this has been done only after full consultation with recognised trade unions, and those colleagues that left the business have been supported by our Airport Academies. Our Airport Academies have provided affected colleagues with a range of services, including job search, coaching, training and financial advice. The Board has overseen this process and received regular progress reports throughout.

Through the CSR Committee, the Board has continued to receive regular reports on a wide range of workplace issues, including gender pay gap, equality, diversity and inclusion and modern slavery. Safety remains a critical priority for the Board and in addition to scrutinising regular safety performance reports, the CSR Committee has overseen the implementation of a new health and safety strategy.

Having regard to the need to foster the company's business relationships with suppliers, customers and others

As we recover from the impacts of the pandemic, our regular consultation forums have been maintained and strengthened. Our airport consultative committees bring together customers, airport users, government and community groups. At an operational and commercial level, liaison groups and regular one-to-one account management meetings ensure timely exchange of information. This enables us to understand the priorities of these important stakeholders and to ensure we take account of their views in decision making. This year we were able to reinstate our 'Meet the Buyer' programme. By holding a virtual event we were able to introduce 100 potential suppliers, drawn from local small and medium sized companies to the needs of our airports and the opportunities to supply MAG.

This year we commissioned an independently facilitated materiality review to assess how stakeholders' views are evolving. This review has helped to build our understanding and inform our decision making.

The Board receives regular reports on all aspects of the business, including a specific report on the findings of the materiality review.

Having regard to the impact of the company's operations on the community and the environment

The company continues to maintain certification to the environmental management systems standard ISO 14001. This year we also made a first submission to the GRESB Real Estate Assessment, a global ESG benchmark, achieving the highest (five star) rating and the highest rating for a UK based company. We were also recognised by the Financial Times as one of Europe's Climate Leaders. Through the CSR Committee, the Board receives regular reports on environmental performance, considering a wide range of performance indicators, including legislative compliance. The Board continues to oversee the implementation of the CSR Strategy and the detailed supporting programme of work to deliver the commitments that it contains.

This year the Board has received several reports on the issue of climate change, considering the developing policy framework, including the Government's Net Zero Strategy, the measures being taken to achieve net zero operations and the assessment and reporting of climate risks consistent with the Taskforce on Climate Related Financial Disclosures (TCFD).

The Board also received an updated assessment of the risks posed by the need to adapt to inevitable climate change. As set out on page 48, the reporting of emissions and climate risk have been further improved in this year's report.

Having regard to the desirability of the company maintaining a reputation for high standards of business conduct

The business continues to meet the requirements of the Global Reporting Initiative's fully disclosed standard, including reporting against the relevant sector supplement. The Board believes that full and transparent disclosure is important to build and maintain the confidence of stakeholders. MAG continues to maintain procedures to minimise the risk of bribery and corruption and to provide all colleagues with an anonymous service to report any instances of bullying or intimidation.

The Board takes an active interest in issues that might impact MAG's reputation.

Having regard to the need to act fairly as between members of the company

MAG is owned jointly by the ten councils of Greater Manchester and IFM Investors. Shareholders appoint representatives to the Board in equal number and oversee the appointment of Non-Executive Directors, to ensure good governance. The Board meets regularly, providing full reports on all relevant aspects and the company seeks, at all times, to ensure that appropriate information is made available to all shareholders in a timely and consistent way.

MAG structure and governance arrangements

In ownership terms, the Group is structured as a joint venture between the ten local authorities of the Greater Manchester region and IFM Global Infrastructure Fund (IFM GIF), which is advised by IFM Investors PTY Ltd. In this way, MAG’s ownership structure is unique and comprises an effective blend of public and private shareholders, including Manchester City Council (35.5)%, IFM GIF (35.5)% and the nine other Greater Manchester local authorities (29.0)%. Amongst those owners, Manchester City Council and IFM GIF hold (in equal shares) the voting rights in board meetings of Manchester Airports Holdings Limited (the holding company of the Group), have certain matters reserved for their exclusive decision as shareholders, and make two appointments each to the Board.



¹ (The Borough Council of Bolton, the Borough Council of Bury, the Oldham Borough Council, the Rochdale Borough Council, the Council of the City of Salford, the Metropolitan Borough Council of Stockport, the Tameside Metropolitan Borough Council, the Trafford Borough Council and the Wigan Borough Council)

Board of Directors

Board Committees

The role of the Board

The Board is accountable to the shareholders for developing, setting and delivering the Group's strategic objectives, safeguarding its reputation and maximising its multiple stakeholder relationships (as set out further in the s172 statement). The directors satisfy themselves that the necessary resources and controls are in place to do this and to manage risks effectively, whilst at the same time setting and overseeing maintenance of the Group's values and standards.

The Board is comprised of 13 directors, being three MAG executive directors (including the Group Chief Executive) and ten Non-Executive Directors (including the Chair)¹.

It is considered that the size of the Board is appropriate for the requirements of the business and that there is a good balance of executive, independent and shareholder-appointed Non-Executive Directors on the Board, with the Shareholder representative groups being equally represented. The Board is provided with updates every month and normally meets formally six times a year. In addition, the Board considers specific business matters on other occasions and met regularly during the COVID-19 pandemic.

Certain matters are reserved for decision by the Board and other matters reserved for decision of the voting shareholders.

Chair and Chief Executive

The roles of the Chair and Group Chief Executive are separate and clearly defined.

The Chair is responsible for the leadership of the Board. He orchestrates its work (in close consultation with the Group Chief Executive) and plays a critical role in ensuring that it delivers effectively on its accountabilities and that the diverse capabilities of individual Board members are used to the best advantage of the Group as a whole.

The Group Chief Executive is responsible for the day-to-day management of the Group, the development and implementation of strategy, and the delivery of Group financial and operational objectives. He is supported by his executive committee which comprises: Deputy Chief Executive, Chief Financial Officer, Chief of Staff, General Counsel and Company Secretary, Chief Information Officer, Chief Development Officer, Chief People Officer and Chief Executive of CAVU.

Non-Executive Directors

The Non-Executive Directors bring extensive knowledge, skills and experience from both the private and public sectors, which allows the executive team to be supported in the development and execution of strategy whilst ensuring that plans and proposals are constructively challenged and the performance of management in meeting agreed goals and objectives is scrutinised.

All Non-Executive Directors are appointed subject to objective capability criteria and the appointment of every independent Non-Executive Director (including their remuneration) is, in common with that of executive directors, subject to prior approval of the voting shareholders. The Non-Executive Directors appointed by the voting shareholders hold office for so long as the shareholders wish them to do so.

¹ Please note that these figures include Paul Venables who was appointed in March 2022 as Audit Chair designate and will assume the role and responsibilities of the Audit Chair when Robert Napier retires at the end of June 2022.

Board Committees continued

The remaining Non-Executive Directors are appointed initially for a term of three years, with any renewal thereof being a matter for the voting shareholders (on the recommendation of the Board and the Nomination Committee). Any decision on such renewal will have regard to the contribution made by the director in the immediately preceding period and relevant corporate governance best practice at the time to ensure the ongoing efficacy of the Board.

Independent Non-Executive Directors

The Board considers there to be five independent Non-Executive Directors, being Vanda Murray, Catherine (Cath) Schefer, Robert Napier, Jonathan (Jon) Wragg and Paul Venables¹. Vanda Murray has now served on the Board for 11 years as of July 2021. Given the material issues that the business continues to contend with as a consequence of COVID-19, together with her immense wealth of knowledge of the Company and business acumen, the shareholders and Nomination Committee have concluded that her tenure should continue. Sir Adrian Montague also meets the independence criteria set out in the Code, both on his appointment as Chair, and at all times since. The shareholder appointed Non-Executive Directors during the year were Cllr Bev Craig (who replaced Sir Richard Leese following her becoming Leader of Manchester City Council in December 2021), Cllr John Blundell (representatives for the District Councils of Manchester) and Manoj Mehta and Christian Seymour (representatives for IFM GIF).

Board members background / bios

Further information on all individual Board members, including their background and experience is available at all times on the MAG corporate website at www.magairports.com

Board Effectiveness

To support quality decision-taking, prior to each meeting on a timely basis the Board receives a comprehensive suite of executive reports and papers covering commercial, operational and health and safety matters across the Group. This is received together with a detailed Group finance review and, when appropriate, an appraisal of current strategic opportunities and corporate risks. In the months when it does not meet an abridged reporting pack is provided.

The Board has established Audit, Corporate Social Responsibility and Remuneration committees with specific delegated authorities (more information on the membership and remit of each of these is provided later in this report). The Board also ensures, through the work of the Nomination Committee, that succession planning at Board, executive and senior management levels reflects the changing needs of the Group's businesses.

The Group has a formal induction programme comprising a combination of introductory meetings, site visits, briefing materials, and the opportunity to meet the shareholders, the external auditors and other key stakeholders. The induction content includes corporate strategy and structure; current and recent board topics; sectoral and competitive context; key operations; financial performance and funding; reputation and brand; and stakeholder management.

¹ Paul Venables was appointed as Audit Chair designate in March 2022 and will assume the role and responsibilities of the Audit Chair when Robert Napier retires at the end of June 2022.

Board Committees continued

The Group seeks to provide the necessary resources to enable directors to remain abreast of developments relevant to the Group's business, operation and their own responsibilities. In addition, the directors may take independent advice in relation to their duties at the Company's expense, if appropriate.

s172 Companies Act 2006

The Board take decisions with a long-term perspective and the annual business planning cycle assists in focusing on the impact of decisions on the long-term strategy.

The Company Secretary plays an important role in advising the Board on the s172 requirements by setting out the substance of those requirements at appropriate times in order to ensure meaningful discussion with regards to:

- considering the likely consequences of any decision in the long term;
- considering the interests of MAG employees;
- fostering and developing MAG business relationships with suppliers, customers and others;
- assessing the impact of the operation on the community and the environment (as further explored on page 45 in the CSR Report);
- assisting MAG in maintaining a reputation for high standards of business conduct; and
- acting fairly as between members of MAG.

The separate Section 172 section at pages 50 to 52 illustrates how the Board and management have taken account of these matters in decision making throughout the year. The impact of the MAG operation on the community and environment (including climate change) in particular is addressed in detail in the Strategic Report on pages 40 to 48.

Wates Principles

MAG keeps under review and seeks to adhere to the Wates Principles at all times with regards the structure and effectiveness of its internal governance arrangements and size and composition of the Board.

In particular, Principle 2 of the Wates Principles (Board Composition) advises: "Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company." MAG considers that the structure outlined above and the individuals appointed to the Board adheres to the guidance set out in the Wates Principles (and in particular this Principle 2) with regards the balance and diversity, size and structure and effectiveness of the Board.

Furthermore, in adherence to Principle 3 (Director Responsibilities) of the Wates Principles, MAG considers that through the arrangements set out above the Board and individual directors have a clear understanding of their accountability and responsibilities and that the corporate governance arrangements and procedures support effective decision-making and independent challenge.

Nomination Committee

Chair: Sir Adrian Montague CBE

In an organisation as varied and diverse as MAG, the Nomination Committee plays an important role in ensuring that the structure, size and composition of the Board, monitoring the balance of skills, knowledge, experience and diversity on the Board, leading the process for potential appointments to the Board, and overseeing succession planning in respect of the directors (other than the shareholder-appointed directors) and senior executives. The appointment of the Chair is undertaken by the voting shareholders. As set out below, I am satisfied that the Nomination Committee met its responsibilities. Alongside myself as the Chair, the other Committee members are the Non-Executive Directors of the Board.

The Nomination Committee meets at least once per year and at other times as required. During the financial year ended 31 March 2022 the Committee met five times. All of the members of the Committee attended the meetings, at which the following was considered:

- Renewal of non-executive director contracts of Sir Adrian Montague and Vanda Murray;
- Update on the business model during COVID-19 and succession planning following senior leadership exits;
- Update on the new e-commerce business CAVU; and
- Appointment of Paul Venables as Audit Chair designate following the planned retirement of Robert Napier in June 2022.

In respect of its people more generally, the Group recognises that diversity in its workforce provides access to a wider range of talents, experience and skills, promoting greater creativity and innovation. By increasingly reflecting the communities and cultures that surround it, the Group continues to believe it can become ever more responsive to the many and varied needs of its customers. MAG is committed to promoting inclusion and creating a positive and diverse environment, where all individuals are valued and respected, but recognises that engendering and maintaining that environment requires constant attention and a strong emphasis on leadership awareness and capability. COVID-19 has had an impact on the advancement of the MAG Diversity Programme and the Board, as a whole, will review progress as part of its succession planning and Group People Strategy during the FY23 financial year.

Audit Committee

Chair: Robert Napier CBE DL FRCS (Hon)

Alongside myself, membership of the Audit Committee at 31st March 2022 included Vanda Murray, Jon Wragg, John Blundell and Manoj Mehta (all Non-Executive Directors with Manoj Mehta being shareholder appointed).

The Audit Committee is responsible, primarily, for monitoring the Group's financial statements, the adequacy and effectiveness of its internal control systems (including financial controls), the operation of its risk management frameworks and whistleblowing procedures, and for reviewing the appointment, independence, performance and cost effectiveness of the Group's external auditor. During the year, the Committee:

- reviewed the Annual Report and Accounts and Interim Report including going concern and impairment considerations;
- reviewed and updated the Treasury Policy;
- reviewed and updated the Tax Strategy and Tax Policy;
- monitored the Group's cyber security activity and key controls;
- considered the impact of changes to the accounting and financial reporting regimes applicable to the Group;
- reviewed the Group's internal control and risk management systems, and the outcomes of risk management and risk-based internal audit work;
- considered internal audit skills and resources in the current situation and satisfied itself that these are adequate to meet the needs of the business and will be supplemented with co-sourced independent specialist support as and when necessary;
- reviewed and challenged management in relation to findings from internal audit reviews;
- assessed the adequacy and basis of renewal of the Group's insurance provision;
- review of alternative performance measures and adjusted items;
- evaluated the external audit activity, specifically in relation to the key risks (impairment of non-financial assets, going concern and valuation of investment property) and key judgemental areas (pensions and tax); and
- in the course of satisfying itself as to the independence and objectivity of the external auditor, analysed the level of fees paid to the external auditor for audit and non-audit work, and the performance of the external auditor.

In the assessment of the draft FY22 annual report and financial statements, given the continuing issues created by the COVID-19 pandemic, there was a continued robust focus upon the evidence supporting the ability of the company to release its financial statements on a going concern basis, the viability of the company and ensuring that the annual report was fair, balanced and understandable. The directors consider that the annual report and accounts, taken as a whole is fair, balanced and understandable; and provides the information necessary for shareholders to assess the company/group's position and performance, business model and strategy.

The Audit Committee met formally three times as part of its regular cycle in June 2021, November 2021 and April 2022.

Audit Committee continued

All the members attended all meetings (with the exception of J Blundell who sent apologies for the November 2021 meeting and Paul Venables joined the Committee in April 2022 as Chair designate). At the November meeting the Committee decided to re-tender MAG's external audit services and in January 2022 a sub-group of the Audit Committee alongside representatives from Management (the Sub-Committee) met to evaluate the proposals received. Following a robust evaluation process the Sub-Committee recommended to appoint Ernst Young LLP as statutory auditor for a 5 year period commencing from FY23 which was subsequently approved by the full Audit Committee and the Board of Directors.

The external auditor, the Chief Executive, the Chief Financial Officer and the Chief Audit Officer all routinely attend the Committee's meetings. Each of the external auditor and the Chief Audit Officer have the opportunity to meet the members of the Committee and/or the Committee's Chair, without executive management present.

The Board is satisfied that, through the range of skills and business experience possessed by each member of the Audit Committee, throughout this financial year, the Audit Committee as a whole had the competence relevant to the sectors in which the Group operates.

CSR Committee

Chair: Vanda Murray OBE

'Working together for a brighter future'

In 2020 the CSR Committee welcomed MAG's new Corporate Social Responsibility (CSR) Strategy, 'Working together for a brighter future'. Despite an extremely challenging period for MAG's airports, their colleagues and communities, the Committee has been pleased to see the progress that has been made, and how the Strategy has informed MAG's response to the pandemic. MAG has listened to the voices of its local communities and wider stakeholders, gaining important insight to identify priority issues and guide its CSR Strategy. With travel restrictions eased and the aviation sector now seeing a strong recovery, MAG's longstanding commitment to corporate responsibility will be important to attracting and retaining talented people, driving recruitment, operating sustainably, and returning value to the communities its airports serve.

With corporate responsibility a key issue for investors, the CSR Committee has been encouraged to see MAG demonstrate how its CSR Strategy addresses environmental, social and governance (ESG) issues. Full disclosure of performance and policies provides a solid foundation for ESG and in MAG's first year of participation, I was pleased to see the business recognised by the GRESB ESG benchmark as a 'five star' organisation and a 'sector leader'. It has also been wonderful to see MAG achieving further recognition on specific CSR issues. With climate change the defining issue of our time, it is particularly notable that MAG has been named a Financial Times European Climate Leader for 2021 and 2022, recognising our longstanding commitment to decarbonise our business and the wider aviation industry.

This year MAG is continuing its approach to transparent performance reporting. This report includes an overview of MAG's CSR programmes, performance against key measures and provides detailed climate disclosures which fulfil many of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Further information will be provided in MAG's detailed CSR Report later this year which will continue to meet the 'comprehensive' standard for disclosures established by the Global Reporting Initiative.

CSR Committee continued

By placing CSR at the core of MAG's recovery from the pandemic, MAG will deliver a sustainable recovery which benefits its colleagues and communities, enriching the regions it serves. Strong governance and effective leadership position the business well to deliver its CSR Strategy, creating opportunity for local people, minimising impacts on the environment and responding to the needs of a diverse group of stakeholders.

COVID-19

It is now more than a year since the onset of the COVID-19 pandemic, its impacts are clear to see both within MAG and its communities. However, it has been pleasing to see that, during particularly difficult times, MAG and its colleagues have risen to the challenge. Through generous volunteering programmes and community funds that provide valuable financial support to community organisations, MAG has truly demonstrated that it is a responsible corporate citizen.

Protecting passengers and staff from COVID-19 has been a key priority for MAG this year. MAG's science-based approach, developed in partnership with health experts, implements, exceeds and verifies compliance with government guidance. As a result, customers and colleagues can be confident that MAG's airports are a safe environment and that all risks have been considered and appropriately mitigated.

Throughout the year, MAG's colleagues have demonstrated genuine strength and resilience. Amid difficult circumstances they have adapted to different ways of working and, to protect the future of the business, large numbers of colleagues have been furloughed. Supporting colleagues' physical and mental wellbeing has been an important focus this year. Sadly, the pandemic has led to some colleagues leaving the business. However, it has been good to see MAG Connect's Airport Academies step up to the mark, providing employability and skills support to affected colleagues and linking them to appropriate vacancies. MAG's focus on wellbeing will continue over coming months, ensuring colleagues are supported during their reintroduction into the workplace as passenger numbers return to normal levels.

A year in review

This year the CSR Committee met four times, with my fellow Non-Executive Directors John Wragg and Cath Schefer attending all meetings. We were pleased to be joined by the Chair of the Board, and senior executives, including the Managing Directors of all MAG's airports. In addition to regular reporting of performance, and extensive discussion regarding MAG's response to the COVID-19 pandemic, the Committee received reports considering a wide range of issues including:

- Health, safety and wellbeing;
- Business resilience;
- Diversity and inclusion, including gender pay gap;
- Climate change, including national and international carbon policy;
- Decarbonisation, renewable energy and low emission vehicles;
- Aircraft noise and airspace modernisation;
- Skills and education projects, including support for colleagues leaving the business due to COVID-19;
- Inclusive customer service for passengers with additional needs;

CSR Committee continued

- Modern slavery; and
- CSR reporting, communications and engagement.

The 'Sustainability at MAG' section of this report, at page 40, provides further information about the Group's work in this area. Later this year, MAG will again publish a full CSR Report, including full disclosure against the Global Reporting Initiative Comprehensive Option and associated sectoral standard.

Remuneration Committee

Chair: Vanda Murray OBE

I am pleased to set out the Remuneration Report for the year ended 31st March 2022. This sets out details of our remuneration policy and principles alongside key activities undertaken in the year.

What are our reward principles and how do these link to MAG's strategy?

The Committee considers the Group's key strategic priorities when setting remuneration and ensures that all remuneration packages are linked to the long-term sustainable financial performance of the Group. The Committee ensures that any incentive structure drives performance that will enhance the experience of our customers, shareholder and our colleagues. As one of the largest employers in the region, MAG is also committed to being a good corporate citizen and doing the right thing for our colleagues and local communities and therefore supports the Corporate Social Responsibility (CSR) Committee in areas such as fairness, gender pay and diversity and inclusion.

The Committee is also guided by the following principles:

- attract and retain talent – allow the Group to attract, motivate and retain senior executives of high-calibre who are capable of delivering the Group's stretching objectives;
- performance-driven – link rewards to both individual and corporate performance, responsibility and contribution over both the short and long term;
- market aligned – position the Group competitively in the principal markets (both private and listed companies) where it competes for talent;
- fair – fairly designed and applied with consideration to market positioning, internal relativity and individual contribution, in the context of pay within the wider workforce; and
- simple – rewards are simple and understandable with a clear link between performance expectations, outcomes and rewards.

What were the Committee's responsibilities and key activities undertaken in FY22?

The activities during FY22 were again influenced by the impact of COVID-19. Following the 10% pay cut that was applied for all Directors and employees during the previous year, the policy for pay in this year was guided by the Pay Stability Agreement. This set out the principle that pay be linked to working patterns, the categories being fully working (100% pay), part working (90% pay) or not working (80%) pay. This applied throughout the Group for the entire year.

Remuneration Committee continued

During the year, in addition to the regular duties the Committee performs year on year such as reviewing policies, giving consideration to market trends in remuneration and considering pay in the context of the wider workforce, the Committee:

- reviewed market information on pay for Executive Directors and Senior Executives;
- implemented a pay freeze for the second year in succession. This applied to all Executive Directors and Employees and reflected the continuing impact of COVID-19 on the Group;
- applied the principles of the pay Stability Agreement. [As all Executive Directors were fully working from 1 April 2021 they have accordingly have been on 100% pay for FY22.]
- deployed Short-Term and Long-Term Incentive awards during the year that are closely linked to the planned recovery of MAG post pandemic

Directors' Remuneration Report

Membership of the Committee, Remit and Attendance at Meetings

The Committee's members during the year were Vanda Murray (Chair), Christian Seymour, Cath Schefer and Sir Richard Leese (all Non-Executive Directors, with Christian Seymour and Sir Richard Leese being shareholder-appointed). During the year Richard Leese was replaced by Bev Craig pursuant to the change of leader of Manchester City Council. The Committee met three times during the financial year.

How do we reward our Executives and how does this link to the Group's strategy?

| <i>Reward element and purpose in supporting the Group's strategy</i> | <i>Operation of reward element for Executive Directors and senior executives</i> |
|---|---|
| Basic Salary Support the recruitment and retention of executive directors and other senior executives, recognising the size and scope of the role and the individual's skills and experience. | <p>The basic salaries of Executive Directors and Senior Executives are reviewed annually and set based on:</p> <ul style="list-style-type: none"> • personal performance; • Group size and performance; • responsibility levels; • affordability; and • competitive market practice against a comparator group of similar sized organisations. <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher until the target positioning is achieved.</p> <p>Along with all employees, no pay award was made in FY22 to Executive Directors or Senior Executives.</p> |

Directors' Remuneration Report continued

| <i>Reward element and purpose in supporting the Group's strategy</i> | <i>Operation of reward element for Executive Directors and senior executives</i> |
|--|---|
| <p>Short-Term Incentive Plan (STIP) Ensures a market-competitive remuneration package. Links total remuneration to achievement of the Group's strategy against measurable performance criteria in the short-term, both driving individual performance and creating shareholder value.</p> | <p>Short Term Incentive awards were deployed during the year. These awards vest subject to the achievement of key measures of recovery, being financial, personal and strategic targets. Any incentive value in excess of 80% of salary is paid in the form of deferred cash to be released one year after the initial payment, subject to continued employment. In addition to the performance targets, the Committee retain the discretion to reduce STIP awards in part or in full for this year, based on an overall assessment of both Group and personal performance. In line with best practice, a clawback provision is included in the STIP. This provision enables the Group to reduce awards or reclaim payments made, in the event of a material misstatement or error in the financial results, where the Group has made an error in calculating the amount of award, or where there has been gross misconduct on the part of the participant.</p> |
| <p>Long-Term Incentive Plan (LTIP) Designed to incentivise executive directors and key senior managers towards long-term sustainable results and creating shareholder value, whilst acting as a retention tool.</p> | <p>New Long-Term Incentive Awards were deployed during the year closely aligned to MAG's anticipated recovery over the period to FY23 and FY24. Vesting of awards is dependent on the achievement of financial targets, but awards can be reduced by up to 30% based on personal performance.</p> |
| <p>Long-Term Incentive Plan Designed to incentivise participants towards sustainable long term growth and shareholder value, whilst acting as an effective retention mechanism</p> | <p>Following the cancellation of all previous in-flight awards, The Committee made Long-Term Incentive awards during the year. The performance period for these awards runs to March 2024 and the performance measures are closely linked to the recovery programme for MAG following the impact of COVID-19. These awards have an interim measure of performance at March 2023.</p> <p>The quantum of awards made are representative of the need to both retain and incentivise key participants during this critical recovery period. The Committee reserve the discretion to reduce awards down to nil where it considers underlying performance is not at a satisfactory level during the performance period.</p> |
| <p>Pension The pension arrangements comprise part of a competitive remuneration package and facilitate long-term retirement savings for executive directors and senior executives.</p> | <p>The Company provides pension benefits to eligible employees through legacy defined benefit arrangements or the MAG Defined Contribution Pension Scheme, which is a defined contribution (DC) arrangement. The DC arrangement is available for newly eligible employees and provides money purchase pension benefits.</p> <p>Executive directors and senior executives are entitled to receive a salary supplement in lieu of pension contributions.</p> |
| <p>Additional benefits Provide a market competitive benefits package that is consistent with Group values and supports executives to carry out their duties effectively.</p> | <p>Other benefits include a car cash allowance, or an equivalent car, in addition to permanent health insurance, private health insurance, critical illness cover and death-in-service life cover.</p> |

Directors' remuneration is set out in note 6 to the financial statements.

Directors' Remuneration Report continued

How does the Committee give consideration to the wider employee workforce?

The Committee understands the importance of giving consideration to the wider employee workforce when making remuneration decisions, in terms of fairness, gender pay and diversity and inclusion. The Remuneration Committee works closely with the Corporate Social Responsibility (CSR) Committee to understand the positive work being done in this area and the stakeholder engagement undertaken as part of the CSR agenda.

More information about the Group's Commitment to gender pay and diversity and inclusion can be found in the Sustainability section of the report on pages 43 to 45. Examples of the initiatives MAG have implemented are:

- we allow our Colleagues two days' paid time off per year to volunteer in the community;
- we continue to offer a Flexible Benefits system that allows employee to choose the benefits most appropriate for their circumstances;
- we have produced a Gender Pay Report as set out in the Gender Pay Regulations; and
- we ensure compliance with the National Living wage.

Internal controls and risk management

Internal controls

The directors are responsible for the Group's system of internal control, which aims to safeguard assets and shareholders' investment, and seeks to ensure that proper accounting records are maintained, that statutory and regulatory requirements are met, and that the Group's business is operated economically, effectively and efficiently. It is acknowledged that any system of internal control is most likely to manage rather than eliminate risk, and can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The Group's system of internal control has been in place throughout the year and up to the date of this Annual Report. The key elements of the internal control environment, which includes the process for preparing the consolidated financial statements, are:

- clearly defined organisational structures, schemes of delegation and lines of responsibility;
- the involvement of qualified, professional employees with an appropriate level of experience (both in the Group's Finance function and throughout the business);
- regular meetings of the Board and of the Chief Executive's Executive Committee;
- Board approval of long-term business strategies, key business objectives and annual budgets (with an annual review being undertaken to update the business strategies and key business objectives);
- preparation, and Board approval, of revised financial forecasts during the year – monitoring financial performance on a monthly basis against budget, and the benchmarking of key performance indicators, with remedial action being taken where appropriate;
- monitoring annual performance against business plans;
- established procedures for planning, approving and monitoring capital projects, together with post project investment appraisal;
- regular review by the Group's Finance function of each business unit including a reconciliation to the management accounts on a segmental basis;
- the review by the Audit Committee and the Board of the draft consolidated financial statements, and receipt of and consideration by the Audit Committee of reports from management and the external auditor, on significant judgements and other pertinent matters relating to those statements;
- the activities of the Internal Audit function (see below);
- implementation of Group-wide procedures, policies, standards and processes concerning business activities, including financial reporting, health and safety, and human resources.

The Group has an established, independent Internal Audit function, the role of which is to provide impartial, objective audit, assurance and consulting activity that is designed to strengthen, improve and add value to core processes and procedures across the Group.

The Internal Audit team takes a disciplined and risk-based approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes, aimed at providing assurance that key risks are being well managed, and controls are adequately designed and operating effectively. Their approach is based on professional best practice, in particular, the 2020 Internal Audit Code of Practice. MAG continues to apply the Chartered Institute of Internal Auditors Standards to its Internal Audit methodology, processes and procedures.

Internal controls continued

An annual risk-based Internal Audit Plan is developed which provides coverage of the Group's risk profile over a rolling three year period, with an initial focus on areas of high inherent risk and areas where the Group is heavily reliant on mitigating controls to manage the risk to an acceptable level. The plan is reviewed and refreshed in line with MAG's annual cycle of Audit Committee meetings and according to the Group's evolving risk profile.

Over the course of the year, the Internal Audit team has carried out 13 reviews across a broad range of areas including: health and safety, specifically COVID-19 control measures and fire safety governance; airport security and operations; core financial controls; and procurement, including supplier management and governance. The IT audit plan this year has remained focused on key cyber and information security risks, and deep dives have been conducted into areas such as MAG Active Directory and Privileged Access Management.

Specifically this year and in line with Internal Audit standards, Internal Audit activity has focused on the adequacy and continuous improvement of MAG's 2nd line functions and the associated controls and assurance processes that are in place across the Group. Where relevant, Internal Audit scopes include a review of governance arrangements and as appropriate, the reliability and quality of key business information which is being provided to support strategic decision-making processes across the business.

The Internal Audit team carries out an annual self-assessment exercise to establish its effectiveness and any areas for improvement, based on the Chartered Institute of Internal Auditors Standards. The most recent exercise confirmed full compliance with those Standards and an action plan has been developed to support the team's objective for continuous improvement in respect of quality assurance processes and procedures.

In line with best practice, MAG also operates an independently provided, confidential reporting telephone helpline and web portal for employees to raise matters of concern in relation to fraud, dishonesty, corruption, theft, security and bribery. All claims are fully investigated in line with MAG's standard policies and procedures and a full whistleblowing update is provided at each Audit Committee meeting.

As part of Internal Audit's activity in year we have also reviewed the business's application of policies and procedures (for areas under review) with the aim of supporting the dissemination and standardisation of good working practices and raising awareness of any non-compliance and areas for improvement. This ensures that there is the appropriate tone from the top and consistency of controls and processes across the Group that are aligned to MAG's Organisational Design and core objectives. Internal Audit aims to add value by ensuring that MAG behaviours and culture in respect of risk appetite, risk mitigation and subsequent controls assurance is instilled across the business.

Based on the Internal Audit work delivered during the year, in the context of materiality, and considering management's commitment to implement agreed control improvement recommendations, the Internal Audit team concluded that MAG's internal control and risk activities were operating effectively for the period under review. On behalf of the Board, the Audit Committee has received the Chief Audit Officer's Annual Report and Opinion and has conducted a review of the effectiveness of the system of internal control. Regular reports on control issues are presented to, and discussed with, the Audit Committee, and there is a process in place to ensure that audit recommendations are fully implemented by senior executive management. As such, 98% of recommendations made during the period have now been fully implemented or are on track to be implemented in line with initial agreed deadlines. There are updated, risk-based deadlines in place for the 2% of overdue actions.

Internal controls continued

The Board, having considered the Audit Committee's review, is able to confirm that no significant failings have been identified in the system of internal control.

Risk management

At MAG we believe that effective risk management is critical to our success as a business – from delivering safe, secure and efficient operations which provide a great customer experience, to the delivery of our strategy and business plans, all of which are underpinned by a clear understanding of the risk environment and robust strategies to manage and mitigate material risks.

MAG's Risk Management Framework covers the full spectrum of our corporate and operational activities – the framework is embedded in day to-day operations and is characterised by strong management ownership and engagement.

MAG operates a '3 Lines of Defence' governance model whereby risk is owned and managed by management within the business ('1st Line'), supported and facilitated by a Risk Management function ('2nd line') and independently assured by functions including MAG's own Internal Audit Department ('3rd Line').

MAG's Risk Management Framework is focused on providing management, the Audit Committee and Board with a clear and current view of the organisation's risk profile and our strategies to manage and mitigate material risks and to identify emerging risks. The framework is structured to ensure that all aspects of the Group's risk profile are subject to regular review at the strategic, corporate and operational levels, and to provide for prompt escalation and assessment of material risks and/or those that may be emerging at the appropriate governance level(s) as they arise or are identified. This assessment process is underpinned annually through the delivery of an extensive programme of risk review workshops, facilitated by our team of risk specialists who support management across the organisation in identifying and evaluating key risks and those that are emerging and developing effective mitigation strategies designed to manage risk exposure to an acceptable level.

The framework also enables management to identify and evaluate potential business and operational opportunities, enhancing the ability of the organisation to maximise these at an early stage and in a controlled manner.

The Risk Management Framework provides a clear and comprehensive basis for a consistent approach to risk management across the business. This solid foundation means that leaders can respond with agility to new and emerging risks thanks to a clear understanding of how risks should be identified, measured, monitored and governed. It has allowed MAG to respond quickly and thoroughly to the risks as a result of the COVID-19 pandemic. This served to ensure the continuity of the organisation through a time of unprecedented uncertainty with a subsequent strong recovery in operations. Growing back this quickly has not been without its challenges. Having a well-embedded risk management process allows MAG to identify the key uncertainties and challenges resulting from an upsurge in demand alongside the mitigations and actions required to sustain a successful recovery.

Risk appetite is well understood within the business and forms a key element of our risk evaluation methodology, providing clear boundaries for management on the levels of risk the business is prepared to accept, and prompting action where risks fall outside our defined appetite. Defined risk tolerances provide the foundation for consistent evaluation of risk across the business and the basis for assessing risks against our stated risk appetites.

Risk management continued

The MAG Risk Management Framework establishes a set of key evaluation criteria for risk impact scoring. Each of these impacts is associated with a relevant appetite. In this way a greater appetite may be attributed to some commercial risks compared to a significantly lower appetite for regulatory and health and safety risks. Risks are escalated through the reporting process based on whether they are inside or outside of appetite. This enables a clear differentiation between a higher scoring risk for which MAG has a greater tolerance and a lower scoring risk for which the appetite is low or indeed zero.

This methodology applies to all MAG risks from operational through to strategic level. This consistent approach facilitates comparison of risks which means the most significant are escalated to appropriate governance forums. Risk appetite is considered by the Audit Committee as part of its annual plan of work to ensure that it remains fit for purpose.

Strong emphasis is placed on the development and implementation of robust action plans to mitigate or manage identified risks to a level which is inside MAG's risk appetite. Timely implementation of risk action plans is monitored by our Risk Team and progress is regularly reported to senior management and, where appropriate, to the Audit Committee and Board.

Ownership and accountability are key to the success of any risk framework, and management at all levels are expected to engage actively in the risk management process and take full ownership of risks within their areas of responsibility. As a minimum, management are required to engage in risk review workshops in advance of each Audit Committee meeting, ensuring that the Executive Committee and Audit Committee have an accurate and up-to-date view of the Group's risk profile throughout the year. This process is supported by the regular engagement of MAG's Risk Team with Risk Owners and their teams. This ensures that risk is considered on a regular basis and remains at the forefront of business planning and decision-making.

The Audit Committee and our Executive Team receive regular detailed management information on the Group's risk profile through risk reports which highlight key risks, material changes to the risk profile and risks outside appetite. In addition, Airport Leadership Teams receive regular risk reports with a focus on both the risk profile and management's progress in implementing agreed mitigating actions. Management is accustomed to regular constructive challenge on its strategies to manage key risk exposures and is held to target deadlines to implement agreed mitigating actions.

Risk management is embedded in MAG's decision-making processes through the requirement to provide detailed risk assessments within business case submissions and decision papers submitted to the Board and our various other governance forums. In addition, the Board receives periodic updates on the Group's risk profile to support strategic decision-making. This includes the outputs of biannual Strategic Risk workshops held with the Executive team to ensure that MAG's strategic and emerging risk assessments remain up to date and accurate.

At MAG we continuously strive to maintain a strong risk management culture which is open and transparent. It is important that management feel able to discuss risk issues openly and receive the support it needs to ensure that risks are actively managed or mitigated. The Risk Team engages regularly with management across the business to achieve this, facilitating open conversations around risk, ensuring they have the knowledge and tools to manage risk effectively within their own areas of responsibility.

The established processes outlined above mean that risk is considered at all levels of the organisation. Regular liaison with senior management provides a basis on which to consider new and emerging risks.

Risk management continued

Horizon scanning of risks is the responsibility of all senior MAG officers, supported by the Risk team to ensure that they are recorded in a timely manner to ensure appropriate governance and attention. Any significant or strategic risks are supported by the establishment of programmes with their own registers, input to by the programme team.

Our Internal Audit Team provides management and the Audit Committee with independent assurance over the management of MAG's risk profile through the delivery of a risk-based Strategic Internal Audit Plan which assesses the adequacy and effectiveness of the internal control environment. The Plan is designed to provide assurance over the Group's risk profile across a rolling 3 year period with a focus on prioritising the biggest risks. In this way there is a clear process to ensure that the Strategic Internal Audit Plan is aligned with the assessment of MAG's key risks. Findings from Internal Audit reports are reflected in the risk register to contribute to enhancing the robustness of existing controls, identifying new controls and the actions agreed by management where areas for development are identified.

Principal risks

The table below summarises the key risks identified during the year, with details of the strategies for managing them and some of the potential opportunities they present:

| Risk | Mitigation strategy | Opportunities |
|-----------------------------|---|--|
| Recruitment of volume hires | <p>The COVID-19 pandemic had an unprecedented and sustained impact on the aviation industry. As a result of this, many operational colleagues left the business, either to pursue other opportunities or due to redundancy.</p> <p>As travel restrictions have eased and customer confidence has returned, we have seen a marked increase in passenger numbers. Whilst this represents a welcome and extremely positive return towards pre-pandemic levels of activity, it represents a significant demand on operational colleagues only a short time after restrictions have eased.</p> <p>There is currently a significant difference in current available resource and resource required to deliver effective operations at each airport. This is exacerbated by the competition in the market to recruit as well as the necessary process MAG frontline colleagues must undergo before they are permitted to work in the operation.</p> <p>In order to process increased passenger numbers safely, we have embarked on a huge recruitment drive to replace the operational colleagues lost during the pandemic, with a key focus on Aviation Security Officers (ASO). Including:</p> <ul style="list-style-type: none">• A large scale and wide-ranging recruitment campaign• Press releases in all our regions, announcing hundreds of new roles• A series of Jobs Fairs across all 3 regions• Improved the ASO 'offer'• An onsite assessment day model | <p>After the COVID-19 pandemic effectively ground operations to a halt, the upsurge in demand represents an opportunity to engage MAG's guests and offer them a welcome return to air travel.</p> <p>MAG has reviewed and refreshed core recruitment and retention policies and procedures.</p> <p>Processes have been updated to ensure that recruitment and on-boarding activities remain compliant but take place in a more timely and efficient manner.</p> <p>In addition, operational job roles and activities have been re-visited to ensure optimum use of available staff that aligns to their current vetting status and availability.</p> |

Principal risks continued

| Risk | Mitigation strategy | Opportunities |
|--|--|---|
| Cyber Security | <p>Manchester Airports Group is part of the UK Critical National Infrastructure (CNI) and under the Security of Network & Information Systems Regulations (NIS Regulations) its airports are considered to be an essential service and MAG is defined as an Operator of Essential Service (OES). This change in legislation now sees cyber security controls being regulated by the Civil Aviation Authority (CAA) and MAG has to comply with this regulatory requirement that sees cyber security associated with aviation safety.</p> <p>MAG is committed to providing a world-class cyber security posture and will continue to take its cyber security responsibilities with the utmost seriousness. MAG has adopted a defence in depth approach to cyber security protection and has developed an embedded security culture through awareness, education and empowerment to ensure we keep MAG's operations, customers, employees and stakeholders safe from cyber threats.</p> | <p>MAG operates an Information Security Management System (ISMS) based on the recommendations of ISO 27001:2017, including risk management, business continuity, incident management, physical security, security awareness training and much more.</p> <p>The MAG ISMS ensures security governance is in place at the core of the organisation. The Cyber Security Steering Committee (CSSC) meets on a bi-monthly basis to monitor performance; these meetings include senior stakeholders from across cyber security, Information Technology, HR, Finance, Legal, Airport Operations and relevant business owners. The CSSC helps to ensure that a wide security strategy is sustained so that MAG's exposure to cyber threats and risks is reduced.</p> |
| Long Term Implications of Brexit and Wider Macroeconomic Risks | <p>The 2016 'Brexit' referendum decision continues to bring challenges regarding the United Kingdom's relationship with the EU and in respect of international trading options more generally moving forward. This, combined with a number of other macroeconomic risks that are currently on the horizon such as potential loss of trade and the rate of economic growth, means that MAG, and the aviation industry more widely, continues to face ongoing uncertainty moving forward.</p> <p>We monitor the economic environment closely and have ensured that our business plans are resilient to economic shocks through prudent scenario planning and sensitivity analysis.</p> <p>MAG will work closely with the aviation industry to ensure that the longer term implications of current macroeconomic risk factors are well understood and mitigated where possible.</p> | <p>Whilst carefully monitoring and managing exposure to the risks, we will seek to ensure that the business is well positioned to take opportunities that changes to relationships, policy or legislation may present.</p> <p>MAG is focused on ensuring our airports have the capacity and quality of facilities our customers expect in the medium and longer term in response to the issues created by the COVID-19 global pandemic.</p> <p>The uncertainty around Brexit and other potential economic shocks has provided the opportunity to review our operating model, processes, and geographical/product diversification.</p> |

Principal risks continued

| Risk | Mitigation strategy | Opportunities |
|-----------------|--|---|
| Climate Change | <p>MAG has already taken significant action to reduce emissions associated with its own operations. Our operations are carbon neutral and our CSR Strategy sets out how we will transition to a net zero carbon business no later than 2038. We have also introduced a number of measures to reduce emissions indirectly associated with our activities, including from ground transport to our airports and aircraft. To this end, under MAG's leadership of the Sustainable Aviation coalition, the UK aviation industry became the first in the world to commit to net zero aviation by 2050 and publish a plan to achieve this goal. MAG continues to work with industry partners to achieve this target, playing our full part in decarbonising the industry through membership of the Government's Jet Zero Council, airspace modernisation and our competition incentivising the introduction of zero emission aircraft on services from MAG airports.</p> <p>MAG has also undertaken two climate change adaptation assessments, considering the physical climate risks to MAG's infrastructure and airport operations. These reports, which were submitted to Government to inform its National Adaption Programme, will be updated this year as we complete our third assessment making use of the Met Office's latest climate projections.</p> <p>This year we have enhanced our Annual Report reporting to more closely reflect the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD). Over the coming year we will continue to develop our assessment of the financial risks posed to MAG by climate change and publish the findings in future reports.</p> | <p>MAG is well positioned as a climate-leader in the aviation industry. MAG airports were the first in the UK to be carbon neutral. Our CSR Strategy presents a pathway to net zero no later than 2038 and the Sustainable Aviation Decarbonisation Roadmap sets out how emissions from aircraft will reduce to net zero by 2050.</p> <p>We are in open dialogue with Government through active membership of the Jet Zero Council. This both influences and monitors Government action against promises they have made and is a forum to demonstrate positive work undertaken by the aviation sector and MAG specifically.</p> <p>Our mature understanding of physical climate risks directly informs asset standards and infrastructure planning. Further work to consider the financial implications of climate change will position MAG well as economies more generally decarbonise.</p> |
| Security Breach | <p>We continue to invest heavily year on year in ensuring our customers, employees and stakeholders remain safe and secure at all of our sites in the context of the current threat environment.</p> <p>We work closely with the Police and Government security agencies to ensure that our security facilities and processes meet the high standards required to respond to new and existing security threats.</p> <p>Our security facilities and processes are subject to extensive internal and external inspections and audits by regulators, external specialists and internal teams who regularly test the effectiveness of our security processes and identify opportunities for improvement.</p> | <p>Whilst security is paramount, we also want our customers to continue to enjoy a positive experience at our airports.</p> <p>We look for opportunities to enhance the customer experience whilst maintaining the high standards of security our stakeholders expect, in particular working to minimise security queuing times through continuous improvement and innovative approaches to our security processes and facilities.</p> |

Principal risks continued

| Risk | Mitigation strategy | Opportunities |
|--|--|---|
| Major Health & Safety incident affecting our customers or colleagues | <p>The Health & Safety of our customers, employees and stakeholders is a fundamental priority for us. Robust Health & Safety policies, procedures and processes are in place, and compliance is monitored by our experienced team of Health & Safety specialists who undertake a programme of inspections and audits throughout the year.</p> <p>Health & Safety training is provided to all employees and briefings are provided to contractors and other visitors to our sites to ensure that key Health & Safety risks are understood and effectively managed.</p> <p>Our Health & Safety governance structure is designed to ensure that there is appropriate oversight of our management of Health & Safety risk and enables material risks to be quickly escalated and addressed. We continue to invest heavily year on year in ensuring our customers, employees and stakeholders remain safe and secure at all of our sites in the context of the current threat environment.</p> <p>We work closely with the Police and Government security agencies to ensure that our security facilities and processes meet the high standards required to respond to new and existing security threats.</p> | <p>Continuous improvement of our Health & Safety arrangements is a key focus for each of our operations. This is facilitated by our specialist Health & Safety Teams and underpinned by strong ownership and accountability by our management teams. Whilst security is paramount, we also want our customers to continue to enjoy a positive experience at our airports</p> |
| Regulatory risk | <p>Compliance with regulatory requirements is a priority for MAG, and we invest in extensive internal and external assurance to ensure we continue to be fully compliant across all aspects of our operations.</p> <p>We also deploy risk management evaluation criteria specifically for regulatory risk. Given the number and complexity of the regulatory requirements we are subject to, this allows us to articulate and compare our key regulatory risks using a comprehensive approach.</p> | <p>We work closely and have strong relationships with our regulators to ensure we understand and can fully comply with their requirements. We strive to act quickly when opportunities for improvement are identified, and through our regulator relationships we are able to plan well in advance for successful responses to future requirements.</p> |
| Recruitment, development and retention of talented people | <p>Recruiting and retaining talent is critical to the success of our business, and this has been an area of significant focus in recent years. Our Talent Strategy aims to attract the best available people in the market and retain employees through a variety of initiatives including incentive schemes, career development programmes and mentoring to help them contribute to driving the success of the company, whilst getting the very best out of their career at MAG.</p> <p>We are also adapting our recruitment approach in key areas such as 'digital' to reflect the changing external environment, where the competition for talent is high.</p> | <p>Regular employee communications and performance reviews individually and collectively combined with regular communications from management and the use of employee engagement surveys enable colleagues to identify opportunities to improve the employee experience. MAG is transparent in communicating survey results and proactive in developing initiatives to deliver identified improvements.</p> |

Task Force on Climate-Related Financial Disclosures

2021 marked a pivotal year for determining the future of the global climate. This culminated in the United Nations Climate Change Conference (COP26) in November, when global leaders reasserted their commitment to meet the Paris Agreement and limit warming to 2°C, preferably to 1.5°C, compared to pre-industrial levels. MAG is dedicated to tackling the climate crisis head on and we are committed to supporting the transition to a low-carbon economy.

We have pledged to making our airport operation net zero carbon by 2038, 12 years in advance of the national target. For over 15 years, we have been dedicated to reducing the carbon intensity of our airport operations. Through our Corporate Social Responsibility (CSR) Strategy, 'Working together for a brighter future', we position climate change at the forefront of our approach to delivering a sustainable business. This year, the United Nations International Civil Aviation Organization (ICAO) General Assembly will further highlight the UK's role as a leader in combatting climate change, with the UK aviation sector's declaration to achieve net zero carbon emissions by 2050. MAG recognises the importance of the aviation sector in realising this goal.

In 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published recommendations against which MAG will be required to report from 2024. Recognising the importance of climate change and the need to understand and mitigate climate risk, we began reporting against TCFD recommendations in our last annual report. This year, we are further enhancing our disclosures by developing our approach to further assessing climate-related risks and opportunities, with a particular focus on transition risks. By evaluating these risks over the short, medium, and long term, we are equipping the business with the tools and knowledge to inform decision making. We are also preparing for full reporting against TCFD in line with regulatory requirements and for our FY24 Annual Report and going forward, we will report against the disclosures in full.

An overview of our disclosures against the TCFD recommendations is provided below. This section of our report also provides detailed coverage on the climate-related issues for MAG in line with the TCFD recommendations.

TCFD disclosure recommendation table

| Disclosure recommendation | | Section reference |
|----------------------------|---|---|
| Governance | | |
| a) | Describe the Board's oversight of climate-related risks and opportunities | 2021/22 Annual Report – Leadership and Governance (Page 50) 2021/22 Annual Report – TCFD section (this section) |
| b) | Describe management's role in assessing and managing climate-related risks and opportunities | 2021/22 Annual Report – TCFD section (this section) |
| Strategy | | |
| a) | Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term | 2021/22 Annual Report – TCFD section (this section) |
| b) | Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning | 2021/22 Annual Report – TCFD section (this section) |
| c) | Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario | 2021/22 Annual Report – TCFD section (this section) |
| Risk management | | |
| a) | Describe the organisation's processes for identifying and assessing climate-related risks | 2021/22 Annual Report – Internal Controls and Risk Management (Page 73) |
| b) | Describe the organisation's processes for managing climate-related risks | 2021/22 Annual Report – Internal Controls and Risk Management (Page 73) |
| c) | Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management | 2021/22 Annual Report – Internal Controls and Risk Management (Page 73) |
| Metrics and targets | | |
| a) | Disclose the metrics used by the organisation to assess climate-related risks and opportunities | 2021/22 Annual Report – TCFD section (Page 77) |
| b) | Disclose Scope 1, Scope 2 and, if appropriate, Scope 3* greenhouse gas emissions and the related risks | Scope 1 & 2: 2021/22 Annual Report – Corporate Social Responsibility (Page 40) Scope 1, 2 and 3: Annual CSR Report, to be published later in 2022/23 |
| c) | Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | 2021/22 Annual Report – Corporate Social Responsibility (Page 40) |

* 'SECR' scope 1, 2 and 3 greenhouse gas emissions are defined in our latest emissions report, which can be found here: <https://www.magairports.com/media/1737/mag-emissions-report-2020-21.pdf>

Task Force on Climate-Related Financial Disclosures (TCFD) reporting index

Governance

Governance Board

Climate change is regarded as a principal risk for MAG and forms part of our Strategic Risk register. The register is considered by the Board through the Audit Committee twice yearly with climate issues also discussed by the CSR Committee which meets four times a year. Where relevant, climate-related issues are presented directly at Board meetings. MAG recognises the financial risk that climate change presents the business; therefore, specific accountability for climate change has been assigned to our non-executive director Vanda Murray OBE, in her role as Chair of the CSR Committee (a sub-committee of the MAG Board).

Climate change is also a strategic priority within our CSR Strategy with performance targets across a number of topics including quarterly emissions, climate change communications, sustainable surface access, and airspace modernisation. MAG's ESG (Environmental, Social, Governance) team provides regular updates to the CSR Committee at every meeting.

Management

Our Chief Executive Officer, Charlie Cornish, is accountable for the overall delivery of MAG's climate change strategy. The Group CSR and Future Airspace Director, Neil Robinson, leads the development and delivery of our climate strategy, which is one of three strategic priorities detailed in our CSR Strategy. Neil Robinson reports to Chief of Staff, Tim Hawkins. Tim Hawkins is the Chair of the CSR ExCo Sub-Committee which brings together leaders from across the business to deliver our CSR programmes. In this role, Tim holds accountability for CSR initiatives and progress.

MAG has a centralised team of experts to manage, regularly review and monitor the delivery of the climate strategy across our airports and wider business. The team provides climate change reports to senior leadership which are reviewed and updated annually to provide adequate coverage of performance and ensure progress against the CSR Strategy. The report includes information relating to the responsibility for driving the reduction of the company's carbon emissions, guiding the approach to carbon offsetting and identifying and assessing the physical impacts and transition risks and opportunities of climate change to the business.

Strategy

Climate change poses a significant set of strategic risks for the aviation sector and for our business. As an operator of critical national infrastructure, we assess our climate-related risks over the short, medium and long term: short-term, covering the time period 2020–2039; medium-term, covering the time period 2040–2069; and long-term, covering the time period 2070–2099. Transitioning to a low-carbon economy poses a higher risk in the short term, as MAG strives to achieve net zero carbon operations by 2038. Climate-related physical risks pose significant business impacts to MAG over the medium to longer term.

Scenario analysis has been used to assess the climate-related physical and transition risks and opportunities under two distinct climate scenarios for the three identified time horizons. We have considered two distinct scenarios, defined as projected changes based on possible climate outcomes, in line with the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways (RCPs).

Strategy continued

For both physical and transition risks we have selected the following scenarios.

- A medium-emission scenario: associated with RCP 6.0, this scenario approximates an outcome in line with a 2°C warming by 2100. In this scenario, greenhouse gas emissions are mitigated, representing the most optimistic assumptions in line with current and proposed policy.
- A high-emission scenario: associated with RCP 8.5, this scenario approximates an outcome in line with a 3–4°C warming by 2100. In this scenario, greenhouse gas emissions continue to grow unmitigated.

Through our CSR Strategy, we position and deliver our strategic approach to climate change. A fundamental part of our climate strategy is to proactively contribute towards the decarbonisation of the wider aviation industry. We recognise that the climate crisis cannot be tackled alone, and we continue to engage directly with stakeholders and the wider industry. MAG was a founding member of the UK aviation industry coalition, Sustainable Aviation, and remains a member of the managing council. Our CEO, Charlie Cornish, is one of two airport members of the Government's Jet Zero Council, with MAG also an active member of the environmental committees of the regional and global environment committees of our trade association Airports Council International (ACI).

Our strategy also considers climate change adaptation and resilience. For more than a decade, MAG has comprehensively considered climate change adaptation. In December 2021, we submitted our third Climate Change Adaptation Report¹ to the Government, including the results of our third adaptation risk assessment.

Risk management

Climate change is a key risk to our business and forms part of MAG's organisational strategic (principal) risk register which is reported to the Audit Committee twice a year. The CSR Committee further engages on the identification, assessment and management of climate-related risks.

Over the last decade, MAG has published three Climate Change Adaptation Reports which are required to be submitted to the Department for Environment, Food and Rural Affairs (DEFRA) and contributes to the development of the Government's National Adaptation Programme. In December 2021, following MAG's latest Climate Change Adaptation Progress Report (see 'physical risks' below), we revised our approach to climate-related risk management. The report marked, for the first time, a holistic review whereby the approach to climate change adaptation risk assessment was revised in line with MAG's overarching Management Framework methodology. This year, we further refined our approach to identifying climate-related transition risks (see 'transition risks' below), adopting the overarching risk methodology. The findings from both climate change risk assessments contribute to our corporate assessment of risk and ensure that climate change is discussed at the highest level within the organisation.

Our climate change risk methodology considers the impact (on a scale of 1 'minimal' to 5 'critical') and likelihood (on a scale of 1 'improbable' to 5 'highly probable') of potential risk consequences. The impact and likelihood scores for each risk are multiplied to calculate risk exposure, hence the maximum exposure rating for any risk is 25. The risks with the highest score are, therefore, considered the most significant and are prioritised for mitigation and management.

¹Our third Climate Change Adaptation Report can be found here: <https://www.magairports.com/responsible-business/climate-change-adaptation-reporting/>

Risk management continued

For each climate-related transition risk identified, we assess the risk score against the two chosen climate change scenarios (see 'strategy' section of this report). Within each climate change scenario, we assess the risk score over short, medium and long-term time horizons. To best identify areas where further control is necessary, our climate change risk registers baseline future risk against current net risk.

Climate-related physical risks and opportunities

We have published climate change adaptation risk registers considering the physical risks for each of our airports. In line with the TCFD recommendations, physical risks are defined as follows.

- Acute physical risks: event-driven risks, including increased severity of extreme weather events, such as cyclones, hurricanes, and floods; and
- Chronic physical risks: longer term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise and chronic heat waves.

Our climate change adaptation risk registers identify a range of risks relating to infrastructure, network operations and human health and wellbeing. The most significant climate-related physical risks and associated business impacts across our airports are outlined in the table on the next page.

| Climate-related physical risk | Business impact to MAG | Current and future actions |
|---|---|---|
| Increased frequency and severity of storm events including high winds, intense rainfall and icy conditions. | <ul style="list-style-type: none"> • Operational disruption resulting from physical impacts to infrastructure at MAG's airports. • Business disruption and reduced revenue due to lost time. • Increased likelihood of airfield safety accidents and incidents as a result of hazardous conditions posing health risks to MAG's staff and passengers. | <ul style="list-style-type: none"> • Emergency and business continuity plans for the loss of services. • Safety measures for ramp workers in the event of increased storms and lightning events. • Maintenance of climate-change watching briefs using the latest climate change projections. |
| Increased frequency and intensity of winter rainfall events resulting in the release of contaminated surface water. | <ul style="list-style-type: none"> • Increased likelihood of contaminated surface water may lead to the overspill of balancing ponds containing de-icing chemicals. • Negative impacts on the natural environment around the airports. • Potential health risks to MAG's airport operators, passengers, employees and staff. | <ul style="list-style-type: none"> • Planned full review of the existing drainage networks to improve data capture and inform decisions on future improvements to the system. |
| Disruption to flight schedules as a result of adverse weather events, sea level rise and storm surges at and enroute to destination airports. | <ul style="list-style-type: none"> • Atmospheric disruption may affect the routing of aircraft between arrival and departure. • Delays to landing times and enhanced fuel burning, resulting in business disruption and enhanced operating costs for airlines. • Sea level rise and storm surges at destination airports may reduce the viability of future destinations being available to passengers, thereby reducing passenger demand, profitability and revenue for MAG's airports. | <ul style="list-style-type: none"> • Performance-based navigation (PBN) to address the risk of extremities of wet and dry conditions affecting ground reflection or navigational aids. • Engaging with emerging research through partnerships with Eurocontrol and the Airport Council International. • A watching brief on sea level rise and storm-surge risks that will cause loss of low-lying airport destinations. |

Climate-related physical risks and opportunities continued

| Climate-related physical risk | Business impact to MAG | Current and future actions |
|--|---|---|
| Disruption to flight schedules as a result of adverse weather events, sea level rise and storm surges at and enroute to destination airports. | <ul style="list-style-type: none"> Atmospheric disruption may affect the routing of aircraft between arrival and departure. Delays to landing times and enhanced fuel burning, resulting in business disruption and enhanced operating costs for airlines. Sea level rise and storm surges at destination airports may reduce the viability of future destinations being available to passengers, thereby reducing passenger demand, profitability and revenue for MAG's airports. | <ul style="list-style-type: none"> Performance-based navigation (PBN) to address the risk of extremities of wet and dry conditions affecting ground reflection or navigational aids. Engaging with emerging research through partnerships with Eurocontrol and the Airport Council International. A watching brief on sea level rise and storm-surge risks that will cause loss of low-lying airport destinations. |
| <p>Restrictions to airport water supplies due to prolonged drought conditions and lowering of water table.</p> <p>Potential for water supplier drought orders to limit the availability or use of mains water.</p> | <ul style="list-style-type: none"> Prohibition of certain non-critical activities such as washing of infrastructure and assets. Financial impact arising from need to obtain alternative sources of water. Reputational impact - Asset renewal may be required to introduce water-efficient equipment. | <ul style="list-style-type: none"> Leak detection and repair programme – distribution system maintenance/upgrade. Conformance to asset standards and building regulations – asset renewal strategy – ongoing dialogue with water companies. Future plans to develop an airport <i>water drought management plan</i> to respond to the four levels of drought trigger. |

The following opportunities were identified to MAG in relation to the physical impacts of climate change:

- Improved staff and passenger comfort as well as wellbeing protections delivered through the design of low carbon buildings with climate-ready heating and ventilation systems.
- Improved ability to plan and adapt to the physical impacts of climate change and limit disruption to employees and passengers through the provision of regularly maintained and updated climate change watching briefs.
- Enhanced marketing positioning within the aviation sector through the healthy design of airport buildings which mitigate against the negative health and wellbeing impacts of climate change such as thermal discomfort and heat stroke.
- Cost savings as a result of reduced and adjusted de-icing requirements (e.g. through increasing stock and improving product performance where necessary) delivered as a result of regular reviews of weather conditions, including snow events.

Climate-related transition risks and opportunities

In 2022, we conducted detailed analysis of trends in the aviation sector including policy signals, production and technological drivers, and changes to the price of assets and services within the market to further advance our approach to climate-related transition risks and opportunities.

Climate-related transition risks and opportunities continued

TCFD categorises transition risks within four distinct categories:

- Policy and legal – policy measures that seek to mitigate against the adverse effects of climate change, and those measures which promote adaptation to climate change.
- Technology – technological improvements or innovations (or lack thereof) that impact upon the transition to a lower carbon, energy-efficient economic system.
- Market – shifts in supply and demand for certain commodities, products and services.
- Reputation – changing customer, community and wider stakeholder perceptions of an organisation's contribution or detracting from the transition to a low-carbon economy.

The key climate-related transition risks and associated business impacts to our airports are outlined below:

Policy and legal

| Climate-related transition risk | Business impact to MAG | Current and future actions |
|--|---|---|
| Failure to reach international agreement on aviation decarbonisation, leading to differentiation between UK, EU and international policy. | <p>Increased cost of emissions for flights to and from the UK relative to other countries leading to competitive disadvantage to MAG and reduced demand for flying to and from the UK. Demand management measures (those to increase cost and/or limit airport expansion) may further limit future aviation growth.</p> <p>Reduced competitive positioning of the organisation.</p> <p>Reduced access to competitively priced finance and investment.</p> | <p>Participation in UK and international trade associations (including industry working groups and those focused on the development of national and international decarbonisation roadmaps).</p> <p>Engagement with UK policy makers through, for example, the Government's Jet Zero Council. Upcoming engagement with the international aviation community ahead of the International Civil Aviation Organization (ICAO) General Assembly and in support of the next ICAO Committee on Aviation Environmental Protection (CAEP) cycle.</p> |
| Introduction of policy measures by regional stakeholders (such as shareholder local authorities) may result in the differentiation between national and regional climate policy. This may require a greater level of aviation decarbonisation than national policy; as a greater contribution to emissions reduction than currently apportioned within the UK carbon budget. | <p>Protracted planning applications owing to stringent policy and regulations posing potentially complex legal challenges relating to expansion and development.</p> <p>Difficulty in accessing competitively priced finance may limit investment opportunities. A lack of investment may reduce opportunities to further tackle climate change, thereby leading to local reputational damage.</p> | <p>Regular engagement on policy and legislative changes through participation in regional collaborations (such as the Manchester Climate Change Partnership).</p> <p>Direct engagement with policy officers and elected members.</p> |

Technology

| Climate-related transition risk | Business impact to MAG | Current and future actions |
|--|---|---|
| The introduction of alternatively fuelled, zero-carbon aircraft with different operating characteristics may reduce aircraft and/or airport capacity. | <p>Reduced passenger throughput due to business disruption resulting from lower aircraft capacity owing, in turn, to longer refuelling turnaround times.</p> <p>The need for increased refuelling safety zones may reduce the availability of land for development.</p> | <p>Participation in UK and international trade associations, including the focused upon the development of national and international decarbonisation roadmaps.</p> <p>Engagement with UK policy makers through, for example, the Government's Jet Zero Council. Engagement with FlyZero and Connected Places Catapult projects on the integration of alternatively fuelled aircraft for our future airspaces. Planned engagement with airlines and manufacturers on alternative-fuel aircraft infrastructure and investment as technologies develop to become commercially viable.</p> |
| Large-scale, permanent carbon capture and storage technologies may not mature quickly or at scale to support net zero aviation by the declared target dates. | <p>The limited availability of market-based measures may increase costs and limit demand.</p> <p>Limited passenger demand and revenue potential owing to increased regulation and compliance costs from heightened carbon pricing (resulting, in turn, from limited carbon capture and storage technologies).</p> | <p>Participation in UK and international trade associations, including those focused upon the development of national and international decarbonisation roadmaps.</p> <p>The Sustainable Aviation Coalition has expanded its membership to include those working on the development of negative emissions technologies. We are working collaboratively to further the understanding of scaling-up carbon capture and storage technologies. In line with the 2022 Sustainable Aviation decarbonisation roadmap, we will continue our focus on improving market-based measures to support the transition to net zero.</p> |

Market

| Climate-related transition risk | Business impact to MAG | Current and future actions |
|--|--|--|
| Failure of UK and international policy to deliver effective carbon markets. | <p>Reduced availability and increased cost of carbon credits.</p> <p>Increased airline operating costs may result in heightened costs of flying for passengers. Difficulty accessing competitively priced finance as a result of reduced attractiveness to prospective investors and shareholders. Challenges recruiting and retaining staff owing to reduced capital and investment, reducing MAG's attractiveness as a current and future employer within the aviation sector.</p> | <p>Participation in UK and international trade associations, including those focused upon the development of national and international decarbonisation roadmaps.</p> <p>Engagement with UK policy makers through, for example, the Government's Jet Zero Council.</p> |
| Changes in societal behaviours and attitudes towards climate change may reduce passenger demand due to increased 'flight shame' and wider behavioural changes. | <p>Reduction in passenger demand (and, therefore, revenue) may reduce the attractiveness of MAG to investors and shareholders, thereby posing challenges to accessing competitively priced finance.</p> <p>Challenges for employee retention and recruitment owing to reduced market attractiveness.</p> | <p>MAG's CSR Strategy places net zero carbon airports at the forefront of its approach towards delivering a sustainable business (with a target for net zero carbon by 2038).</p> <p>MAG delivers net zero actions and initiatives including net zero, carbon-neutral operations across all three airports, certified through the Airport Carbon Accreditation.</p> <p>Continued engagement with the Government's Jet Zero Council to understand and influence policy.</p> |

Reputation

| Climate-related transition risk | Business impact to MAG | Current and future actions |
|---|---|---|
| Investors shifting capital allocation and finance in favour of low-carbon and climate-resilient businesses. | <p>MAG's failure to align with changed investor priorities (such as increased focus on climate change) may result in a lack of capital and investment – MAG receives investment from a number of sources to ensure operating costs are feasible and in line with MAG's business model.</p> <p>Reduced revenue and associated reputational risks for the business may impact upon investment opportunities.</p> <p>Reduced market attractiveness to the current and future workforce, as well as prospective passengers.</p> | <p>MAG's CSR Strategy focuses on the delivery of net zero carbon airports and outlines initiatives and commitments to the decarbonisation of its operations and the wider aviation sector.</p> <p>MAG will continue to report progress against this commitment to its key stakeholders and investors.</p> |

The transition to a low-carbon economy poses a number of climate-related opportunities. We continue to review and realise opportunities for our business and its stakeholders whilst ensuring a just transition to a socially inclusive, low-carbon future. Key climate-related transition opportunities as well as MAG's current low-carbon actions and initiatives include:

- Positioning the business as a thought-leader in the aviation sector for decarbonisation through continued engagement in policy dialogue, UK and international trade associations and industry working groups.
- Supporting research, training and technological innovation to drive the modernisation of airspace and operating procedures (including hydrogen technologies and electrification of transport) and support the uptake and efficiency of sustainable aviation fuels.
- Delivery of just transition strategies with unions, local communities, and current and future talent to address the training and skills needs of workers and enterprises in the transition to a low-carbon economy. Plans should support outplacement activities (to minimise the impacts of adverse shocks to changes in the market as a result of the transition to the low-carbon economy) by facilitating adjustments in wages and working time to reduce redundancies and loss of jobs.

Metrics and targets

Since 2007, we have reported our approach to reducing direct carbon emissions. Our airports were the first in the UK to achieve carbon neutral status which is certified through participation at Level 3+ (Neutrality) of the Airport Carbon Accreditation programme. Within our CSR Strategy, a strategic priority is the commitment to achieving net zero carbon emissions from our airport operations by 2038 at the latest. To achieve this commitment, our CSR Strategy is regularly reviewed and reported against the supporting targets and associated actions that we will take to reduce our absolute and residual emissions.

We measure, monitor and disclose our Scope 1, 2 and 3 greenhouse gas emissions² annually in line with the Greenhouse Gas Protocol Corporate Standard. We disclose absolute greenhouse gas emissions and an industry-agreed carbon intensity measure, which is emissions per traffic unit (where traffic units are equivalent to 1,000 passengers or 100 tonnes of freight and mail).

² 'SECR' scope 1, 2 and 3 greenhouse gas emissions are defined in our latest emissions report, which can be found here: <https://www.magaairports.com/media/1737/mag-emissions-report-2020-21.pdf>

Metrics and targets continued

We are passionate about ensuring that the reporting of our greenhouse gas emissions is insightful and transparent. We have been publicly disclosing our greenhouse gas emissions for over a decade, with reports regularly enhanced through methodology improvements and the calculation and disclosure of a wider range of indirect emissions. Our greenhouse gas footprint is audited by an independent third party TÜV Nord.

The headline target for net zero by 2038 is accompanied by additional commitments to ensure that we play our full part in addressing airport-related emissions, including from aircraft and surface access transport. This includes our commitment to ensure that our airport infrastructure will operate on renewable energy by 2030, with new and replacement infrastructure running on renewable energy from 2025 and our fleet comprising 100% ultra-low emission vehicles by 2030.

When assessing business cases, our considerations include climate-related costs such as those associated with utilities, carbon offsets and emission trading scheme compliance.

Transitioning to a low-carbon and climate-resilient future

This year, we will continue to review our climate change risks and opportunities, as well as further refine our approach to current and future mitigation. We will continue to monitor and identify new and emerging interdependencies for both the physical and transition climate-related risks and opportunities to our business. Through our established relationships with local authorities, the Environment Agency, water supply companies, transport providers and others we are working with, we will endeavour to better understand and address these interdependencies. We will continue to engage with local resilience forums. On an ongoing basis, we are reviewing and considering opportunities to extend our partnership working both within and beyond the aviation sector to lead the transition to the low-carbon economy.

Over time, we will develop metrics that measure our financial risk against the transition and physical climate-related risks to our business. Progress against these actions will be reported to the Audit Committee and CSR Committee and included in our next annual report and CSR report.

Directors' Report

The directors present their annual report on the affairs of Manchester Airports Holdings Limited ('the Company') together with the audited financial statements for the year ended 31 March 2022.

Principal activity

The principal activities of the Company and its subsidiaries (the 'Group') during the year were the ownership, operation and development of airport facilities in the UK. The Group's revenues were derived from aircraft and passenger handling charges, airport-based commercial and retail activities, and property.

Review of business and future developments

The consolidated results for the year under review commence on page 117. The Company intends to continue its development of the Group as an operator of high-quality airports and airport facilities both within the UK and overseas. As the Group enters a sustained recovery phase after the COVID-19 pandemic our short-term focus changed to preparing the business to accept higher levels of demand aligned with appropriate levels of service. A more detailed review of the Group's principal activities, results and future developments is provided in the business overview, management review and finance review sections of the strategic report.

Dividends and transfers to reserves

The retained loss for the year of £321.3m (2021: loss of £393.3m) after dividends paid of £nil (2021: £nil) will be transferred from reserves. In addition, the retained loss reserves also included: a gain of £48.4m relating to revision of actuarial assumptions relating to the Group's defined benefit pension schemes net of tax; £1.3m loss relating to the effect of change in rate of corporation tax on deferred tax, and a foreign exchange gain of £1.2m on MAG's US investments, net of tax.

Board of Directors

The Company directors during the year are detailed on page 49.

Compliance with Corporate Governance Principles

This Annual Report and Financial Statements have been prepared in adherence with The Wates Governance Principles for Large Private Companies which can be found at <https://www.frc.org.uk>

Conflicts of interest

The Company has procedures in place for managing conflicts of interest. Should a director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they should notify the Board in writing as soon as reasonably practicable. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

Indemnity and insurance

The Company's Articles of Association provide that, to the extent permitted by the Companies Acts, the Company may indemnify any director, or former director, of the Company or of any associated companies, against any liability. Directors' and Officers' insurance has been established to provide cover for all Directors against their reasonable actions on behalf of the Company.

Statement of disclosure of information to the 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.

Contracts of significance

Details of contracts of significance with Manchester City Council are set out in note 37 to these financial statements.

Risk Management

The Board as a whole, including the Audit Committee members, consider the nature and extent of the risk management framework, and the risk profile that is acceptable in order to achieve the Group's strategic objectives. The Audit Committee has reviewed the work done by management, the Committee itself and the Board, on the assessment of the Group's principal risks, including their impact on the prospects of the Company. The most significant strategic, corporate and operational risks and uncertainties, and the prevailing approach to their management, are detailed on pages 69 to 74.

Streamlined energy and carbon reporting (SECR)

As detailed on page 48.

Going concern

The directors have prepared the Group and Company financial statements on a going concern basis. In assessing the going concern position of the Group, the directors have considered the ongoing impact of COVID-19 on the cash flow and liquidity of the Group, for a period in excess of 12 months, and the corresponding impact of cash headroom and financial covenants associated with the Group's financing arrangements.

In assessing going concern the directors have considered: the Group's business plan forecast (including the planned mitigating actions that are within management's control); the successful refinancing of the Group's £500m Revolving Credit Facility ('RCF') and £90m Liquidity Facility and a downside and a severe, but plausible, downside scenario. The key assumptions under the downside and severe but plausible downside scenarios are:

Downside scenario: reduction in passenger numbers to 76% of pre-COVID-19 levels in FY23; and

Severe but plausible downside scenario: a two-month lock-down in Quarter 4 FY23 with an impact similar to the delta variant reducing passenger numbers for FY23 to 66% of pre-COVID-19 levels.

In the downside scenario the Group is expected to maintain positive cash headroom in excess of £272m for the 12-month period beyond the signing date of these financial statements. This headroom reduces to £232m in the severe but plausible downside scenario. In the base and downside scenario forecasts the Group would comply with the default provisions of the covenant testing at each reporting date for the 12 months beyond the date of signing the accounts. Under the severe but plausible downside scenario, the Group would breach its leverage covenant at 31 March 2023 and as a result would need to seek covenant testing waivers or amendments from its bank and bondholders.

Going concern continued

The directors have concluded that the Group can maintain sufficient liquidity over the next 12 months from the signing of the financial statements and will comply with the covenant banking testing at each reporting date. This, coupled with the successful refinancing of the Group's Revolving Credit Facility ('RCF') and Liquidity Facility, have resulted in the directors concluding that it is appropriate to continue to account for the Group as a going concern.

Whilst the release of the travel restrictions and resultant uplift in demand is positive and significantly improved on this time last year, there remains uncertainty if a more virulent variant of COVID-19 were to arise. It is plausible, that if this were to occur, there could be an extended impact on the aviation industry that would impact on liquidity, the Group's bond refinancing in 2024 and the Group's covenant ratios. The Group's severe, but plausible, downside scenario models such a case and estimates that whilst the Group would have significant headroom, there would be an impact upon the Group's covenant compliance testing in March 2023. In such a scenario, the Group would look to obtain consent from both its bank and bondholders, to waive or amend its covenant testing requirements when next tested.

Whilst the Group has further options to further manage liquidity or address any potential covenant breaches, this uncertainty represents a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern and, therefore, that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. These financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the financial statements had not been prepared on a going concern basis.

Further detail of the directors' assessment of going concern is detailed in the Basis of Preparation note in the accounting policies on page 98.

Viability statement

The directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 71 to 74. These risks include the ongoing impact of COVID-19 pandemic (and the Group's business resilience and business continuity mitigation strategies) and climate change. For the viability period the directors have concluded that COVID-19 and the aviation sector's recovery remains the key risk that needs to be considered for the purpose of assessing viability. Based on this assessment, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2025.

The directors have determined that a three-year period to 31 March 2025 constitutes an appropriate period over which it is to provide its viability statement. This is the period focused on by the Board during the strategic planning process, is aligned to our detailed passenger projections and contains the major refinancing actions required by the Group in the near term. The directors have no reason to believe the Group will not be viable over a longer period, however given the inherent uncertainty involved, we believe this presents users of the Annual Report with a reasonable degree of confidence while still providing a longer-term perspective.

Viability statement continued

In making this assessment the directors confirm that they have a reasonable expectation that the Group can continue in operation and meet its liabilities throughout the period. The directors have considered the potential impact of the rate of recovery from COVID-19 on the cashflow and liquidity of the Group, over the period, together with the corresponding impact on the covenants associated with the Group's financing arrangements, and the requirement of the Group to refinance a £360.0m bond which matures in April 2024.

The Group is subject to financial covenants on its secured funding arrangements, being leverage (Net Debt/adjusted EBITDA*) and interest cover (adjusted EBITDA* less tax/ net finance charges). The covenants are tested half yearly on 31 March and 30 September. As part of the Group's strategic finance response to COVID-19 in 2021 MAG had secured waivers for the covenant tests at 30 September 2021 and 31 March 2022 and a modified basis of calculation as at 30 September 2022. The modified basis calculating annualised adjusted EBITDA* as 1.54 times the adjusted EBITDA* for the six months ending 30 September 2022.

The economic impact of the COVID-19 pandemic has progressively eased throughout FY22 with passenger numbers increasing overall from 10.5% of pre-COVID-19 levels experienced in FY21 to 33% in FY22. The impact of this gradual recovery has been to see a return to businesses profitability, which when measured at the adjusted EBITDA* level, has transformed a £149.4m loss into a profit of £125.6m, with a resultant impact upon operating cashflow. The trend of passenger numbers leading into FY23 is positive. The UK Government's traffic light scheme in summer 2021 and the impact of the Omicron variant in December 2021 impacted passenger numbers adversely earlier in the year. However, the relaxing of all international travel restrictions in March 2022 has seen passenger volumes increase to 70% of pre-COVID-19 levels by the year end. MAG's ability to grow back its operating capacity through recruitment and training is now key to service the increased level of demand whilst providing customer service in FY23 and beyond.

The Group's committed facilities at 31 March 2022 comprise: borrowings of £1,460.0m of bonds and £900.0m of shareholder loans, a £500.0m Secured Revolving Credit Facility ('RCF'), which was fully drawn at the year-end. In addition, the Group also has access to a committed £90.0m Liquidity Facility. On 27 May 2022, the Group renegotiated the RCF and the Liquidity Facilities with their maturity date being in May 2027. For the Group's bonds the nearest maturing date relates to a £360.0m bond which matures in April 2024. The remaining £1,100.0m of Group bonds will mature between 2034 and 2044. The improving passenger profile in FY22 has built on the Group's key work to improve its liquidity as a result of its strategic finance responses in 2020 and 2021. As a result, at 31 March 2022 the Group has liquidity headroom of £472.9m comprising £462.9m net cash in hand and a £10m undrawn available overdraft facility.

As part of the viability assessment process the directors have considered the industry expectations of returning passenger levels in FY23 and beyond. Current expectation are passenger levels will return to 76% to 90% of pre-COVID-19 levels in FY23 and to pre-COVID-19 levels in FY24 and FY25. The forecasts estimate covenant compliance throughout the viability period and a liquidity headroom in excess of the £100m Treasury Policy throughout. The Basis of Preparation on page 98 sets out that there is a material uncertainty in relation to the Group's going concern conclusion. This results from the potential that there is a case of a more virulent COVID-19 variant in the future that necessitates travel restrictions similar to those experienced with the delta variant in FY21. Consequently, this is also regarded as a key risk in the Group's viability assessment.

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

Viability statement continued

In addition, the Group also recognised the risk that is associated with needing to repay a £360.0m bond within the viability period (before it is scheduled to mature in April 2024). Management's current expectation is that the Group will be able to successfully obtain additional funding at this time and the continued appetite to provide funding to the sector is supported by both MAG's recent re-financing of the RCF and Liquidity Facility as well as other debt issuance by comparable UK and European peer airports.

MAG can also consider and address any emerging new or significant risks in relation to its financial position or for future financial covenant testing dates throughout the viability period. Potential actions would include aligning capital investment, operating costs and aviation tariffs with a lower traffic environment; sourcing additional financial support to remedy any short-term shortfalls; or negotiating covenant waivers or amendments with the holders for any potential breach of future financial problems beyond the current consent period. Having considered all the relevant requirements; including MAG's financial position, likely forecast and reasonable downsides, together with actions available to mitigate impacts and the time period available to act, it is accordingly appropriate that the Group will continue in operation and meets its liabilities as they fall due over the three year period to 31 March 2025.

Employees

Employment policies

The Group's employment policies are regularly reviewed, refreshed and updated where applicable. The Group 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 Group 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, 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.

Apprentices and the National Living Wage

MAG 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. MAG fully complies with all of its obligations under National Living Wage.

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.

Consultation and communication continued

It has been critical to ensure colleagues and leaders are kept updated through this period of change and there have been regular briefings in relation to key business and operational developments. These are cascaded throughout the organisation via multiple communication channels such as weekly newsletters and online forums.

Policy and practice on payment of creditors

The Group's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code, copies of which are available from the CBI, Cannon Place, 178 Cannon Street, London, EC4N 6HN. For other suppliers the Group's policy is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.

These payment practices apply to all payments to creditors for revenue and capital supplies of goods and services without exception. The period of credit taken by the Group at 31 March 2022 was 21 days (2021: 20 days), reflecting the average number of days between receipt of the invoice and its subsequent payment.

Modern slavery act 2015

Our principal reference point for slavery and human trafficking are the definitions set out in the Modern Slavery Act 2015. We recognise that slavery and human trafficking can occur in many forms such as forced labour, child labour, domestic servitude, sex trafficking and workplace abuse. We are also aware that forced labour as a form of slavery includes debt bondage and the restriction of a person's freedom of movement whether that be physical or non-physical, for example, by the withholding of a worker's identity papers. We use the terms 'slavery' and 'human trafficking' to encompass all of these various forms of coerced labour. We understand the important role that MAG has to play and as a socially responsible organisation, so we adopt the highest professional standards and comply with all laws, regulations and codes applicable to our business. No form of modern slavery is acceptable in our operations, or in those companies who work with us or on our behalf.

We continue to take steps to improve our practices to identify and eliminate modern slavery which may occur within our business, supply chains and across our airport operations. As our airports are a gateway for both entry into and exit from the United Kingdom, this presents additional challenges in our approach to preventing modern slavery. Consequently, we take our responsibilities very seriously and partner with Slave-Free Alliance, Border and Police forces who support us in our approach to tackling modern slavery, and our progress is reviewed with our CSR committee to ensure Board oversight. Keeping everyone safe, treating everyone with respect and doing the right things are three of our values, which underpin everything we do. All senior leaders have received enhanced training and awareness on the various types of Modern Slavery and Human Trafficking, how to spot the signs and the various routes to report concerns. All colleagues continue to receive annual education and training which continues to evolve and are expected to report concerns, and management are expected to act upon them.

Further detailed information can be found using the link below:

<https://www.magairports.com/media/1729/mag-modern-slavery-statement-2021.pdf>

Charitable and political donations

Charitable donations made by the Group during the year totalled £0.3m (2021: £0.3m). The donations were all made to recognised local and national charities for a variety of purposes. It is the Group's policy not to make contributions to political parties.

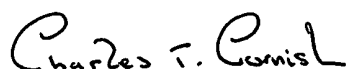
Auditor

A written resolutions relating 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.

The Group assess the effectiveness of the audit process and the independence of the auditor on an annual basis. The evaluation of audit effectiveness takes into account the views of both management and the Non-Executive Directors across a number of attributes. The independence of the external auditor considers both the quantum and the nature of non-audit services provided by the auditor during the year and ensures that compliant with both the Group's policy and the FRC's ethical guidance.

During the year MAG undertook a tender for the audit of its Annual Report and Accounts. The most recent previous tender exercise being performed in 2017. A written resolution relating to the appointment of Ernst & Young LLP as statutory auditor for the year ending 31 March 2023, was put before the Company's Board on 15th February 2022 and was duly approved.

The report was approved and authorised by the Board and was issued on behalf of the Board.



Charlie Cornish

Chief Executive MAG

For and on behalf of the Board of Directors of the Company

6 July 2022

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company 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 Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent 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 Group or the Parent 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

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

Independent Auditor's Report to the members of Manchester Airports Holdings Limited

Opinion

We have audited the financial statements of Manchester Airports Holdings Limited ("the Company") for the year ended 31 March 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. 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 the Going concern section of the accounting policies of the financial statements which explains that the Group is forecasting a potential breach of a financial covenant at 31 March 2023 under a severe but plausible scenario. The ability of the Group and Parent company to continue as a going concern is therefore dependent on the lender not calling in the amount owing to it should the covenant be breached. These events and conditions, along with the other matters explained in the accounting policies, constitute a material uncertainty that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and other management as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Committees of the Board minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as going concern, investment property valuation and pension liability assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited opportunities to fraudulently adjust revenue. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations continued

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: laws and regulations of the Civil Aviation Authority (CAA) who regulate the UK's aviation industry. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach

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

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

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

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 have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 92, 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 Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

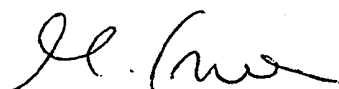
Auditor's responsibilities

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

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

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.



Michael Froom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
United Kingdom

6 July 2022

Accounting Policies

General Information

Manchester Airports Holdings Limited (the 'Company') is a private limited liability company incorporated and domiciled in England and Wales in the UK. The Company is the Parent company and the ultimate holding company of the Group. The address of the registered office is Olympic House, Manchester Airport, Manchester, M90 1QX.

The principal activities of the Group are set out within the Directors' Report. These consolidated financial statements were approved for issue by the Board of Directors on 6th July 2022.

MAG's principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the current year and previous year unless otherwise stated. These accounting policies apply the historical cost convention modified to include certain items at fair value.

Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and Joint Ventures. The Parent company financial statements present information about the Company as a separate entity and not about its group. The Group and Company financial statements are presented in sterling and are shown as millions rounded to the nearest one decimal place, except where otherwise stated.

The Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). The Company has elected to prepare its Parent company financial statements in accordance with FRS 102; these are presented on pages 170 to 178.

Going Concern

The directors have prepared the Group and Company financial statements on a going concern basis. In assessing the going concern position of the Group, the directors have considered the ongoing impact of COVID-19 on the cash flow and liquidity of the Group, for a period of at least 12 months from the date of signing the Group and Company financial statements, and the corresponding impact of cash headroom and financial covenants associated with the Group's financing arrangements.

The Group is subject to financial covenants on its secured funding arrangements, being leverage (Net Senior Debt / adjusted EBITDA on a frozen GAAP basis) and interest cover (adjusted EBITDA on a frozen GAAP basis less tax paid/ net finance charges on net senior debt). The terms used in the covenant calculations, including "frozen GAAP basis", have been defined and reconciled to GAAP measures in the Alternative Performance Measures note on page 166. The covenants are tested half yearly on 31 March and 30 September. Following the Group's further strategic financial response in 2021 MAG obtained waivers on its covenant testing at 30 September 2021 and 31 March 2022 and a modified basis of calculation as at 30 September 2022. The modified basis calculating annualised adjusted EBITDA as 1.54 times the adjusted EBITDA for the six months ending 30 September 2022.

* As explained in the note 40 to the financial statements 'Alternative Performance Measures' on page 166.

Basis of preparation continued

Going Concern continued

At the year ended 31 March 2022, the Group had significant financial liquidity available of £472.9m comprising net cash in hand of £462.9m together with £10.0m in undrawn committed overdraft facilities. The Group also has access to a committed £90.0m Liquidity Facility to ensure interest payment obligations can be complied with for over 12 months from the date of approval of these financial statements. The Group does not currently expect to utilise the Liquidity Facility.

Both the Group's £500.0m Revolving Credit Facility ("RCF") and £90m Liquidity Facility were due to mature in June 2023. Subsequent to the year end, on 27 May 2022 the Group successfully renegotiated both facilities, on comparable terms, which now have a revised maturity date of May 2027. Of the Group's other borrowing facilities, the nearest maturing date relates to a £360.0m bond which matures in April 2024. The directors' current expectation is that the Group will be able to successfully obtain additional funding at that time and the continued appetite of the market to provide funding to the sector is supported by both MAG's recent re-financing as well as other debt issuance by comparable UK and European peer airports.

After two years of pandemic restrictions on the aviation sector, the removal of all international travel restrictions by the UK Government on 18 March 2022 has enabled a release of the latent demand to travel. This was evidenced by the strong passenger recovery experienced by MAG with passenger levels reaching 70% of pre-COVID-19 levels by the end of March 2022. The ability to grow back quickly is now key and MAG is working, along with its partners, to recruit in order to service the increased level of demand experienced. The directors' will continue to closely monitor the economic impacts from the pandemic along with macro-economic factors such as UK inflationary pressures and the war in Ukraine to assess the impact upon demand levels and flex the business response accordingly.

The proportionate but decisive mitigating actions that MAG has taken over the past two years has provided the Group with the liquidity and stable foundation to deliver growth in a post-COVID-19 environment. The Group's going concern assessment is based upon the Business Plan approved in April 2022 by the Board of Directors. Whilst the projections model the expected recovery from the pandemic, the directors will continue to maintain a close oversight so that deviations from plan can be addressed by mitigation measures including: capital spend management, cost management, pricing and where necessary through MAG's interaction with its sources of funding. Further details of the Group's management of these areas are included in the Chief Executive Officer's statement and the Financial Review.

The directors' going concern assessment considers the Group forecasts for the period to 30 September 2023 ('the going concern assessment period') which is in excess of 12 months from the date of signing of the accounts and represents the next covenant test date. The Group's forecasts include passenger number projections include a business plan of 90% of pre-COVID-19 levels for FY23 and returning to pre-COVID-19 levels in FY24. The levels of passenger demand in the forecast reflects the directors' anticipated rate of recovery and is aligned with industry expectations.

The forecast still contains cash and cost mitigation measures to remove areas of discretionary spend but keeping key infrastructure spend in place, such as Future Security Regulatory requirements, which are essential to the Group's future growth.

Basis of preparation continued

Going Concern continued

The forecasts include the successful refinancing of the Group's RCF and liquidity facilities and result in a minimum liquidity headroom of £342m during the going concern assessment period and compliance with MAG's banking covenants when tested at: September 2022 (under the modified covenant test methodology); March 2023; and September 2023. In addition to the Group's business plan forecast of 90% of pre-Covid levels the directors have also considered a downside and a severe, but plausible, downside scenario:

Downside scenario:

In this scenario passenger numbers are restricted to 76% of pre-COVID-19 levels in FY23 (in line with the lower level of current industry forecasts). In such a case the Group is expected to maintain positive liquidity headroom in excess of £272m for the going concern assessment period.

Under the downside scenario all testing throughout the going concern assessment period is forecast to be compliant with the default terms of the Group's covenants when tested at each reporting date; and

Severe but plausible downside scenario:

In this scenario a new variant of COVID-19 results in a two month lock-down in Quarter 4 of FY23 similar to the impact of the Delta variant in FY21. The impact upon passenger numbers in FY23 being to restrict passengers to 66% of pre-COVID-19 levels. As a result, the Group's positive liquidity headroom is expected to reduce to £232m for the going concern assessment period.

Under the severe but plausible downside scenario the leverage test in March 2023 would be expected to breach the Group's covenant terms when tested. In such an event MAG would engage with its secured creditors in order to look to obtain further covenant waivers or amendments.

Based upon their assessments of the business plan case and the downside scenario detailed above the directors have concluded that the Group can meet its covenant requirements and maintain sufficient liquidity over the next 12 months from the date of signing the financial statements. This, coupled with the successful refinancing of the Group's £500m RCF and £90m Liquidity Facility, have resulted in the directors concluding that it is appropriate for the Group to continue to adopt the going concern basis for the preparation of these accounts.

Whilst the release of the travel restrictions and resultant uplift in demand is positive and significantly improved on this time last year, there remains uncertainty if a more virulent variant of COVID-19 were to arise. It is plausible, that if this were to occur, there could be an extended impact on the aviation industry that would impact on liquidity, the Group's bond refinancing in 2024 and the Group's covenant ratios. The Group's severe, but plausible, downside scenario models such a case and estimates that whilst the Group would have significant liquidity headroom there would potentially be an impact upon the Group's covenant compliance testing in March 2023. In such a scenario the Group would look to obtain consent from both its bank and bondholders, to waive or amend its covenant testing requirements when next tested.

Whilst the Group has further options to further manage liquidity or address any potential covenant breaches, this uncertainty represents a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern and, therefore, that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Basis of preparation continued

These financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the financial statements had not been prepared on a going concern basis.

New standards, interpretations and amendments to existing standards and changes in accounting policies

There are no new adopted IFRS's, interpretations issued by the International Accounting Standards Board ('IASB') or by the IFRS Interpretations Committee ('IFRIC'), that are applicable for the period that have had a material impact on the Group's financial statements. During the year the International Accounting Standards Board issued the following amendments to UK adopted international accounting standards:

- COVID-19 Rent Concessions – in March 2021 the International Accounting Standards Board extended the practical expedient to apply to concessions beyond 30 June 2021 up to 30 June 2022. In FY21 MAG chose not to apply the practical expedient and treated as lease modifications. The accounting treatment has been consistently applied this year, and;
- Interest rate benchmark reform phase 2 update to IFRS 9 was issued by the International Accounting Standards Board in response to the announcement in March 2021 the UK Financial Conduct Authority (FCA) that LIBOR would be discontinued from 31 December 2021 and replacement by the Sterling Overnight Index Average (SONIA) benchmark. MAG changed the risk-free component of its RCF and Liquidity Facility from LIBOR to SONIA in June 2021 with no change in the commercial terms.

Neither amendment had a material impact upon the Group's results.

New accounting standards, interpretations and amendments that are not yet effective, and have not been adopted by the Group which are to be adopted on accounting periods commencing on or after 1 January 2022

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018–2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Reference to the Conceptual Framework (Amendments to IFRS 3)

MAG's financial reporting will be presented in compliance with the new standards, amendments and interpretations above, which are not expected to have a material impact on the financial statements, in the FY23 Annual Report.

The Group has consistently applied its accounting policies for the current and prior year.

Basis of consolidation

These consolidated financial statements include the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position, and statement of cash flows of the Company and all of its subsidiaries.

Subsidiaries are entities controlled directly or indirectly by the Company. Control exists when the Company has the power (directly or indirectly) to direct relevant activities of an entity so as to obtain benefits from its activities. Subsidiaries have been consolidated from the date that control commences until the date that control ceases. At such time, any resulting gain or loss is recognised in the profit and loss.

Interests in associate

Entities, other than subsidiaries, over which the Company (directly or indirectly) exerts significant influence, but not control or joint control, are associates. The Group's investments in its associates are accounted for using the equity method.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

Transactions eliminated on consolidation

Intra-group balances and transactions, income and expenses and all profits and losses arising from intra-group transactions, are eliminated in preparing the Group financial statements.

Foreign transactions

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- The resulting exchange differences are recognised in the statement of other comprehensive income.
- Any exchange differences arising from other than the translation of the results and financial position of foreign operations are recognised through the income statement.

Revenue

The Group operates a number of revenue streams and accordingly applies methods for revenue recognition, based on the principles set out in IFRS 15. The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

Revenue continued

The following revenue recognition criteria apply to the Group's main income streams.

Aviation income:

- various passenger charges for handling and security, based upon the number of departing passengers, are recognised at point of departure.
- aircraft departure and arrival charges levied according to weight and time of departure/arrival, are recognised at point of departure/arrival.
- aircraft parking charges based upon a combination of weight and time parked, are recognised at point of departure. The contracts entered into are short-term pricing arrangements, which are complex in nature given the breadth of discounts and rebates that the Group offers. Judgement is applied to assess the impact any contract amendments have when determining the appropriate contract term.

Retail concession income:

- concession income from retail and commercial concessions is recognised in the period to which it relates on an accruals basis. The contracts entered into are long-term income-sharing concession agreements, with the concession fee based on turnover. The Group have considered whether IFRS 15 or 16 applies to retail income but have determined that MAG controls the retail unit space and as a result applies IFRS 15.
- income from airport lounges is recognised at the point of usage.

Car park income:

- contract parking and pre-book parking is recognised over the period to which it relates on a straight-line basis. The Group considers the performance obligation is satisfied through the provision of a car park space for each day the car is parked.
- car parking income is recognised at the point of exit for turn-up parking.
- where car parking is booked through a third party, income and related commissions are accounted for on a gross basis as the Group is acting as a principal, rather than an agent, through its control of the pricing and availability of car park spaces.
- income and related commissions from the Group's distribution businesses including: Looking4parking.com; skyparksecure and the US online aggregator businesses acquired in FY21 are accounted for on a net basis, as the Group are acting as the agent in this relationship. However, where the businesses sell on behalf of the Group's car parks the revenue is recognised on a straight-line basis over the booking period.

Property income:

- rental income arising on investment properties is accounted for on a straight-line basis over the lease term. The contracts being entered into are long-term lease arrangements.
- inter-company revenue arising from rental between the Group's operating segments has been eliminated.

Revenue is disaggregated at the income stream level, and all segments generate revenue from all of the Group's income streams, with the exception of the Group's US operations, which generates only car parking and other income, and the Group, consolidation and other segment, which does not earn aviation income. For the purposes of the Group financial statements all inter-company turnover is eliminated upon consolidation, whereas inter-company turnover is recognised in the revenue of individual companies.

All revenue from the Group's income streams is generated in the UK other than some lounge and car park income which is generated in the United States of America by the MAG US segment.

Revenue continued

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Group's performance may result in additional revenues based on the achievement of certain performance measures or discounts upon achieving certain pre-determined volumes. Revenue is only recognised to the extent it is not highly probable to reverse. Allocation of the transaction price to performance obligations is determined on the basis of standalone pricing.

The Group's customer contracts include a diverse range of payment schedules dependent on the nature and type of services being provided. The Group agrees payment schedules at the beginning of contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services occur either at delivery date, in arrears or part payment in advance. Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income asset for this difference. All performance obligations are largely satisfied within the financial year with most contracts having coterminous year ends. This reduces the amount of judgments or assumptions required to estimate transaction price or allocate revenue to performance obligations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. when the Group assumes control. Control exists when the Group has the power to direct relevant activities of an entity so as to obtain benefits from its activities. For acquisitions completed before 1 April 2010, attributable costs of the acquisition formed part of goodwill. For acquisitions completed on or after 1 April 2010, attributable costs of acquisition are expensed in the income statement in the period incurred.

For business combinations with acquisition dates on or after 1 April 2010, the Company has determined whether a particular set of activities and assets is a business by assessing whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

Goodwill arising on acquisitions represents the difference between the fair value of the consideration given over the fair value of the assets, liabilities and contingent liabilities of an acquired entity. Positive goodwill is capitalised as an asset in the consolidated statement of financial position and is stated at cost less any accumulated impairment losses and is allocated to cash-generating units and is not amortised. It is tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately in the Group's consolidated income statement and is not subsequently reversed.

Contingent consideration

The Group evaluate any contingent consideration payable and apply the application guidance set out in IFRS 3 to the particular circumstances of the transaction. The contingent consideration will accordingly be categorised as part of the consideration of the acquisition or as post-acquisition remuneration. In all instances where the contingent consideration is dependent upon the continuing employment of the recipients, the Group will treat the amount as post-acquisition remuneration.

Contingent consideration continued

Contingent consideration is initially recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss as reference.

Intangible assets

Internally generated intangible assets

Development expenditure incurred in respect of individual projects is capitalised when the future economic benefit of the project is probable and is recognised only if all of the following conditions are met:

- the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; and
- the Group can demonstrate how the intangible asset created will generate future economic benefits; and
- the Group has available the resources to complete the asset; and
- the Group intends to complete that asset and has the future ability to sell or use the asset; and
- the development cost of the intangible asset can be measured reliably.

After recognition, the cost model is applied requiring the asset to be held at cost less accumulated amortisation and impairment. Amortisation begins when the asset is ready for use. This type of expenditure primarily relates to internally developed software, booking systems and website projects for the Group.

Purchased intangible assets (software costs)

The capitalised computer software costs principally relate to operating and financial software. There are no software as a service related assets included. Where the software is integral to the hardware the software will be recognised within Property, Plant and Equipment. Customisation/configuration costs of software are recognised as an intangible asset only where the Group can demonstrate control of the asset.

Useful economic lives

The useful economic lives of the Group's intangible assets are finite and are detailed below:

| | Years |
|-------------------------------------|-------|
| Metrolink | 20 |
| Customer and operator Relationships | 5-10 |
| Brands | 4-10 |
| Software & Intellectual Property | 5-10 |

Intangible assets are amortised on a straight-line basis over the asset's useful economic life. If there are indications of impairment in the carrying value then the recoverable amount is estimated and compared to the carrying amount.

Property, plant and equipment

Property, plant and equipment constitutes the Group's operational asset base, and includes terminal, airfield, car parking, land, plant, and owner-occupied property assets. Investment properties held to earn rentals or for capital growth are accounted for separately under IAS 40 'Investment properties'.

The Group has elected to use the cost model under IAS 16 'Property, plant and equipment', as modified by the transitional exemption to account for assets at deemed cost that were revalued previously under UK GAAP. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently, property, plant and equipment is stated at cost or deemed cost, less accumulated depreciation. Cost includes directly attributable own labour. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The Group capitalises borrowing costs into the cost of property, plant and equipment, if the criteria under IAS 23 are met. Depreciation is provided to write off the cost of an asset on a straight-line basis over the expected useful economic life of the relevant asset.

Expected useful lives are set out below:

| | Years |
|---|-------------|
| Freehold land | Indefinite* |
| Other land and buildings | 10-50 |
| Airport infrastructure: | |
| Runways, taxiways and apron | 5-75 |
| Utilities infrastructure and drainage | 7-75 |
| Steelwork, civils and earthworks | 30-50 |
| Plant, fixtures and equipment: | |
| Plant and machinery | 5-30 |
| Motor vehicles | 4-7 |
| Fixtures, fittings, tools and equipment | 5-10 |

*No depreciation is charged on freehold land.

Useful economic lives are reviewed on an annual basis, to ensure the carrying amount remains relevant and appropriate. Depreciation is charged on a straight line basis over the asset's useful economic life. No depreciation is provided on freehold land. Repairs and maintenance costs are written off as incurred. Assets under construction, which principally relate to airport infrastructure, are not depreciated until such time as they are available for use and any relevant regulatory approvals relating to their bringing into use have been obtained. If there are indications of impairment in the carrying value, then the recoverable amount is estimated and compared to the carrying amount. The recoverable amount is determined as the value that will ultimately be capitalised as an asset, based upon IAS 16 recognition and capitalisation criteria. Where indication of impairment occurs, the recoverable amount is determined based upon IAS 16 recognition and capitalisation criteria. This carrying amount is assessed for impairment as part of the carrying value of the assets at each cash generating unit ("CGU") by comparison with the value in use generated by the CGU from its net cashflows.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly.

Investment properties

The Group accounts for investment properties in accordance with IAS 40 'Investment properties'. An investment property is one held to either earn rental income or for capital growth. The Group has elected to use the fair value model, and therefore investment properties are initially recognised at cost and then revalued to fair value at the reporting date by an independent property valuer.

Investment properties are not depreciated. Gains or losses in the fair value of investment properties are recognised in the income statement for the period in which they arise. Gains or losses on the disposal of an investment property are recognised in the income statement on completion. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU").

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The impact of the COVID-19 pandemic was regarded by the directors as an impairment trigger. Consequently, an impairment review was performed at year end to assess the carrying value of the Group's assets.

Leases

Review of contracts for leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to direct the use of an identified asset for a period of time, in exchange for consideration.

The Group has opted to apply the practical expedient not to reassess whether contracts contain a lease/the Group reassesses existing contracts to confirm that they contain a lease.

Leases continued

Initial measurement

MAG initially recognise lease liabilities measured at the present value of lease payments, discounting by applying the Group's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Group is reasonably certain to exercise
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease, unless the Group is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

Subsequent measurement

The lease liability is subsequently measured at amortised cost, using the effective interest method, whilst the right-of-use asset is depreciated straight line over the remaining lease term as at the date of adoption.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate,
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee
- if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or
- if there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

MAG has elected to not recognise right-of-use assets and lease liabilities under leases of a duration of under one year; and low-value leases. The expense recognised in the income statement relating to such leases is below the £100,000 used for rounding in these financial statements, and therefore is not disclosed.

COVID-19 related rent concessions

MAG has elected to not apply the practical expedient to recognise COVID-19 related rent concessions as a variable lease payment, instead opting to account for these as a lease modification in the year. Refer to note 31 to the financial statements where this is discussed in further detail.

Leases continued

Lease as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of property and property-related income.

For finance leases, the Group accrues finance income on a straight-line basis over the lease term based on the interest rate implicit in the lease, with payments received reducing the lease receivable.

Inventories

Inventories are measured at the lower of cost and net realisable value.

Grants

Grants received and receivable relating to property, plant and equipment are shown as a deferred credit in current and non-current liabilities on the statement of financial position. An annual transfer to the income statement is made on a straight-line basis over the expected useful life of the asset for which the grant was received.

Government grants related to income are recognised when there is reasonable assurance that the grant will be received, and all the grant conditions have been complied with. Grants income related to expense items are recognised on a systematic basis over the period matching the recognition of the expense in the financial statements. The Group has chosen to present grants related to an expense item as net deductions against the related expense.

Financial instruments

Financial instruments are classified at fair value, and subsequently measured at amortised cost, Fair Value through Profit or Loss (FVPL) or Fair Value through Other Comprehensive Income (FVOCI).

The Group's treatment of financial assets and liabilities:

- trade receivables are recognised initially at their transaction price with a loss allowance provided based upon the estimated credit loss. Subsequent measurement reflects any revisions to the estimated credit loss allowance with any gains or losses being recognised in the income statement; and
- all financial liabilities (corporate bonds, bank loans and overdrafts and trade and other payables) within the scope of IFRS 9 are initially measured at fair value and then subsequently measured at amortised cost. Any gains or losses arising are recognised in the income statement.

Financial instruments continued

Expected credit loss

The Group applies IFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, the Group have grouped trade receivables based on shared credit risk characteristics, including the customer's industry and the days past due. The Group's historical loss rates are considered alongside current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and reasonable forecasts.

The Group's definition of default is based on the ageing of the debts and will also consider the financial status of the customer.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to its foreign currency exposure where in line with its Treasury policies. The Group applies hedge accounting in relation to any derivative where the hedge is in accordance with the Group's Treasury policies; the appropriate documentation related to the hedged instrument and hedged items are in place; and the hedge has been assessed as effective. Where the derivative qualifies under the own usage exemption the Group will seek to apply the exemption as opposed to apply hedge accounting.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is reclassified to the income statement in the same period or periods during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Financial instruments continued

Modification of instruments

Modification to the terms of financial liabilities held at amortised cost are assessed, qualitatively and quantitatively to determine whether the modification is a substantial modification or not.

- If the modification is substantial then the financial liability will be de-recognised and a new financial liability is recognised at fair value; and
- If the modification is not substantial then revisions to the carrying value of the liability as a result of the revised cashflow estimate are recognised in the profit and loss account in the period; and fees associated with the modification are added to the carrying value of the liability and amortised over the residual term.

Finance income and expenses

Financing expenses include interest payable, finance charges calculated under IAS 19 and finance charges on lease liabilities recognised in profit or loss using the effective interest method, and unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign transactions policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Financing income comprise interest receivable on funds invested, dividend income, interest income on lease receivables and net foreign exchange gains that are recognised in the income statement (see foreign transactions policy). Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Contingent assets

Contingent assets are primarily insurance related, and mitigate losses caused by claims against the Company. Contingent assets are only recognised when they are virtually certain and are presented in other debtors, separate from the associated provision amount. However, they are presented net in the profit and loss account.

Assets held for sale and discontinued operations

The Group accounts for assets held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax and investment property that are carried at fair value.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale and equity-accounted investee is no longer equity accounted. The assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business, is part of a single coordinated plan to disposal of such a line of business. When an operation is classified as a discontinued operation, the comparative statement is profit or loss and OCI is presented as if the operation had been discontinued from the start of the comparative year.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, bank deposits and short-term deposits net of bank overdrafts, which have an original maturity of three months or less. This also includes any held by banks at the year end processing currency exchange contracts where the amount of funds to be returned to the company are known and have a maturity of three months or less.

Borrowings

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

Borrowing costs

The Group does not capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets into the cost of property, plant and equipment, unless the criteria under IAS 23 are met. Where the criteria is met, borrowing costs are calculated by applying an average interest rate in the period to the expenditure incurred on qualifying assets.

All other borrowing costs are recognised in the income statement over the period of the borrowings using the effective interest method.

Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Taxation

The tax charge for the year comprises current and deferred tax.

The charge for taxation is based on the loss for the year and takes into account deferred tax due to temporary differences between the tax bases of assets and liabilities, and the accounting bases of assets and liabilities in the financial statements. The principal constituents of the deferred tax liability in the Group financial statements are temporary differences on property, plant and equipment, where the carrying value in the financial statements is in excess of the tax base due to accelerated capital allowances, and the previous effects of revaluations under UK GAAP.

Deferred tax assets are recognised to the extent that it is regarded as probable that the temporary difference can be utilised against taxable profit in the future. Current tax and deferred tax relating to items recognised directly in equity, are also recognised directly in equity. Deferred tax is based on the tax laws and rates that have been enacted at the statement of financial position date and which are expected to apply when the relevant deferred tax item is realised or settled. Current tax has been calculated at the rate of 19% applicable to accounting periods ending 31 March 2022 (2021: 19%). Following the legislation receiving Royal assent, the impact of revisions to tax rates from 19% to 25% effective from 1 April 2023 has been reflected in the deferred tax charge (and associated deferred tax balances) in the year. Deferred tax assets and liabilities are shown separately in the accounts.

Amendments to IAS 12: Income taxes has been adopted. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, the Group has recognised a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease. The Group has applied the amendment retrospectively and updated the prior year numbers in line with the amendments to IAS 12. As allowed by IAS 12 this amendment has been adopted early.

Employee benefit costs

The Group participates in four defined benefit schemes, which are contracted out of the state scheme, as well as one defined contribution scheme. The costs of the defined contribution scheme are charged to the income statement in the year in which they are incurred. Defined benefit schemes are accounted for as an asset or liability on the statement of financial position, with treatment detailed below. The amount reported in the income statement for employee benefit costs includes past service costs, current service costs, interest costs and return on assets income. Past service costs are charged to the income statement immediately, and current service costs are charged to the income statement for the period to which they relate.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included as an employee benefit expense in the income statement.

Actuarial gains and losses are recognised in the statement of comprehensive income in the period in which they arise. The defined benefit asset or liability, together with the current and past service costs, are calculated at the reporting date by an independent actuary using the projected unit credit method.

Under IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', surpluses on pension schemes are not recognised unless there is an unconditional right to recover or realise them at some point during the life of the plan. The unconditional right would not exist when the availability of the refund or the reduction in future contribution would be contingent upon factors beyond the entity's control (for example, approval by third parties such as plan trustees).

Employee benefit costs continued

To the extent that the right is contingent, no asset would be recognised. The specific circumstances for GMPF (as discussed further in note 30 retirement benefits), lead to the surplus on the scheme (£25.0m) not being recognised. In addition, a liability of £1.6m, reflecting 1 year of contractual minimum future contributions is recognised in accordance with IFRIC14.

Dividends

A dividend to the Company's shareholders is recognised as a liability in the consolidated financial statements during the period in which the right to receive a payment is established via the declaration of a dividend approved by the Company's Board of Directors, or, as the case may be, voting shareholders.

Alternative Performance Measures (APMs)

The Group uses APMs, which are not defined in IFRS, throughout the Annual Report and Accounts. The Group's APMs are defined internally, and therefore may not be comparable to similar APMs in other companies, but provide additional information useful to both management and the investor community to assess the Group's performance and liquidity. The key APMs used by the board to assess the Group's performance are detailed below:

- Adjusted EBITDA
- Adjusted result from operations
- Adjusted net cash generated from operations
- Net debt
- Net cash and cash equivalents

Many of MAG's APMs are defined as 'adjusted' (such as adjusted EBITDA) signifying that they are calculated before transactions that are deemed to be adjusted items. The definition of adjusted items in MAG's accounting policies is also detailed below. Note 40 on page 166 provides a definition of all APMs; the purpose for which it is used; and a reconciliation to the nearest IFRS equivalent.

Adjusted items

Applied consistently over time, adjusted items (formerly Significant Items) are items of income and expense that, because of their size, unusual nature, or frequency of the events giving rise to them, merit separate presentation, as these are incremental and to allow an understanding of the Group's underlying financial performance from its trading activities. Such items include:

- **Impairment of assets**

Impairment charges related to non-current assets are non-cash items and tend to be significant in size. The presentation of these as other items further enhances the understanding of the ongoing performance of the Group. Impairments of property, intangible assets and other tangible fixed assets are included in adjusted items if related to a significant write off of paused or discontinued projects, a fundamental transformation project or if infrequent or significant in size. Other impairments are included in underlying results.

Adjusted items continued

- **Major reorganisation of businesses and costs associated with acquisitions.**

Restructuring costs are classified as adjusted items if they relate to a fundamental change in the organisational structure of the Group or a fundamental change in the operating model of a business within the Group. Costs may include redundancy, property closure costs and consultancy costs, which are significant in size and will not be incurred under the ongoing structure or operating model of the Group. All costs related to the acquisition of businesses will be classified as adjusted.

- **Costs associated with the modification of financial instruments, close out of previous financing arrangements upon refinancing.**

Costs associated with the refinancing and changes to debt facility agreements during the current and prior year are included within adjusted items as they are significant in size, do not form part of the underlying trading activities.

- **Legal and other items**

Legal and other items are recorded in adjusted items where they do not form part of the underlying trading activities of the Group or are infrequent in occurrence in order to enhance the understanding of the underlying financial performance of the Group. Such examples would include early termination of a lease and the curtailment gain due to the closure of the pension schemes and offsetting costs associated with this.

Critical accounting estimates and judgements

In preparing these Consolidated Financial Statements the Group has made estimates and judgements and assumptions that impact the application of the group accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may, however, differ from the estimates calculated.

A. Judgements

In applying the Group's accounting policies, the Group has made key judgements. Management believes that the assessment of going concern and the treatment of the Group's defined benefit pension schemes contain the more significant judgements impacting these financial statements.

i. Going concern

The rate of recovery of business activity levels from the COVID-19 pandemic is regarded as the key external factor in determining the Group's ability to comply with its loan covenants and ensuring that the Group has adequate headroom going forward.

The directors have evaluated whether the expected activity levels, coupled with further mitigating actions that the Group can undertake are sufficient to ensure that MAG will continue as a going concern for plausible future trading scenarios reflecting the likely timing and rate of recovery of the sector. Based upon this assessment outlined at page 98 the directors have concluded to regard MAG as a going concern for the purpose of these financial statements.

Critical accounting estimates and judgements continued

B. Assumptions and estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised. The directors regard that the critical accounting estimates arise in the areas of: valuation of investment properties; valuation of the Group's net pension liability; modification of shareholder loans; and the impairment of the Group's non-financial assets: Information about assumptions and estimation uncertainty at the reporting date is detailed below:

i. Investment properties

Investment properties were valued at fair value at 31 March 2022 by JLL, for the Group's commercial property portfolio and Fisher German for the Group's residential portfolio. The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods. The value of the Group's Investment Properties has been included at the values advised by its professional advisors. Further details of the basis of estimation for the valuation of the Group's investment properties is detailed at note 15.

ii. Pensions

Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at year end, future returns on pension scheme assets and charges to the income statement. The factors have been determined in consultation with the Group's independent actuary taking into account market and economic conditions. Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in note 30.

Consolidated income statement

for the year ended 31 March 2022

| | | 2022 £m | 2022 £m | 2022 £m | 2021 £m | 2021 £m | 2021 £m |
|--|------|-----------------------------------|-------------------|----------------------------------|-----------------------------------|-------------------|----------------------------------|
| | Note | Total before adjusted items | Adjusted items | Total after adjusted items | Total before adjusted items | Adjusted items | Total after adjusted items |
| Continuing Operations | | | | | | | |
| Revenue | 1 | 462.1 | - | 462.1 | 178.6 | - | 178.6 |
| Result from operations before adjusted items | 4 | (113.2) | - | (113.2) | (326.3) | - | (326.3) |
| Adjusted items | | | | | | | |
| Adjusted items | 3 | - | (17.1) | (17.1) | - | (38.3) | (38.3) |
| Result from operations | | (113.2) | (17.1) | (130.3) | (326.3) | (38.3) | (364.6) |
| Share of result in associate | 17 | 0.4 | - | 0.4 | (7.4) | - | (7.4) |
| Gains and losses on sale and valuation of investment properties | 15 | 22.6 | - | 22.6 | 1.2 | - | 1.2 |
| Finance costs | 7 | (190.1) | 8.8 | (181.3) | (161.0) | 54.2 | (106.8) |
| Result before taxation | | (280.3) | (8.3) | (288.6) | (493.5) | 15.9 | (477.6) |
| Taxation | 9 | (31.3) | 0.3 | (31.0) | 47.2 | (4.8) | 42.4 |
| Result from continuing operations | | (311.6) | (8.0) | (319.6) | (446.3) | 11.1 | (435.2) |
| Discontinued operations | | | | | | | |
| Result from discontinued operations (net of tax) | 10 | - | (1.7) | (1.7) | 2.6 | 39.3 | 41.9 |
| Result for the year ² | | (311.6) | (9.7) | (321.3) | (443.7) | 50.4 | (393.3) |
| Earnings per share expressed in pence per share¹ | | | | | | | |
| Continuing operations | | | | (100.9) | | | (137.4) |
| Discontinued operations | 12 | | | (0.5) | | | 13.2 |

¹ Basic and fully diluted earnings equate to the same amount.

² Attributable to the owners of the parent.

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March 2022

| | Note | 2022 £m | 2021 £m |
|---|------|------------|------------|
| Result for the year | | (321.3) | (393.3) |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurement of retirement benefit liabilities | 30 | 63.0 | (10.4) |
| Deferred tax on remeasurement of retirement benefit liabilities | 9 | (14.6) | 1.8 |
| Effect of change in rate of corporation tax on deferred tax | 9 | (1.3) | - |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign exchange movement | | 1.3 | (5.5) |
| Taxation on foreign exchange movement | 9 | (0.1) | 0.4 |
| Hedging gain | | - | 2.4 |
| Other comprehensive income/(loss) for the year | | 48.3 | (11.3) |
| Total comprehensive loss for the year ¹ | | (273.0) | (404.6) |

¹ Attributable to the owners of the parent.

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2022

| | Note | Attributable to equity holders of the Group | | | | | Total |
|---|-------|---|---------------|------------------------------|--|-------------------|---------|
| | | Share capital | Share premium | Hedging reserve ¹ | Foreign currency reserves ² | Retained earnings | |
| | | £m | £m | £m | £m | £m | £m |
| Balance at 1 April 2021 | | 316.6 | 743.3 | 1.0 | (3.5) | (59.5) | 997.9 |
| Total comprehensive loss for the year | | | | | | | |
| Result for the year | | - | - | - | - | (321.3) | (321.3) |
| Foreign exchange movement, net of tax | | - | - | - | 1.2 | - | 1.2 |
| Hedging gain | | - | - | (1.0) | 1.0 | - | - |
| Remeasurement of defined benefit liabilities, net of tax | 9, 30 | - | - | - | - | 48.4 | 48.4 |
| Effect of change in rate of corporation tax on deferred tax | | - | - | - | - | (1.3) | (1.3) |
| | | - | - | (1.0) | 2.2 | (274.2) | (273.0) |
| Balance at 31 March 2022 | | 316.6 | 743.3 | - | (1.3) | (333.7) | 724.9 |

Consolidated statement of changes in equity

for the year ended 31 March 2021

| | Note | Attributable to equity holders of the Group | | | | | Total |
|---|------|---|---------------|------------------------------|--|-------------------|---------|
| | | Share capital | Share premium | Hedging reserve ¹ | Foreign currency reserves ² | Retained earnings | |
| | | £m | £m | £m | £m | £m | £m |
| Balance at 1 April 2020 | | 316.6 | 687.2 | - | 0.2 | 341.7 | 1,345.7 |
| Total comprehensive income for the year | | | | | | | |
| Result for the year | | - | - | - | - | (393.3) | (393.3) |
| Foreign exchange movement, net of tax | | - | - | - | (5.1) | - | (5.1) |
| Hedging gain | | - | - | 1.0 | 1.4 | - | 2.4 |
| Remeasurement of defined benefit liabilities, net of tax | 9,30 | - | - | - | - | (7.9) | (7.9) |
| | | - | - | 1.0 | (3.7) | (401.2) | (403.9) |
| Transactions with owners recorded directly in equity | | | | | | | |
| Issue of C shares | | - | 56.1 | - | - | - | 56.1 |
| Balance at 31 March 2021 | | 316.6 | 743.3 | 1.0 | (3.5) | (59.5) | 997.9 |

The accompanying notes form an integral part of the consolidated financial statements.

¹ Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Hedging gain transferred to foreign currency reserve following the completion of the foreign currency hedge during the year and due to having no open positions.

² Foreign currency reserve

The foreign currency reserve reflects exchange rate differences arising when converting the Group's US operations results into the reporting presentation currency using the average rate to translate the income statement and the spot rate to translate the statement of financial position.

Consolidated statement of financial position

as at 31 March 2022

| | Note | 2022 £m | 2021 £m |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Goodwill | 16 | 207.7 | 206.2 |
| Intangible assets | 16 | 88.5 | 99.9 |
| Property, plant and equipment | 13 | 3,140.9 | 3,296.5 |
| Right-of-use assets | 14 | 417.7 | 419.5 |
| Long-term lease receivable | 14 | 11.2 | 11.2 |
| Investment properties | 15 | 188.9 | 166.9 |
| Investment in associate | 17 | 11.8 | 10.1 |
| Other long-term asset | 10 | 4.3 | 7.1 |
| Retirement benefit assets | 30 | 28.3 | - |
| | | 4,099.3 | 4,217.4 |
| Current Assets | | | |
| Assets held for sale | 18 | 2.1 | 2.0 |
| Inventories | 19 | 4.0 | 3.5 |
| Trade and other receivables | 20 | 86.3 | 65.2 |
| Cash and cash equivalents | 21 | 488.6 | 542.1 |
| | | 581.0 | 612.8 |
| Current Liabilities | | | |
| Bank loans and overdraft | 23 | (25.7) | (11.9) |
| Liabilities directly associated with assets held for sale | 18 | (0.5) | (0.4) |
| Trade and other payables | 27 | (189.4) | (185.5) |
| Deferred income | 28 | (28.2) | (16.6) |
| Provisions | 29 | (16.8) | (12.6) |
| Current lease liabilities | 31 | (9.8) | (7.9) |
| Current tax liabilities | 9 | (8.9) | (10.1) |
| | | (279.3) | (245.0) |
| Net current assets | | 301.7 | 367.8 |
| Non-current liabilities | | | |
| Borrowings | 22-26 | (2,983.2) | (2,888.3) |
| Retirement benefit liabilities | 30 | (6.2) | (54.9) |
| Non-current lease liabilities | 31 | (426.0) | (428.4) |
| Deferred tax liabilities | 32 | (238.3) | (190.6) |
| Provisions | 29 | (2.1) | (3.0) |
| Other non-current liabilities | 33 | (20.3) | (22.1) |
| | | (3,676.1) | (3,587.3) |
| Net Assets | | 724.9 | 997.9 |
| Shareholders' equity | | | |
| Share capital | 34 | 316.6 | 316.6 |
| Share premium | 34 | 743.3 | 743.3 |
| Hedging reserve | 35 | - | 1.0 |
| Foreign currency reserve | 35 | (1.3) | (3.5) |
| Retained earnings | 35 | (333.7) | (59.5) |
| Total equity | | 724.9 | 997.9 |

The accompanying notes form an integral part of the consolidated financial statements.

The financial statements on pages 117 to 169 were approved by the Board of Directors on 6 July 2022 and signed on its behalf by:

Charles T. Cornish

Charlie Cornish, Group Chief Executive, MAG

Consolidated statement of cash flows

for the year ended 31 March 2022

| | | 2022 £m Before adjusted items | 2022 £m Adjusted items | 2022 £m After adjusted items | 2021 £m Before adjusted items | 2021 £m Adjusted items | 2021 £m After adjusted items |
|---|--------|---|---------------------------------|--|---|---------------------------------|--|
| | Note | | | | | | |
| Cash flows from operating activities | | | | | | | |
| Result from continuing operations | | (311.6) | (8.0) | (319.6) | (446.3) | 11.1 | (435.2) |
| Taxation | 9 | 31.3 | (0.3) | 31.0 | (47.2) | 4.8 | (42.4) |
| Gains on sale and valuation of investment properties | 15 | (22.6) | - | (22.6) | (1.2) | - | (1.2) |
| Net finance costs | 7 | 190.1 | (8.8) | 181.3 | 161.0 | (54.2) | 106.8 |
| Share of profit/(loss) in associate | 17 | (0.4) | - | (0.4) | 7.4 | - | 7.4 |
| Depreciation and amortisation | 4 | 238.8 | 11.0 | 249.8 | 176.9 | - | 176.9 |
| (Increase)/Decrease in trade and other receivables and inventories | 19, 20 | (20.8) | - | (20.8) | 34.3 | - | 34.3 |
| Increase/(Decrease) in trade and other payables | 27 | 61.9 | (6.6) | 55.3 | (69.6) | (2.7) | (72.3) |
| Decrease in retirement benefits provision | 30 | (0.2) | (8.1) | (8.3) | (4.0) | 1.9 | (2.1) |
| Cash generated from continuing operations | | 166.5 | (20.8) | 145.7 | (188.7) | (39.1) | (227.8) |
| Result before taxation – discontinued operations | | | | (1.7) | | | 4.3 |
| Finance costs - discontinued operations | | | | - | | | (3.6) |
| Non-cash movements – discontinued operations | | | | 1.7 | | | - |
| Interest paid | | | | (83.7) | | | (80.0) |
| Tax (paid)/refund | | | | (0.4) | | | 42.1 |
| Net cash from/(used in) operating activities | | | | 61.6 | | | (265.0) |
| Cash flows used in investing activities | | | | | | | |
| Purchase of fixed assets | | | | (98.3) | | | (187.4) |
| Investment in associate | 17 | | | (1.3) | | | (4.3) |
| Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties | | | | 0.8 | | | - |
| Increase of grants | | | | - | | | 1.3 |
| US Acquisition | 27 | | | (19.6) | | | (24.3) |
| Proceeds from sale of shareholding in Airport City | | | | - | | | 13.3 |
| Net cash used in investing activities | | | | (118.4) | | | (201.4) |
| Proceeds from sale of discontinued operation, net of fees | | | | - | | | 400.1 |
| Net cash from investing activities - discontinued | | | | - | | | 400.1 |
| Cash flows from financing activities | | | | | | | |
| Proceeds from the issue of share capital | | | | - | | | 37.4 |
| Transaction costs related to loans and borrowings | | | | (2.4) | | | (4.4) |
| Issue of shareholder loans | 25 | | | - | | | 300.0 |
| Payment of principal on lease liabilities | 31 | | | (8.1) | | | (7.8) |
| Dividends paid to shareholders | 11 | | | - | | | - |
| Net cash (used in)/from financing activities | | | | (10.5) | | | 325.2 |
| Net (decrease)/increase in net cash and cash equivalents | 38 | | | (67.3) | | | 258.9 |
| Net cash and cash equivalents at the beginning of the year | | | | 530.2 | | | 271.3 |
| Net cash and cash equivalents at the end of the year¹ | 21,22 | | | 462.9 | | | 530.2 |

The accompanying notes form an integral part of the consolidated financial statements.

During the year the Group's carrying value of net cash and cash equivalents increased by £0.4m as a result of foreign exchange rate changes upon translation of the Group's US operations into GBP.

¹ Net cash and cash equivalents is net of overdrafts of £25.7m (2021: £11.9m).

Notes to the financial statements

for the year ended 31 March 2022

1 Revenue

An analysis of the Group's revenue is as follows:

| | 2022 £m | 2021 £m |
|---|------------|------------|
| Aviation Income | 179.9 | 74.3 |
| Commercial income | | |
| Retail concessions | 81.2 | 16.2 |
| Car parking | 126.7 | 39.5 |
| Property and property related income | 21.1 | 20.5 |
| Other | 53.2 | 28.1 |
| Total commercial income | 282.2 | 104.3 |
| Total income - continuing operations | 462.1 | 178.6 |
| Income - discontinued operations (note 10) ¹ | - | 8.5 |
| Total income | 462.1 | 187.1 |

¹ All income from the discontinued operation relates to property and property related income.

Revenue from all income streams is recognised in line with IFRS 15.

Standard payment terms for MAG's revenue streams are typically 28 days.

As at 31 March 2022 there was no revenue recognised relating to performance obligations that were unsatisfied as at the year end. Any billing where performance obligations were not satisfied are held in deferred income.

The amount of accrued income at 31 March 2022 was £26.1m (2021: £6.2m) and the amount of deferred income at 31 March 2022 was £28.2m (2021: £16.6m). Both of these balances have increased significantly due to the return in passenger demand, and balances are expected to settle within the next 12 months.

Significant movements in accrued and deferred income are discussed in notes 20 and 28 respectively.

Further details of the performance obligations of each revenue stream can be found in the accounting policies on page 105.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Business and geographical segments

For management purposes, the Group is organised into four main operating divisions: Manchester Airport, London Stansted Airport, East Midlands Airport and MAG US.

The reportable segments are consistent with how information is presented to the Group Chief Executive (Chief Operating Decision Maker) to report its primary information for the purpose of assessment of performance and allocation of resources, with information primarily presented at a segmental operating profit level.

The primary business of all of these operating divisions is the operation and development of airport facilities in the UK and US, and accordingly, no separate secondary segmental information is provided.

Year ended 31 March 2022

| | Manchester Airport | London Stansted Airport | East Midlands Airport | MAG US | Group, consolidation and other ^{2,4} | Consolidated - continuing operations | Discontinued operations ¹ |
|--|-----------------------|-------------------------------|-----------------------------|--------|---|--|---|
| | £m | £m | £m | £m | £m | £m | £m |
| Revenue | | | | | | | |
| Total revenue | 192.0 | 180.8 | 57.6 | 31.4 | 4.7 | 466.5 | - |
| Inter-segment sales ³ | (3.5) | - | - | - | (0.9) | (4.4) | - |
| External Revenue | 188.5 | 180.8 | 57.6 | 31.4 | 3.8 | 462.1 | - |
| Result | | | | | | | |
| Segment result from operations before adjusted items | (69.7) | (32.1) | 10.7 | 1.0 | (23.1) | (113.2) | - |
| Adjusted items - operating costs | (15.2) | 4.4 | (0.3) | (1.8) | (4.2) | (17.1) | (1.7) |
| Segment result from operations after adjusted items | (84.9) | (27.7) | 10.4 | (0.8) | (27.3) | (130.3) | (1.7) |
| Share of result in associate | | | | | | 0.4 | - |
| Gains and losses on sale and valuation of investment properties | | | | | | 22.6 | - |
| Finance costs | | | | | | (190.1) | - |
| Adjusted items - finance costs | | | | | | 8.8 | - |
| Result before taxation | | | | | | (288.6) | (1.7) |
| Other information | | | | | | | |
| Segment assets | 2,041.9 | 1,591.7 | 308.4 | 109.3 | 629.0 | 4,680.3 | - |
| Segment liabilities | (1,351.9) | (254.0) | (80.4) | (14.3) | (2,254.8) | (3,955.4) | - |
| Capital expenditure | 37.6 | 10.8 | 5.7 | 4.6 | 10.0 | 68.7 | - |
| Intangible expenditure | 0.5 | 1.6 | - | 2.1 | 3.8 | 8.0 | - |
| Depreciation | 110.6 | 81.8 | 13.3 | 3.5 | 10.7 | 219.9 | - |
| Amortisation | 6.1 | 2.0 | 0.2 | 3.1 | 7.5 | 18.9 | - |
| Taxation | (24.8) | 3.1 | (7.1) | (1.7) | (0.5) | (31.0) | - |
| Result - geographical location² | | | | | | | |
| Segment operating (loss)/profit before adjusted items | (69.7) | (32.1) | 10.7 | 1.0 | (23.1) | (113.2) | - |

Notes to the financial statements continued

for the year ended 31 March 2022

2. Business and geographical segments continued

Year ended 31 March 2021

| | Manchester Airport £m | London Stansted Airport £m | East Midlands Airport £m | MAG US £m | Group, consolidation and other ^{2,4} £m | Consolidated - continuing operations £m | Discontinued operations ¹ £m |
|--|-----------------------------|-------------------------------------|-----------------------------------|--------------|---|--|---|
| Revenue | | | | | | | |
| Total revenue | 72.2 | 66.1 | 36.3 | 6.0 | 1.0 | 181.6 | 8.5 |
| Inter-segment sales ³ | (1.4) | - | - | - | (1.6) | (3.0) | - |
| External Revenue | 70.8 | 66.1 | 36.3 | 6.0 | (0.6) | 178.6 | 8.5 |
| Result | | | | | | | |
| Segment operating profit/(loss) before adjusted items | (177.3) | (128.1) | (8.8) | (6.3) | (5.8) | (326.3) | 7.9 |
| Adjusted items - operating costs | (11.9) | (15.7) | (0.9) | (0.5) | (9.3) | (38.3) | - |
| Segment operating profit/(loss) after adjusted items | (189.2) | (143.8) | (9.7) | (6.8) | (15.1) | (364.6) | 7.9 |
| Share of result in associate | | | | | | (7.4) | - |
| Gains and losses on sale and valuation of investment properties | | | | | | 1.2 | - |
| Finance costs | | | | | | (161.0) | (3.6) |
| Adjusted items - Finance costs | | | | | | 54.2 | - |
| Result before taxation | | | | | | (477.6) | 4.3 |
| Other information | | | | | | | |
| Segment assets* | 2,102.6 | 1,637.4 | 274.8 | 48.7 | 766.7 | 4,830.2 | - |
| Segment liabilities | (1,304.1) | (336.2) | (139.5) | (46.8) | (2,005.7) | (3,832.3) | - |
| Capital expenditure | 102.7 | 23.3 | 5.5 | 0.5 | 22.0 | 154.0 | - |
| Intangible expenditure | 0.3 | 0.4 | - | - | - | 0.7 | - |
| Depreciation | 78.9 | 69.4 | 14.3 | 2.7 | 1.7 | 167.0 | - |
| Amortisation | 6.9 | 0.3 | - | 2.3 | 0.4 | 9.9 | - |
| Taxation | 23.0 | 16.6 | 1.1 | - | 1.7 | 42.4 | (1.7) |
| Result - geographical location² | | | | | | | |
| Segment operating profit/(loss) before adjusted items | (177.3) | (128.1) | (8.8) | (6.3) | (5.8) | (326.3) | 7.9 |

¹ MAG's non-core property business was disposed of in FY21 and has been disclosed separately as discontinued operations in FY21 and FY22 (see note 10).

² Group consolidation and other includes, Group, Head Office, MAG Property, and other subsidiary companies and balances arising on consolidation, which are not specific to the other main operating divisions. Assets include goodwill and fair value adjustments arising on consolidation. Liabilities include borrowings, further details of which can be found in Note 22 Borrowings.

³ Sales between segments are at arm's length.

⁴ The MAG US segment relates to income generated in the United States. All other operating segments are in the UK. From 1 April 2022, MAG amended its reporting segments to combine the MAG US business with the UK distribution business, (currently included within the results of the "Group, consolidation and other" segment). The results of the combined business, known as CAVU, are presented to the Group Chief Executive as a single business unit. As a result of this change, the Group accounts for the year ended 31 March 2023 will include CAVU as a reporting segment, replacing the MAG US segment and the results of the year ended 31 March 2022 will be restated at that time, to ensure consistent presentation between financial years.

*To better reflect the segmental assets of Stansted, £418.7m of segmental assets have been reallocated from the 'group consolidation and other' segment to the 'London Stansted Airport' segment.

Notes to the financial statements continued

for the year ended 31 March 2022

3. Adjusted items

| | Note | 2022 £m | 2021 £m |
|--|------|--------------|---------------|
| Recorded in result from continuing operations | | | |
| Impairment of assets | | 9.2 | - |
| Major reorganisation of businesses and costs associated with acquisitions. | | 3.5 | 34.6 |
| Legal and other items | | 4.4 | 3.7 |
| Total adjusted items recorded in result from operations | | 17.1 | 38.3 |
| Adjusted items - finance costs | 7 | (8.8) | (54.2) |
| Total adjusted items recorded in finance costs | | (8.8) | (54.2) |
| Total adjusted items recorded in results before taxation from continuing operations | | 8.3 | (15.9) |
| Recorded in result from discontinued operations | | | |
| Adjusted items incurred by discontinued operations | 10 | 1.7 | - |
| Profit on sale of discontinued operation | | - | (39.3) |
| Total adjusted items recorded in result from discontinued operations | | 1.7 | (39.3) |
| Total adjusted items (before tax) | | 10.0 | (55.2) |

Impairment of assets

During the year ended 31 March 2022, management have carried out an impairment review of the fixed assets, including the useful economic lives of assets. Management do not intend to operate the original Manchester Terminal 2 building and have therefore impaired retail fit out costs in the Manchester T2 building that are being removed to make way for the next phase of MAN-TP, with a net book value of £9.2m.

All of the impairments and write offs are non-cash in nature.

Major reorganisation of businesses and costs associated with acquisitions

Restructuring costs completed in the year for the 2021 business transformation in order to simplify operations and reduce costs of £2.6m across the Group. Acquisition costs relate to the increase in estimate of contingent consideration of £0.9m for the purchase of the 3 online aggregator and distribution businesses (AirportParkingReservations.com LLC, ParkSleepFly.com LLC and Shuttlefinder.net LLC) acquired in FY21.

Legal and other items

Included in the year is a £10.4m curtailment gain due to the closure of GMPF, STAL and EMIA and a settlement of liabilities in the GMPF. This is largely offset by costs of £12.0m which is made up of GMPF settlement loss (£7.5m) and the additional pensions and associated costs of £4.5m relating to the proposed closure of the defined benefit schemes. Costs of £1.8m have been recognised in relation to a lounge contract in the US which is no longer operated by the Group. Legal costs of £1.0m have been recognised in relation to potential litigation and claims.

Gain associated with the modification of financial instruments

A gain of £8.8m relating to finance costs arose during the period due to the deferral of shareholder loan interest as a result of the COVID-19 pandemic (refer to note 7).

Adjusted items within discontinued operations

Adjusted items of £1.7m for the year ended 31 March 2022 relates to an increase in the provision against the rent guarantee receivable, partially offset by a reduction in the cost of other post-sale fees and commitments (refer to note 10).

Notes to the financial statements continued

for the year ended 31 March 2022

4. Result from operations before adjusted items

| | Note | 2022 £m | 2021 £m |
|--|------|----------------|----------------|
| Turnover | 1 | 462.1 | 178.6 |
| Wages and salaries | | (156.6) | (170.2) |
| Social security costs | | (14.7) | (16.2) |
| Pension costs | | (11.6) | (17.5) |
| Coronavirus Job Retention Scheme | | 18.2 | 58.9 |
| Employee benefit costs | | (164.7) | (145.0) |
| Depreciation and amortisation | | (238.8) | (176.9) |
| Profit on disposal of property, plant and equipment | | 0.3 | (0.1) |
| Other operating charges ¹ | | (189.9) | (202.4) |
| Airport and Ground Operations Support Scheme | | 17.8 | 19.5 |
| Result from continuing operations before adjusted items | | (113.2) | (326.3) |
| Result from discontinued operations before adjusted items | 10 | - | 7.9 |
| Result from operations before adjusted items - total business | | (113.2) | (318.4) |

¹ Other operating charges includes maintenance, variable rent, rates, utility costs and other operating expenses.

The reduction in wages and salaries is directly linked to the Group's response to the COVID-19 pandemic and the cost mitigating actions put into immediate effect including: a reduction of discretionary expenditure, reduction in headcount due to the organisational restructure, with the restructuring costs being disclosed within adjusted items, see note 3.

The Group received a reduced level of government support from the Coronavirus Job Retention Scheme in FY22 of £18.2m (2021: £58.9m), however prudent cost management has enabled the reduction in employee and other operating expenses to offset this. Consequently almost all of the revenue increase has flowed through to an uplift in results from operations. Additionally the Group utilised £17.8m (2021: £19.5m) from the Airport Ground Operations Support Scheme.

5. Employee information

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

| | 2022 Number of FTEs | 2021 Number of FTEs |
|-------------------------|------------------------|---------------------------|
| By location | | |
| Manchester Airport | 2,148 | 3,266 |
| London Stansted Airport | 1,479 | 1,655 |
| East Midlands Airport | 516 | 529 |
| MAG US | 153 | 45 |
| | 4,296 | 5,495 |

Manchester Airport includes Head Office, Looking4Parking and SkyParkSecure as well as operational employees, based on where these employees are geographically located. Group employees are allocated proportionately across the three airports based on headcount. The calculation for the average number of employees has been calculated for both 2022 and 2021 to reflect full-time equivalent (FTEs) employees.

Notes to the financial statements continued

for the year ended 31 March 2022

6. Directors' emoluments

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 63 to 66 in the remuneration report.

| | 2022 £m | 2021 £m |
|-----------------------|------------|------------|
| Directors' emoluments | | |
| Aggregate emoluments | 4.1 | 7.3 |

Consistent with the treatment in prior years the amounts above include STIP payments during the year of £0.3m paid relating to prior periods and LTIP amounts accrued of £1.8m. The LTIP amount accrued in the financial statements is driven by the Group's FY21 - FY24 LTIP scheme, which was introduced to closely align participants to key recovery metrics following COVID-19 over the period to FY24.

| | 2022 £m | 2021 £m |
|-----------------------------|------------|------------|
| Key management compensation | | |
| Aggregate emoluments | 7.4 | 12.2 |

Key management for the Group are the Board of Directors and members of the Executive Committee, including the Managing Directors of the UK Airports, who control and direct the Group's operational activities and resources. Consistent with the treatment in prior years the amounts above include STIP payments during the year of £0.4m paid relating to prior periods. The LTIP amounts included in the current year are accrued in the financial statements driven by the Group's FY21 - FY24 LTIP scheme, and was introduced to closely align participants to key recovery metrics following COVID-19 over the period to the end of FY24 and amount to £2.4m.

The key management compensation for the current year comprised: short term employee benefits £4.5m (2021: £6.6m); post employment benefits £nil (2021: £0.4m); other long-term benefits £2.4m (2021: £3.4m); and termination payments £0.5m (2021: £1.8m).

| | 2022 £m | 2021 £m |
|-----------------------|------------|------------|
| Highest paid director | | |
| Aggregate emoluments | 1.9 | 2.5 |

The £1.9m (2021: £2.5m) includes salary, benefits, STIP payment of £0.2m during the year relating to a prior period, and an accrued LTIP under the Group's proposed FY21- FY24 LTIP scheme.

Notes to the financial statements continued

for the year ended 31 March 2022

7. Finance costs

| | Note | 2022 £m | 2021 £m |
|--|------|--------------|--------------|
| Interest payable on bank loans and overdrafts | | 7.6 | 7.8 |
| Interest payable on bonds | | 56.8 | 56.2 |
| Interest payable on other borrowings | | 103.2 | 87.2 |
| Interest cost on defined benefit pension schemes | 30 | 0.9 | 1.1 |
| Interest expense on lease liabilities | 31 | 22.7 | 22.4 |
| Interest income on long-term lease receivable | 14 | (0.6) | - |
| Capitalisation of borrowing costs | 13 | (0.6) | (10.4) |
| Unwind of deferred consideration | | 0.1 | 0.3 |
| Finance charge to discontinued items | 10 | - | (3.6) |
| Total finance costs before adjusted items | | 190.1 | 161.0 |
| Adjusted items - loan modification gain | 3 | (8.8) | (54.2) |
| Total finance costs after adjusted items | | 181.3 | 106.8 |

As part of MAG's strategic financial response to the COVID-19 pandemic, the Group agreed with its shareholders to a deferral of interest charges in relation to the shareholder loans.

Under IFRS 9, the change in estimated cashflows of shareholder loans, as a result of the deferral of interest payments, gave rise to £54.2m modification gain in FY21. The modification gain was calculated by the change in amortised cost of the shareholder loans which discount the estimated cashflows at the effective interest rate of the loans (between 10% and 12%). As the interest accruing on the deferred interest payments is at a lower rate (3% over the bank deposit rate) than the loans the deferral gives rise to a reduction in the carrying value of the liability, the modification gain.

In FY22, the directors have calculated a modification gain of £8.8m at the reporting date based upon the projected repayment profile of the shareholder loan interest in the FY23 business plan. This is not deemed a substantial modification and as such, the change in timing is reflected in the decreased carrying value of the loan in the period with the corresponding gain being recognised in the income statement. To remain consistent with the treatment in FY21 and in line with accounting policy, management have presented the modification gain within adjusted items (note 3).

The directors are currently expecting the deferred interest to be repaid between 31 March 2024 and 30 September 2026. The key inputs into the calculation of the gain are:

the timing of the payments of the loan. The payments vary depending upon the period of time that shareholder loan interest is accrued and the period of time that the deferred shareholder loan interest is repaid. Shareholder loan interest can only be paid when, and to the extent that, the Group are in

- compliance with its banking covenants. Accordingly, the timing of the payments are ultimately dependent upon the trading performance of the Group as it recovers from the COVID-19 pandemic. For the purposes of the estimation the Group has used the business projections from its approved business plan which are consistent with those used for both going concern and impairment purposes.
- the effective rate of interest of the loan, and;
- the interest rate chargeable on deferred interest payments.

If the trading performance of the Group improved and the board decided to pay the deferred interest payments 6 months earlier than the modification gain would decrease by £16.7m.

MAG capitalises borrowing costs in accordance with IAS 23. Following the COVID-19 pandemic the Group refocused its capital expenditure to completing existing components of the Group's transformation programmes whilst deferring the commencement of new phases. Most of the existing phases were substantially completed in FY21 and brought into use in FY22. As a result capitalised interest has reduced to £0.6m (2021: £10.4m). Further details are provided in note 13.

Notes to the financial statements continued

for the year ended 31 March 2022

8. Result before taxation

The below note shows a break down of key items within the consolidated income statement occurring before result before taxation:

| | Note | 2022 Continuing operations £m | 2022 Discontinued operations £m | 2021 Continuing operations £m | 2021 Discontinued operations £m |
|---|-------|--|--|--|--|
| Result before taxation has been arrived at after charging/(crediting): | | | | | |
| <i>Depreciation and amortisation:</i> ¹ | | | | | |
| Depreciation of property, plant and equipment | 13 | 209.5 | - | 157.9 | - |
| Depreciation of right-of-use assets | 14 | 11.0 | - | 10.1 | - |
| Amortisation of intangible assets | 16 | 18.9 | - | 9.9 | - |
| Release of capital based grants | | (0.6) | | (1.3) | |
| Total depreciation and amortisation | | 238.8 | - | 176.6 | - |
| (Profit)/Loss on disposal of property, plant and equipment | | (0.3) | - | 0.1 | - |
| Adjusted items ² | 3 | 8.3 | 1.7 | (15.9) | (39.3) |
| Gains on sales and valuation of investment properties | 2, 15 | (22.6) | - | (1.2) | - |
| Interest charged on lease liabilities | 31 | 22.7 | - | 22.4 | - |
| Interest income on long-term lease receivable | 14 | (0.6) | - | - | - |
| Employee benefit costs | 4 | 164.7 | - | 145.0 | - |
| Auditor's remuneration ³ | | | | | |
| Audit of these financial statements | | 0.7 | - | 0.3 | - |
| Amounts receivable by the Company's Auditor and its associates in respect of: | | | | | |
| Audit of subsidiaries' financial statements | | 0.3 | - | 0.3 | - |
| Total auditor's remuneration | | 1.0 | - | 0.6 | - |

¹ The overall depreciation charge relating to property, plant and equipment, right-of-use assets under IFRS 16 and intangible assets is in aggregate £0.6m higher than the depreciation charge of £238.8m in the income statement, due to £0.6m of release of capital grants being offset against depreciation in the year.

² Adjusted items have been separately disclosed on the face of the consolidated income statement. Further details of these items are shown in note 3 adjusted items.

³ A description of the work of the Audit Committee is set out in the Corporate Governance Report and includes an explanation of how Auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

Notes to the financial statements continued

for the year ended 31 March 2022

9. Taxation

Analysis of charge in the year

| | 2022 £m | 2022 £m | 2022 £m | 2021 £m | 2021 £m | 2021 £m |
|---|--------------------------------|----------------|----------------------------------|--------------------------------|----------------|-------------------------------|
| | Total before adjusted items | Adjusted items | Total after adjusted items | Total before adjusted items | Adjusted items | Total after adjusted items |
| Total adjusted items recorded in result from operations | | | | | | |
| Current taxation | | | | | | |
| UK corporation tax on profits for the year | 3.0 | (0.3) | 2.7 | (38.7) | 4.8 | (33.9) |
| Adjustment in respect of prior year | (3.4) | - | (3.4) | 0.1 | - | 0.1 |
| Total current taxation charge/(credit) | (0.4) | (0.3) | (0.7) | (38.6) | 4.8 | (33.8) |
| Deferred taxation | | | | | | |
| Temporary differences arising in the year | (6.4) | - | (6.4) | (18.3) | - | (18.3) |
| Adjustment in respect of prior year* | (17.4) | - | (17.4) | 11.4 | - | 11.4 |
| Effect of change in rate of corporation tax | 55.5 | - | 55.5 | - | - | - |
| Total ordinary deferred taxation | 31.7 | - | 31.7 | (6.9) | - | (6.9) |
| Total taxation charge/(credit) | 31.3 | (0.3) | 31.0 | (45.5) | 4.8 | (40.7) |

*The adjustments in respect of prior year deferred tax relate to the increase of tax losses in the year ended 31 March 2021.

In the prior year, the credit of £40.7m is comprised of a credit from continuing operations of £42.4m, and a charge for discontinued operations of £1.7m.

Taxation on items credited to equity

| | 2022 £m | 2021 £m |
|--|------------|------------|
| Deferred taxation on remeasurement of retirement benefit liabilities | 14.6 | (1.8) |
| Effect of change in rate of corporation tax on deferred tax | 1.3 | - |
| Deferred tax on foreign exchange movement | 0.1 | (0.4) |
| Total taxation charge/(credit) | 16.0 | (2.2) |

Factors affecting the taxation charge for the year

The total taxation charge for the year ended 31 March 2022 is higher (2021: lower) than the standard rate of corporation taxation in the UK of 19% (2021: 19%). The differences are explained below.

| | 2022 £m | 2022 £m | 2022 £m | 2021 £m | 2021 £m | 2021 £m |
|---|--------------------------------|----------------|----------------------------------|--------------------------------|-------------------|-------------------------------|
| | Total before adjusted items | Adjusted items | Total after adjusted items | Total before adjusted items | Adjusted items | Total after adjusted items |
| Result before taxation | (280.3) | (8.3) | (288.6) | (493.5) | 15.9 | (477.6) |
| Result before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%): | (53.3) | (1.6) | (54.9) | (92.9) | 3.0 | (89.9) |
| Effect of: | | | | | | |
| Non-deductible/(taxable) items | 49.9 | 1.3 | 51.2 | 36.0 | 1.8 | 37.8 |
| Adjustments to prior year taxation charge | (20.8) | - | (20.8) | 11.4 | - | 11.4 |
| Effect of change in rate of corporation tax | 55.5 | - | 55.5 | - | - | - |
| Total taxation charge/(credit) | 31.3 | (0.3) | 31.0 | (45.5) | 4.8 | (40.7) |

Notes to the financial statements continued

for the year ended 31 March 2022

9. Taxation continued

The Finance Bill 2021 was enacted on 10 June 2022 and increased the corporation tax rate to 25%, effective from 1 April 2023. The deferred tax assets and liability amounts at 31 March 2022 have therefore been calculated at 25% (2021: 19%).

10. Discontinued operations

The results of the discontinued operation, which have been included in the consolidated income statement, were as follows:

| | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|--------------------------------|-----------------------------|
| | £m | £m |
| Revenue | - | 8.5 |
| Operating costs | - | (0.6) |
| Result from operations before adjusted items | - | 7.9 |
| Adjusted items | (1.7) | - |
| Finance income | - | - |
| Finance costs | - | (3.6) |
| Attributable tax expense | - | (1.7) |
| Result from discontinued operations (net of tax) | (1.7) | 2.6 |
| Profit on sale of discontinued operation | - | 39.3 |
| Net profit attributable to discontinued operation (attributable to owners of the Group) | (1.7) | 41.9 |

The Group commenced a sales process for its non-core property portfolio during the year ended 31 March 2021 with the sale completing on 7 August 2020. Non-core property represented a major line of business for the Group. Consequently the trading performance of the portfolio has been classified as a discontinued operation since 1 April 2019. Adjusted items of £1.7m for the year ended 31 March 2022 relates to an increase in the provision against the rent guarantee receivable, partially offset by a reduction in the cost of other post-sale fees and commitments. As at 31 March 2022 the rent guarantee receivable, net of provisions and discounting, is £4.3m (2021: £7.1m), disclosed as "other long-term asset" on the statement of financial position.

11. Dividends

| | 2022 £m | 2021 £m |
|--|------------|------------|
| Amounts recognised as distributions to equity holders in the year | | |
| Final dividend for the year ended 31 March 2021 of nil pence (2020: nil pence) per share | - | - |
| Interim dividend for the year ended 31 March 2022 of nil pence (2021: nil pence) per share | - | - |
| Amounts recognised as distributions to equity holders in the year | - | - |
| Dividends not recognised at the end of the reporting year | | |
| In addition to the above dividends, since year end the directors have recommended that there is no payment of a final dividend for the year ended 31 March 2022 (2021: nil) pence per share. | - | - |

Notes to the financial statements continued

for the year ended 31 March 2022

12. Earnings per share

Earnings per share is the Group's result of the year, after taxation, divided by the weighted average number of shares in issue in the year.

| | 2022 | | | | | 2021 | | | | |
|---|------------------------|-------------------------|-----------------------------------|-----------------------|-------------------------|------------------------|-------------------------|-----------------------------------|-----------------------|-------------------------|
| | Group profit after tax | | Weighted average number of shares | Per share amount | | Group profit after tax | | Weighted average number of shares | Per share amount | |
| | Continuing operations | Discontinued operations | | Continuing operations | Discontinued operations | Continuing operations | Discontinued operations | | Continuing operations | Discontinued operations |
| | £m | £m | m | pence | pence | £m | £m | m | pence | pence |
| EPS attributable to ordinary shareholders - before adjusted items | (311.6) | - | 316.6 | (98.4) | - | (446.3) | 2.6 | 316.6 | (140.9) | 0.8 |
| EPS attributable to ordinary shareholders - after adjusted items | (319.6) | (1.7) | 316.6 | (100.9) | (0.5) | (435.2) | 41.9 | 316.6 | (137.4) | 13.2 |

Basic and fully diluted earnings as calculated above equate to the same amount for: A shares; B shares; and non-voting ordinary shares. The 3 C shares issued during the prior period for the funding of a new car park, have a loss of £1.1m per share (2021: £nil).

Details of classes of shares in issue and their particulars can be found in note 7 to the MAHL Company accounts.

13. Property, plant and equipment

| | Freehold land and property £m | Other land and buildings £m | Airport infrastructure £m | Plant, fixtures and equipment £m | Assets in the course of construction £m | Total £m |
|--|----------------------------------|--------------------------------|------------------------------|-------------------------------------|--|----------------|
| 2022 | | | | | | |
| Cost | | | | | | |
| At 1 April 2021 | 178.5 | 676.4 | 2,386.0 | 840.8 | 900.5 | 4,982.2 |
| Additions | - | - | - | - | 68.7 | 68.7 |
| Reclassification from assets in the course of construction | - | 189.1 | 330.1 | 311.5 | (830.7) | - |
| Reclassification to intangible assets (note 16) | - | - | (9.0) | - | (0.7) | (9.7) |
| Disposals | (0.2) | (5.6) | (178.8) | (215.4) | - | (400.0) |
| At 31 March 2022 | 178.3 | 859.9 | 2,528.3 | 936.9 | 137.8 | 4,641.2 |
| Depreciation | | | | | | |
| At 1 April 2021 | 64.5 | 222.6 | 755.3 | 643.3 | - | 1,685.7 |
| Charge for the period | - | 25.8 | 101.1 | 82.6 | - | 209.5 |
| Reclassifications to intangible assets (note 16) | - | - | (0.3) | (10.4) | - | (10.7) |
| Depreciation on disposals | - | (2.5) | (176.9) | (204.8) | - | (384.2) |
| At 31 March 2022 | 64.5 | 245.9 | 679.2 | 510.7 | - | 1,500.3 |
| Carrying amount | | | | | | |
| At 31 March 2022 | 113.8 | 614.0 | 1,849.1 | 426.2 | 137.8 | 3,140.9 |
| At 31 March 2021 | 114.0 | 453.8 | 1,630.7 | 197.5 | 900.5 | 3,296.5 |

Notes to the financial statements continued

for the year ended 31 March 2022

13. Property, plant and equipment continued

| | Freehold land and property £m | Other land and buildings £m | Airport infrastructure £m | Plant, fixtures and equipment £m | Assets in the course of construction £m | Total £m |
|--|-------------------------------------|--------------------------------------|---------------------------------|--|--|----------------|
| 2021 | | | | | | |
| Cost | | | | | | |
| At 1 April 2020 | 179.0 | 646.4 | 2,329.8 | 814.7 | 937.0 | 4,906.9 |
| Additions | - | - | - | - | 154.0 | 154.0 |
| Reclassification from assets in the course of construction | - | 41.5 | 59.4 | 64.9 | (165.8) | - |
| Reclassification to investment properties (note 15) | - | - | - | (0.4) | (0.5) | (0.9) |
| Reclassification to intangible assets (note 16) | - | - | - | (35.2) | (23.8) | (59.0) |
| Disposals | (0.5) | (11.5) | (3.2) | (3.2) | (0.4) | (18.8) |
| At 31 March 2021 | 178.5 | 676.4 | 2,386.0 | 840.8 | 900.5 | 4,982.2 |
| Depreciation | | | | | | |
| At 1 April 2020 | 64.5 | 216.3 | 671.1 | 604.1 | - | 1,556.0 |
| Charge for the period | - | 17.7 | 86.1 | 54.1 | - | 157.9 |
| Reclassifications to intangible assets (note 16) | - | - | - | (12.1) | - | (12.1) |
| Depreciation on disposals | - | (11.4) | (1.9) | (2.8) | - | (16.1) |
| At 31 March 2021 | 64.5 | 222.6 | 755.3 | 643.3 | - | 1,685.7 |
| Carrying amount | | | | | | |
| At 31 March 2021 | 114.0 | 453.8 | 1,630.7 | 197.5 | 900.5 | 3,296.5 |
| Carrying amount | | | | | | |
| At 31 March 2020 | 114.5 | 430.1 | 1,658.7 | 210.6 | 937.0 | 3,350.9 |

The carrying amount of land not depreciated as at 31 March 2022 is £215.6m (31 March 2021: £213.6m). Where assets have both depreciating and non-depreciating parts, the asset as a whole is categorised by its nature.

During the year the Group's carrying value of property, plant and equipment reduced by £0.7m as a result of foreign exchange rate changes upon translation of the Group's US operations into GBP. The impact of the foreign exchange adjustment is included within the additions and depreciation categories.

Capitalised borrowing costs

During the year ended 31 March 2022, borrowing costs of £0.6m were capitalised (31 March 2021: £10.4m), relating to borrowing costs incurred in FY22. Capitalised borrowing costs were calculated on a monthly basis, by applying the rate of interest for the relevant month to expenditure incurred in that month. The average rate of interest applied in the year ending 31 March 2022 was 5.58% (2020: 5.56%).

These borrowing costs were capitalised due to the transformational capital investment projects being undertaken at Manchester Airport.

The value of borrowing costs capitalised during the year has reduced substantially in comparison to prior year due to completion of MAN-TP Phase 1 in July 2021. Capitalisation of interest on the majority of the balance was ceased towards the end of FY21 as the project became substantially complete.

The cumulative balance of interest capitalised at 31 March 2022 is £67.4m (2021: £66.8m). At 31 March 2022, the net book value of the capitalised interest is £63.1m (2021: £64.8m).

Specific Impairment Review

During the year ended 31 March 2022, management have carried out an impairment review of the fixed assets, including the useful economic lives of assets. A total disposal of £11.0m has been recognised in the year:

- £9.2m of retail fit out costs in the Manchester T2 building that are being removed to make way for the next phase of MAN-TP, (shown within "impairment of assets" in note 3 adjusted items); and
- £1.8m in relation to assets in MAG US lounges where the concession agreement has been terminated (shown within "legal and other items in note 3 adjusted items").

Notes to the financial statements continued

for the year ended 31 March 2022

13. Property, plant and equipment continued

Assets in the course of construction

Assets in the course of construction is £137.8m at 31 March 2022 (2021: £900.5m). The reduction in the year is primarily due to the first phase of the Manchester Transformation Programme being brought into use in the year. Key capital projects held within this balance are: capital expenditure in relation to the next phase of the Manchester Transformation Programme (£34.5m), capital expenditure in relation to Stansted Transformation Programme (£23.1m), projects relating to replacement and refurbishment of airfield assets (£18.3m), enhancement of IT infrastructure (£16.4m), costs in relation to planning consent for the 43m passenger cap at Stansted (£8.1m) and fit-out of lounges in the US operated by MAG (£7.7m).

Assets pledged as security:

The bonds and bank loans are secured by a fixed and floating charge over substantially all of the Group's property, plant and equipment.

Disposal of nil net book value assets no longer in use:

During the year, a review of the fixed asset records was carried out to identify fully depreciated assets no longer in use by MAG with material historical cost, so the fixed asset balances disclosed above better reflect assets still actively operated by MAG. The result of the review is a disposal of £380.9m of cost and accumulated depreciation for assets no longer in use. Further review is expected in the next financial year to review the remaining fully depreciated assets within the fixed asset records.

14. Right-of-use assets

| | Land and Buildings £m | Airport infrastructure £m | Plant, fixtures and equipment £m | Total £m |
|----------------------------|-----------------------------|---------------------------------|--|--------------|
| 2022 | | | | |
| Cost | | | | |
| At 1 April 2021 | 226.9 | 200.8 | 10.7 | 438.4 |
| Additions | 1.8 | - | 3.1 | 4.9 |
| Remeasurements | (0.1) | 2.7 | - | 2.6 |
| Modifications ¹ | 2.1 | - | - | 2.1 |
| Disposals ² | (0.3) | - | (0.1) | (0.4) |
| At 31 March 2022 | 230.4 | 203.5 | 13.7 | 447.6 |
| Depreciation | | | | |
| At 1 April 2021 | 10.9 | 6.2 | 1.8 | 18.9 |
| Charge for the period | 5.7 | 3.2 | 2.1 | 11.0 |
| At 31 March 2022 | 16.6 | 9.4 | 3.9 | 29.9 |
| Carrying amount | | | | |
| At 31 March 2022 | 213.8 | 194.1 | 9.8 | 417.7 |
| At 31 March 2021 | 216.0 | 194.6 | 8.9 | 419.5 |

Notes to the financial statements continued

for the year ended 31 March 2022

14. Right-of-use assets continued

| | Land and Buildings £m | Airport infrastructure £m | Plant, fixtures and equipment £m | Total £m |
|---|-----------------------------|---------------------------------|--|--------------|
| 2021 | | | | |
| Cost | | | | |
| At 1 April 2020 | 221.3 | 198.4 | 3.9 | 423.6 |
| Additions | 3.1 | - | 7.8 | 10.9 |
| Remeasurements | 14.1 | 2.4 | (1.0) | 15.5 |
| Disposals | (0.4) | - | - | (0.4) |
| Transfers to long-term lease receivable | (11.2) | - | - | (11.2) |
| At 31 March 2021 | 226.9 | 200.8 | 10.7 | 438.4 |
| Depreciation | | | | |
| At 1 April 2020 | 5.5 | 3.0 | 0.3 | 8.8 |
| Charge for the period | 5.4 | 3.2 | 1.5 | 10.1 |
| At 31 March 2021 | 10.9 | 6.2 | 1.8 | 18.9 |
| Carrying amount | | | | |
| At 31 March 2021 | 216.0 | 194.6 | 8.9 | 419.5 |
| At 31 March 2020 | 215.8 | 195.4 | 3.6 | 414.8 |

¹ Modifications

Relating to a number of lounges leased and operated by MAG in the US - see note 31 for more detail.

² Disposals

Disposal of lease asset due to lease termination at Stansted by landlord at break date.

Impairment Review

The carrying value of the right-of-use assets for each cash generating unit ("CGU") was assessed by management as part of the year end impairment exercise. The details of this review is detailed at note 16.

Key lease arrangements

Key lease arrangements are detailed in note 31.

Income from subleasing right-of-use assets

During the year to 31 March 2022, the income generated from subleasing right-of-use assets was £1.3m (2021: £0.7m), generated solely from sublets of land and buildings.

Gains or losses generated from sale and leaseback transactions

During the year to 31 March 2022, the Group incurred £nil (2021: £0.7m loss) from sale and leaseback transactions.

Long-term lease receivable

As a result of the sale of the non-core portfolio on 7 August 2020, a rent review was triggered on an existing lease between MAG and Manchester City Council (MCC). The rent increased from £nil to £0.6m per annum from this date, and the lease is in place until 31 August 2288. Further details are disclosed in note 30.

The £0.6m per annum rental charge is passed on to the purchasers of the non-core property portfolio under identical terms to the arrangement with MCC. This represents a sale of the right of use asset arising from the rent review. Therefore, management have ceased to recognise the right of use asset and replaced it with a long-term lease receivable. The present value of amounts receivable as at 31 March 2022 is £11.2m. The discount rate used on future amounts receivable 5.48%. The closing asset would be £9.5m if the discount rate were to increase by 1% and £13.7m if the discount rate decreased by 1%. The £0.6m pass through is recognised as interest income on the long-term lease receivable and is netted against the interest charge of the associate lease liability within finance costs.

Notes to the financial statements continued

for the year ended 31 March 2022

14. Right-of-use assets continued

The amounts receivable under this agreement are as follows:

| | £'m Undiscounted | £'m Discounted |
|---------------|---------------------|-------------------|
| Within 1 year | 0.6 | - |
| 1 to 2 years | 0.6 | - |
| 2 to 5 years | 1.8 | - |
| Over 5 years | 157.6 | 11.2 |
| | 160.6 | 11.2 |

15. Investment Properties

| | Investment properties £m |
|---|--------------------------------|
| 2022 | |
| Valuation | |
| At 1 April 2021 | 166.9 |
| Disposals | (0.4) |
| Revaluation | 22.4 |
| At 31 March 2022 | 188.9 |
| 2021 | £m |
| Valuation | |
| At 1 April 2020 | 137.5 |
| Reclassification to property, plant and equipment (note 13) | 0.9 |
| Revaluation | 1.2 |
| Reclassification from assets held for sale | 27.3 |
| At 31 March 2021 | 166.9 |

The fair value of the Group's commercial investment property at 31 March 2022 has been arrived at on the basis of a valuation carried out at that date by JLL Ltd. Fisher German LLP carried out the valuation of the Group's residential property portfolio at 31 March 2022. The valuers are independent and have appropriate recognised professional qualifications, and recent experience in the locations and categories of the locations being valued. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties, land valuations and analysis of demand within the vicinity of the relevant properties. Under IAS 40 a fair value method has been adopted to revalue investment properties that become occupied by the Group and are transferred to property, plant and equipment.

The fair value measurement for all of MAG's investment properties has been categorised as a Level 3 fair value based upon the inputs to the valuation technique used. The valuers have used the following bases of valuation:

Commercial Property

Valuation Technique

Investment property – the investment property valuations as Investment property having been carried out using the comparative and investment methods. The valuation of the commercial property has been assessed using analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the property and taking into account size, location, terms and other factors.

Land under development – residual valuation approach estimates the Gross Development Value (GDV) of the proposed development (usually the market value using the investment method and making an appropriate deduction for development costs, finance and developer's profit).

Other Development land – valuation was based upon the net price per acre in the current market.

Significant Unobservable Inputs

• Yields
• Enterprise rental values

Inter-relationship between key unobservable inputs and fair value measurements

The estimated fair value would increase if:

- Yields were lower
- Enterprise rental values were higher

Management have deemed enterprise rental values and yields to be key inputs into the investment property valuation. Sensitivity analysis on these inputs has determined the following:

- A 5% increase/decrease in enterprise rental value gives rise to an increase/decrease of £5.6m respectively; and
- A 0.25% increase/decrease in yield gives rise to a decrease/increase of £4.5m respectively.

Notes to the financial statements continued

for the year ended 31 March 2022

15. Investment Properties continued

Residential Property

Valuation Technique

Valuation is completed on a comparable basis of similar properties in the vicinity.

Significant Unobservable Inputs

Where comparable evidence is hard to obtain, adjusted information is used to reflect differences in location, size, aspect and condition.

Inter- relationship between key unobservable inputs and fair value measurements

The estimated fair value would increase if the property:

- was larger
- in a preferred location
- in a better condition

The rental income earned by the Group from its investment property amounted to £8.5m (2021: £15.8m), of which £nil was attributable to discontinued operations (2021: £8.5m). Direct operating expenses arising on the investment property in the year amounted to £1.9m (2021: £1.4m), all relating to income generating investment property.

The group disposed of 2 properties from the investment property portfolio in the year, the combined value of which was £0.4m.

Gains and losses on sale and valuation of investment properties reported in the consolidated income statement of £22.6m in the year (2021: £1.2m) includes £22.4m of valuation gains on investment property (2021: £1.2m), £0.1m of valuation gains on assets held for sale (2021: £nil) and £0.1m of gains on sale of properties (2021: £nil).

16. Intangible assets

| | Note | Goodwill £m | Software costs £m | Other intangible assets £m | Total £m |
|--|------|----------------|----------------------|----------------------------------|--------------|
| Cost | | | | | |
| At 1 April 2021 | | 206.2 | 59.0 | 77.9 | 343.1 |
| Additions in the year | | - | 8.0 | - | 8.0 |
| Reclassification from/(to) property, plant and equipment | 13 | - | 13.5 | (3.8) | 9.7 |
| Foreign exchange | | 1.5 | - | 0.5 | 2.0 |
| Disposals | | - | (5.7) | - | (5.7) |
| At 31 March 2022 | | 207.7 | 74.8 | 74.6 | 357.1 |
| Amortisation | | | | | |
| At 1 April 2021 | | - | 16.5 | 20.5 | 37.0 |
| Reclassification from property, plant and equipment | 13 | - | 10.7 | - | 10.7 |
| Charge for the year | | - | 13.8 | 5.1 | 18.9 |
| Amortisation on disposals | | - | (5.7) | - | (5.7) |
| At 31 March 2022 | | - | 35.3 | 25.6 | 60.9 |
| Carrying amount | | | | | |
| At 31 March 2022 | | 207.7 | 39.5 | 49.0 | 296.2 |
| At 31 March 2021 | | 206.2 | 42.5 | 57.4 | 306.1 |

Goodwill

Goodwill is allocated to cash generating units based on the benefits to the Group that arise from each business combination. For the purposes of impairment testing, goodwill is allocated to the lowest cash generating unit at which management monitor goodwill. The lowest level of cash generating unit is considered to be: Manchester Airport; London Stansted Airport; East Midlands Airport; MAG US's legacy lounge and car parking business; Looking4parking.com; SkyParkSecure and each of the three US based online car-parking aggregator businesses.

Of the goodwill total of £207.7m that has been allocated to each of the Group's CGUs, £166.3m is attributable to the acquisition of London Stansted Airport, £4.5m attributable to the acquisition of the UK distribution companies, with the remaining £36.9m attributable to goodwill from the acquisitions of airportparkingreservations.com LLC (£19.6m) and ParkSleepFly.com (£17.1m) and its subsidiary shuttlefinder.net (£0.2m). The goodwill relating to the acquisitions of the three US based entities is denominated in US dollars and as a consequence of the USD:GBP exchange rate at the year end, the goodwill attributable to these entities in the year end accounts has increased from £35.4m to £36.9m.

Other intangible assets

Other intangible assets with carrying value of £49.0m are attributable to Metrolink (£31.9m, discussed in more detail below), airspace redesign (£3.6m), the acquisition of the UK distribution companies (£2.4m) and the remaining £11.1m relates to the operator and trade names acquired in FY21 from airportparkingreservations.com LLC (APR), ParkSleepFly.com (PSF) and shuttlefinder.net (SF).

Software costs

£39.5m of capitalised computer software costs relate to operating systems throughout the airports (£17.0m), ERP systems (£14.8m) and car parking booking systems (£7.7m). During the year, assets with cost and accumulated amortisation of £5.7m were disposed of, relating to legacy ERP systems assets no longer in use.

Notes to the financial statements continued

for the year ended 31 March 2022

16. Intangible assets continued

Impairment

The principal CGUs used in the Group's impairment assessment consisted of:

- Manchester Airport where the recoverable amount provided a £1,485.3m headroom over the assets carrying value of £1,857.4m;
- London Stansted Airport where the recoverable amount provided £1,083.9m of headroom over the assets carrying value of £1,558.8m;
- East Midlands International Airport where the recoverable amount provided £267.6m of headroom over the assets carrying value of £206.4m;
- MAG US, where each lounge and car park constitutes a CGU, the overall recoverable amount exceeded the carrying value of £11.0m by £17.3m;
- MAG's UK Distribution Companies (where the CGU's are the Looking4Parking and SkyParkSecure businesses) where the recoverable amount amounts for each business is £43.3m in excess of the asset carrying values (combined carrying value for both businesses £6.9m); and
- Each of the newly acquired online US based car parking aggregator companies constitute a separate CGU. The recoverable amount assessment is based upon the approved budget from April 2022 but management have also considered a downside scenario that excludes post-acquisition operating improvements and limited growth in the operator relationship base. The impairment assessment for each CGU consisted of:
 - Airportparkingreservations.com - where the recoverable amount provided a £38.7m headroom over the asset carrying value of £25.5m (Downside scenarios analysed would not give rise to impairment);
 - Parksleefly.com - where the recoverable amount provided a £27.3m headroom over the asset carrying value of £22.1m (Downside scenarios analysed would not give rise to impairment); and
 - Shuttlefinder.net - where the recoverable amount provided a £0.3m headroom over the asset carrying value of £0.1m (Downside scenarios analysed would not give rise to impairment).

The impairment testing calculated the recoverable amount of the goodwill, intangible assets, PPE and right-of-use asset in each cash generating unit by comparing the carrying value to the calculated 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, EBITDA margin and the level of capital expenditure required to maintain the assets.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board in April 2022 covering five years. Climate change considerations have been accounted for when arriving at the underlying costs in forecast cashflows. Management have also considered a downside scenario with FY22 passenger levels at 76% of pre-COVID-19 levels, which is in line with the lower end of industry expectations. The business plan estimates UK passenger levels in FY22 at 90% of pre-COVID-19 levels. No additional impairments arose as a result of considering this downside.

These projections and downside sensitivities for the timing and rate of passenger volume 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 5 years and considered a terminal value for each CGU based upon a long-term growth reflecting estimated rates of inflation of 2%. The business has used a budget of 5 years as recommended under IAS 38 but appreciates that additional forecast period could be merited to reflect the business's return to normal trading levels post COVID-19 recovery. If an additional forecast period was applied in the impairment assessments this would give rise to an increase in the headroom to those quoted.

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 discount and long-term growth rates used in the forecast discounted cash flows were calculated as:

- UK Airport CGUs: Pre-tax: 14.61% (2021: 13.67%), Post-tax: 7.36% (2021: 6.89%), Long-term growth rate: 2.00% (2021: 2.00%);
- Looking4Parking and SkyParkSecure: Pre-tax: 20.96% (2021: 20.65%), Post-tax: 12.22% (2021: 12.04%), Long-term growth rate: 2.00% (2021: 2.00%);
- US legacy lounge & car parking business: Pre-tax: 18.22% (2021: 18.22%), Post-tax: 13.00% (2021: 13.00%), Long-term growth rate: N/A due to contracts having a finite life (2021: N/A); and
- US recently acquired online car parking aggregator businesses: Pre-tax: 20.86% (2021: 20.86%), Post-tax: 13.00% (2021: 13.00%), Long-term growth rate: 2.00% (2021: 2.00%).

Metrolink

In 2014 the Group secured rights to ensure that the Greater Manchester Metrolink light rail system was extended to Manchester Airport, connecting the airport to the wider Metrolink network. The contractual agreement ensures that the Metrolink service, which commenced in November 2014, will be operated for a period of 30 years. The cost of securing the rights has been capitalised and is being amortised over 20 years from November 2014 (and has a remaining useful life of 13 years), which the directors believe to be the foreseeable period over which the majority of the benefits from the service will accrue to the Airport. Whilst the COVID-19 pandemic has reduced passenger numbers on the Metrolink system the expectation is that the use of the rail system will subsequently return to more normal levels of activity as passenger numbers return in FY22 and beyond. Consequently the Metrolink intangible asset has not been impaired. Management have assessed the recoverable amount of the carrying value of the Metrolink contribution as part of the impairment assessment of the Manchester Airport (CGU), as the cashflows relating to the Metrolink asset are not independent from those of the airport, which is detailed above.

Remaining amortisation for material intangible assets

| | |
|--|------------|
| Metrolink | 12.5 years |
| ERP system | 5 years |
| Software and intellectual property from acquisition of APR, PSF and SF | 4 years |

Notes to the financial statements continued

for the year ended 31 March 2022

17. Investment in associate

| 2022 | £m |
|-------------------------------------|-------------|
| Cost and carrying value | |
| At 1 April 2021 | 10.1 |
| Investment in associate | 1.3 |
| Group's share of associate's result | 0.4 |
| At 31 March 2022 | 11.8 |

The investment in associate relates to the Group's 20% investment in Airport City.

Included within the investment in associate balance is an amount of £0.7m (31 March 2021: £0.7m) relating to MAG's own costs incurred in the setting up of its share in Airport City. This will be released to the consolidated income statement on a proportional basis on the sale of plots within the Airport City development.

Airport City, a partnership with three other partners to develop part of the land around Manchester Airport for hotels, offices and logistics and advanced manufacturing, was formally constituted on 8 October 2014.

Airport City's year end date is coterminous with the Group's year end, and the financial information detailed below is consistent with the Airport City financial statements prepared to the same date. Summarised financial information of the Group's investment in Airport City is as follows.

| | 2022 £m | 2021 £m |
|--|-------------|--------------|
| Current assets | 61.4 | 48.9 |
| Current liabilities | (6.2) | (4.2) |
| Net assets | 55.2 | 44.7 |
| Group's share of associate's net assets | 11.0 | 9.4 |
| Revenue | 36.1 | 19.1 |
| Result for the period | 2.0 | 2.3 |
| Share of profit in associate for the year | 0.4 | 0.6 |
| Loss on disposal of 50% shareholding | - | (8.0) |
| Share of result in associate | 0.4 | (7.4) |

As part of its investment in Airport City, the Group has agreed to pay an equity contribution up to a maximum of £12.0m if required, of which £8.2m was drawn down at 31 March 2022. Airport City has no significant contingent liabilities to which the Group is exposed, and there are no restrictions that would prevent the transfer of funds to the Group (2021: none).

Notes to the financial statements continued

for the year ended 31 March 2022

18. Assets held for sale and associated liabilities

| | 31 March 2022 £m | 31 March 2021 £m |
|--------------------------|------------------------|------------------------|
| Assets held for sale | | |
| Current assets | | |
| Investment properties | 2.1 | 2.0 |
| Total | 2.1 | 2.0 |
| | 31 March 2022 £m | 31 March 2021 £m |
| Associated liabilities | | |
| Current liabilities | | |
| Deferred tax liabilities | (0.5) | (0.4) |
| Total | (0.5) | (0.4) |

Assets held for sale as at 31 March 2022 represent the retained investment property at Bournemouth Airport. The directors regard it as highly probable that the asset will be disposed of during FY23.

The basis of fair value measurement and valuation of the Group's commercial investment property, including assets held for sale, at 31 March 2022 has been disclosed in note 15 to the financial statements. The valuation at 31 March 2022 resulted in an uplift of £0.1m in the asset held for sale (2021: £nil).

19. Inventories

| | 2022 £m | 2021 £m |
|--------------|------------|------------|
| Consumables | 4.0 | 3.5 |
| Total | 4.0 | 3.5 |

Amount of inventory charged to cost of sales in the year amounted to £2.0m (2021: £2.1m).

20. Trade and other receivables

| | 2022 £m | 2021 £m |
|-------------------|-------------|-------------|
| Trade receivables | 47.5 | 22.6 |
| Other receivables | 3.8 | 30.6 |
| Prepayments | 8.9 | 5.8 |
| Accrued income | 26.1 | 6.2 |
| Total | 86.3 | 65.2 |

The average credit period taken on sales is 38 days (2021: 46 days). Provisions for expected credit losses within trade receivables have been made, totalling £5.8m (2021: £8.0m). This includes reserves against specific debts estimated as irrecoverable and additionally a provision of £0.5m (2021: £5.8m). The significant increase in accrued income versus 2021 is attributable to the significant increase in passenger volumes.

The directors consider that the carrying amount of trade and other receivables are at amortised cost.

Trade receivables are non-interest bearing and are generally on 30 day terms. The level of past due debt over 90 days old has been recalculated to reflect age based upon due date.

| | 2022 £m | 2021 £m |
|-----------------------|------------|-------------|
| Debt due over 90 days | 0.7 | 17.9 |
| Total | 0.7 | 17.9 |

Notes to the financial statements continued

for the year ended 31 March 2022

20. Trade and other receivables continued

Movement in the expected credit loss of trade receivables is as follows:

| | £m |
|--|-------|
| Balance at 1 April 2021 | 8.0 |
| Decrease in allowance for impaired receivables | (4.7) |
| Additional provision during the year | 2.5 |
| Balance at 31 March 2022 | 5.8 |

The creation and release of provisions for impaired receivables have been included in 'operating expenses' in the consolidated income statement.

Amounts charged to the provision account are generally written off when there is no expectation of recovery. The ageing of these receivables is as follows:

| | 2022 £m | 2021 £m |
|-------------------|------------|------------|
| Less than 60 days | 0.6 | 1.2 |
| 60 to 90 days | 0.3 | 0.3 |
| Over 90 days | 4.9 | 6.5 |
| Total | 5.8 | 8.0 |

The Group has limited exposure to foreign currency exchange risk with trade and other receivables including £2.7m held in US dollars by the MAG US business. All other receivables amounts are denominated in pounds sterling. There are no credit quality issues with receivables that are not past their due date. Additional disclosure on financial risk is included in note 26.

21. Cash and cash equivalents

| | 2022 £m | 2021 £m |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 488.6 | 542.1 |
| Total | 488.6 | 542.1 |

The directors consider that the carrying value of net cash and cash equivalents are at amortised cost.

22. Borrowings

| | Note | 2022 £m | 2021 £m |
|-------------------------------|------|----------------|----------------|
| Overdraft | 23 | 25.7 | 11.9 |
| Current borrowings | | 25.7 | 11.9 |
| Bank loans | 23 | 483.2 | 482.6 |
| Bonds | 24 | 1,438.0 | 1,438.2 |
| Other borrowings | 25 | 1,062.0 | 967.5 |
| Non-current borrowings | | 2,983.2 | 2,888.3 |
| Total borrowings | | 3,008.9 | 2,900.2 |

Notes to the financial statements continued

for the year ended 31 March 2022

22. Borrowings continued

Borrowings are repayable as follows:

In one year or less, or on demand

| | | | |
|-----------|----|------|------|
| Overdraft | 23 | 25.7 | 11.9 |
| | | 25.7 | 11.9 |

In more than one year, but no more than two years

| | | | |
|------------|----|-------|---|
| Bank loans | 23 | 483.2 | - |
| | | 483.2 | - |

In more than two years, but no more than five years

| | | | |
|-------------------------------|----|-------|-------|
| Bank loans | 23 | - | 482.6 |
| Bonds | 24 | 358.1 | 357.7 |
| Other borrowings ¹ | 25 | 221.7 | - |
| | | 579.8 | 840.3 |

In more than five years – due other than by instalments

| | | | |
|------------------|----|---------|---------|
| Bonds | 24 | 1,079.9 | 1,080.5 |
| Other borrowings | 25 | 840.3 | 967.5 |
| | | 1,920.2 | 2,048.0 |

| | | | |
|------------------------|--|---------|---------|
| Non-current borrowings | | 2,983.2 | 2,888.3 |
|------------------------|--|---------|---------|

| | | | |
|------------------|--|---------|---------|
| Total borrowings | | 3,008.9 | 2,900.2 |
|------------------|--|---------|---------|

¹ The accrued deferred interest of £221.7m is repayable to the shareholders only when MAG can make payment and still remain compliant with the leverage ratios as stipulated within the banking covenants. Management have estimated (as part of the Board approved business plan) that the full balance of accrued interest should be repaid in the period starting 31 March 2024 and ending on 30 September 2026, therefore the balance has been classified as due after two years, but within five years.

The Group is party to a Common Terms Agreement (CTA) where bank and bond creditors benefit from the same suite of representations, warranties and covenants. The CTA was signed on 14 February 2014.

The CTA, together with a Master Definitions Agreement, covers inter alia The Amended and Restated Initial Authorised Credit Facility Agreement (ACF), The Amended and Restated Liquidity Facility Agreement (LF), and the Group's issue of publicly listed fixed rate secured bonds in February 2014 and April 2014 respectively.

The Group issued a £450.0m publicly listed fixed rate secured bond on 14 February 2014 with a scheduled and legal maturity of 31 March 2034.

The Group issued a £360.0m publicly listed fixed rate secured bond on 16 April 2014 with a scheduled and legal maturity of 31 March 2024. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay a large portion of the Secured Senior Term Facility.

The Group issued a £300.0m publicly listed fixed rate secured bond on 15 November 2017 with a scheduled and legal maturity of 31 March 2039. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay the Revolving Credit Facility.

The Group issued a £350.0m publicly listed fixed rate secured bond on 9 May 2019 with a scheduled and legal maturity of 31 March 2045. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay the Revolving Credit Facility.

The Group's bank loans and bonds are all secured by a fixed and floating charge over substantially all of the assets of the Group.

As part of the Group's strategic finance response to the COVID pandemic during 2020 the Group secured £300.0m on 2 July 2020 in the form of shareholder loans. These loans have a coupon value of 10% and a maturity date of 30 September 2058.

As set out in the Basis of Preparation on page 98, the Group is subject to financial covenants on its secured funding arrangements. The covenants are tested half yearly on 31 March and 30 September. As part of the Group's strategic finance response to COVID-19 in 2021, MAG had secured waivers for the covenant tests as at 30 September 2021 and 31 March 2022 and a modified basis of calculation as at 30 September 2022.

Subsequent to the year end, on 27 May 2022 the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500m revolving credit facility and £90m in standby liquidity facilities, each with a five year term, maturing in May 2027, with optional extensions. The liquidity facility is sized to cover 12 months interest on secured debt and is a 364-day revolving facility with a five year term on each annual renewal. The facilities replace similar facilities that were due to mature in June 2023. These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy.

Notes to the financial statements continued

for the year ended 31 March 2022

23. Bank loans and overdrafts

| | 2022 £m | 2021 £m |
|---|------------|------------|
| Overdraft | 25.7 | 11.9 |
| Bank loans and overdrafts - current | 25.7 | 11.9 |
| Secured revolving credit facility | 484.0 | 484.0 |
| Less: unamortised debt issue costs ¹ | (0.8) | (1.4) |
| Bank loans and overdrafts - non-current | 483.2 | 482.6 |
| Bank loans and overdrafts - total | 508.9 | 494.5 |

¹. Issue costs arising in relation to obtaining finance are amortised over the duration of the financing as part of the effective interest rate.

At 31 March 2022 the Group had £nil (31 March 2021: £nil) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The committed borrowing facilities consist of a £500.0m secured revolving credit facility (£484.0m drawn at 31 March 2022), less certain carve-outs in respect of ancillary facilities of £16.0m. The Group also had access to £10.0m of additional overdraft facilities, separate to the overdraft balance above.

Interest on the Secured Revolving Credit Facility is linked to SONIA plus a margin.

In March 2021 the UK Financial Conduct Authority (FCA) formally announced that LIBOR would be discontinued by 31 December 2021. LIBOR was the risk-free rate component of the interest calculation in the RCF. The risk-free rate alternative will become the Sterling Overnight Index Average (SONIA) benchmark. MAG executed the required changes to its Revolving Credit Facility and Liquidity Facility to transition from LIBOR to SONIA in June 2021 with no changes to commercial terms.

See note 22 for further information on financial liabilities, including maturity analysis.

24. Bonds

| | 2022 £m | 2021 £m |
|-------------------------------------|------------|------------|
| Repayable other than by instalments | | |
| MAG bond 4.125% £360.0m due 2024 | 360.0 | 360.0 |
| MAG bond 4.75% £450.0m due 2034 | 450.0 | 450.0 |
| MAG bond 2.875% £300.0m due 2039 | 300.0 | 300.0 |
| MAG bond 2.875% £350.0m due 2045 | 350.0 | 350.0 |
| Less: discount on issue | (9.8) | (10.2) |
| Less: unamortised debt issue costs | (12.2) | (11.6) |
| | 1,438.0 | 1,438.2 |

See note 22 for further information on financial liabilities, including maturity analysis.

25. Other borrowings

| | 2022 £m | 2021 £m |
|---|------------|------------|
| Repayable other than by instalments | | |
| Shareholders' loan at an interest rate of 12% expiring on 9 February 2055 | 303.5 | 278.6 |
| Shareholders' loan at an interest rate of 10% expiring on 30 September 2056 | 207.9 | 189.5 |
| Shareholders' loan at an interest rate of 10% expiring on 30 September 2057 | 207.9 | 189.5 |
| Shareholders' loan at an interest rate of 10% expiring on 30 September 2058 | 343.1 | 310.3 |
| Less: unamortised debt issue costs | (0.4) | (0.4) |
| | 1,062.0 | 967.5 |

The shareholders' loans are unsecured. The table above includes the modification gains recognised in FY21 and FY22. The principal values of the loans equate to £901.9m (2021: £901.9m), with accrued interest of £221.7m as at 31 March 2022 (2021: £122.0m).

Notes to the financial statements continued

for the year ended 31 March 2022

25. Other borrowings continued

As part of MAG's strategic financial response to the COVID-19 pandemic, the Group agreed with its shareholders to a deferral of interest charges in relation to the shareholder loans. Deferred interest incurs an interest rate of 3% over the bank deposit rate and the directors currently estimate that the deferred interest will be repaid between 31 March 2024 and 30 September 2026. Under IFRS 9, the change has resulted in a modification of the estimated cashflows, however this is not deemed a substantial modification. As such, the change in timing of the estimated future cashflow has been adjusted in the period of charge, with the corresponding income being recognised in the income statement. The modification of £8.8m (2021: £54.2m) has been reflected in the interest payable on other borrowings.

On 2 July 2020, £300m of shareholder loans were issued with an interest rate of 10% and a maturity of 30 September 2058.

26. Financial instruments

Risk management

The Group's activities expose it to a variety of financial risks. The Group's funding, liquidity, foreign exchange 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.

Interest rate risk

The Group actively manages its exposure to interest rate risk through determining the optimum profile and mix of funding between fixed and floating rates that is most appropriate to the Group's cashflows, up to a maximum of 100% fixed. Where necessary, the Group uses derivative financial instruments such as interest rate swaps to generate the desired interest rate profile and to manage the Group's exposure to interest rate fluctuations, but based on the current debt profile there are no instruments in place at the year end. The cash balances attract interest at floating rates.

Liquidity risk

The principal sources of the Group's liquidity risk are the ability to refinance debt facilities as they fall due, ensuring cash and cash equivalents are accessible when required and borrowing facilities are sufficient for the future needs of the Group. Although there can be no certainty that financing markets will remain open for issuance at all times, debt maturities are spread over a range of dates, thereby ensuring that the Group is not exposed to excessive refinancing risk in any one year. The Group's key guideline in managing liquidity risk is to limit the amount of borrowings maturing within 12 months to 35% of gross borrowings less cash and cash equivalents. All cash and cash equivalents are held on short-term deposit within term limits set by the Board. Moreover, debt facilities are maintained at a level that is sufficient to provide a reasonable surplus beyond the future needs of the Group.

At the year ended 31 March 2022, MAG had £2,845.9m (2021: £2,845.9m) of committed facilities (excluding the Initial LF Agreement) and a net debt position of £2,520.3m (2021: £2,358.1m). MAG had financial headroom of £472.9m (2021: £540.2m) at the year end, comprised of net cash of £462.9m (2021: £530.2m) plus £10m of available overdraft facilities (2021: £10m). This represents a level comfortably in excess of the internal compliance target. Under existing facilities and based on the board approved business plan MAG is forecast to have financial headroom in excess of the minimum Treasury Policy target of £100m throughout FY23. Post year end, the Group completed the refinancing of its revolving credit and liquidity facilities (see note 22). These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy.

Foreign Exchange Risk

The Group is not materially exposed to foreign exchange risk as all material transactions and financial instruments are in pounds sterling. As the Group look to grow operations in the USA in the future, where the income and expenditure do not naturally offset, the Group may consider the use of currency hedges to manage any exposure to foreign exchange. At the reporting date the Group has no foreign currency hedge contracts in place.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure.

In addition, the Group also monitors capital on the basis of the Interest Cover Ratio and Leverage Ratio as defined in the Common Terms Agreement dated 14 February 2014 between, among others, Manchester Airport Group Investments Limited as Security Group Agent and Citicorp Trustee Company Limited as the Obligor Security Trustee on behalf of banks and bondholders.

In June 2020 banks and bondholders voted to approve a STID Proposal which included waiving of the Interest Cover Ratio and Leverage Ratio for calculation periods up to and including 31 March 2021. On 3 June 2021 banks and bondholders agreed to extend these waivers until 31 March 2022. Consequently, the Interest Cover Ratio and Leverage Ratio have not been calculated for the period ended 31 March 2022. The Group will next report an Interest Cover Ratio and Leverage Ratio for the period ending 30 September 2022. As at 31 March 2020 the Interest Cover Ratio was 5.6x and the Leverage Ratio was 4.5x. This compares to Default Ratios of 1.4x and 7.5x respectively.

The Group regularly reviews and maintains or adjusts the capital structure as appropriate in order to achieve these objectives.

Notes to the financial statements continued

for the year ended 31 March 2022

26. Financial instruments continued

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and trade receivables. The Group has no significant concentrations of credit risk. The Group's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used.

The Group maintains a prudent split of cash and cash equivalents across a range of market counterparties in order to mitigate counterparty credit risk. Board approved investment policies provide counterparty investment limits, based on credit ratings. Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with counterparties with short-term credit ratings lower than the prescribed limits. The Group monitors the credit rating of market counterparties on a regular basis.

The Group's exposure to credit risk on trade receivables is mitigated by limiting exposure to any one counterparty. Risk reports and available aviation and financial information updates used by the Group provide valuable information in relation to any changes in the credit risk profile of our customers or within the market and allow the Group to take a flexible approach to the management of risk. Credit risk exposures in relation to ad hoc customers are mitigated, where necessary, using prepayments or the request of deposits.

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2022 was as follows:

| | 2022 £m | 2021 £m |
|-------------------------------------|------------|------------|
| Fixed rate financial liabilities | 2,500.0 | 2,405.7 |
| Floating rate financial liabilities | 508.9 | 494.5 |
| | 3,008.9 | 2,900.2 |

The revolving credit facility bears an interest rate based on SONIA at the Group's discretion, between 1 week and 6 months, plus a credit margin. The overdrafts bear interest at Bank of England Base Rate plus a credit margin.

The Group has prepared an analysis of the impact of potential, likely changes in interest rates.

The result of an increase in interest rates of 1% per annum would be to (decrease)/increase income and equity for the year by the following amounts:

| | 2022 £m | 2021 £m |
|----------------------------|------------|------------|
| Impact on income statement | (0.2) | 0.5 |
| Impact on equity | - | - |
| | (0.2) | 0.5 |

(b) Fixed rate and non-interest bearing financial liabilities

| | 2022 | 2021 |
|---|---------|---------|
| Weighted average annual interest rate | 6.36% | 6.36% |
| Weighted average period for which interest is fixed | 21yr 5m | 22yr 5m |

The weighted average period for non-interest bearing liabilities as at 31 March 2022 was 86 days (2021: 86 days).

Notes to the financial statements continued

for the year ended 31 March 2022

26. Financial instruments continued

(c) Maturity analysis of financial liabilities

The table below shows the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and the net settled derivative financial instruments as at 31 March 2022 to the contract maturity date.

| | 2022 £m | 2021 £m |
|---|----------------|----------------|
| In one year or less, or on demand | 634.1 | 634.1 |
| In more than one year, but no more than two years | 150.1 | 150.1 |
| In more than two years, but no more than five years | 987.5 | 780.7 |
| In more than five years – due other than by instalments | 5,257.5 | 5,392.8 |
| | 7,029.2 | 6,957.7 |

This maturity profile represents the fair value of all financial liabilities, as notated in table (d) below.

Undrawn committed borrowing facilities

As at 31 March 2022, the Group had an undrawn committed borrowing facility available amounting to £nil (2021: £nil)

(d) Fair values versus carrying amounts of financial instruments

The following table provides a comparison, by category, of the carrying amounts and the fair values of the Group's financial instruments as at 31 March 2022 and 2021. Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

| | Note | 2022 Carrying amount £m | 2022 Fair value £m | 2021 Carrying amount £m | 2021 Fair value £m |
|---|------|----------------------------------|--------------------------|----------------------------------|--------------------------|
| Financial liabilities: | | | | | |
| Instruments held at amortised cost | | | | | |
| Bank loans and overdrafts | 23 | (508.9) | (508.9) | (494.5) | (494.5) |
| Trade payables | 27 | (35.7) | (35.7) | (33.0) | (33.0) |
| Deferred consideration* | 27 | (7.8) | (7.8) | (25.8) | (25.8) |
| Bonds | 24 | (1,438.0) | (1,458.2) | (1,438.2) | (1,567.9) |
| Other borrowings | 25 | (1,062.0) | (1,001.4) | (967.5) | (1,121.6) |
| | | (3,052.4) | (3,012.0) | (2,959.0) | (3,242.8) |
| Financial assets: | | | | | |
| Instruments held at amortised cost | | | | | |
| Cash at bank and in hand | 21 | 488.6 | 488.6 | 542.1 | 542.1 |
| Trade receivables | 20 | 47.5 | 47.5 | 22.6 | 22.6 |
| Contingent consideration | | - | - | 7.1 | 7.1 |
| | | 536.1 | 536.1 | 571.8 | 571.8 |
| Net financial liabilities | | (2,516.3) | (2,475.9) | (2,387.2) | (2,671.0) |

*At 31 March 2022, the carrying value of the deferred consideration represents actual amounts paid post year end converted from USD to GBP at the year end spot rate.

Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

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

Bonds are measured by a level 1 valuation method.

All financial instruments carried at fair value have been measured by a level 2 valuation method.

Investment properties carried at fair value have been measured by a level 3 valuation method.

Notes to the financial statements continued

for the year ended 31 March 2022

26. Financial instruments continued

(d) Fair values versus carrying amounts of financial instruments continued

Summary of methods and assumptions used for determining fair values

| Financial Instrument | Level | Estimate Basis |
|--------------------------------|-------|---|
| Bonds | 1 | The fair value of publicly listed bonds is based on market prices or, if not available, brokers' quotes. The carrying value is net of unamortised issue costs. |
| Deferred consideration | 2* | The fair value of deferred consideration is based upon the final settlement amount in USD in April 2022, converted at the year end USD/GBP spot rate. |
| Bank loans | 2 | The fair value of the bank loans approximates to the carrying value given their floating rate basis and interest setting frequency. The carrying value is net of unamortised issue costs. |
| Other Borrowings | 2 | The fair value of other borrowings is based on a discounted cash flow methodology that reflects movements in underlying market rates. |
| Cash at bank and in hand | 2 | The fair value of cash at bank and in hand approximates to the carrying value as all deposits have same day access. |
| Trade receivables and payables | 2 | The fair value of trade receivables and trade payables approximates to the carrying value given their short-term nature. |
| Investment Properties | 3** | The fair values of investment properties are based on an income capitalisation methodology. |

* Deferred consideration has moved from a level 3 liability to a level 2 liability in FY22, following observable cash settlement of the balance in April 2022.

** Refer to note 15 for valuation techniques applied.

(e) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | 2022 Carrying amount £m | 2021 Carrying amount £m |
|--------------------------|----------------------------------|----------------------------------|
| Trade receivables | 47.5 | 22.6 |
| Cash at bank and in hand | 488.6 | 542.1 |
| Credit exposure | 536.1 | 564.7 |

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in note 20.

(f) Hedging on acquisitions

On 22 June 2020, the Group acquired 100% of the share capital of US companies AirportParkingReservations.com LLC, ParkSleepFly.com and ShuttleFinder.net (subsidiary of ParkSleepFly). Under the share purchase agreements, all three acquisitions had non-contingent deferred payments due in April 2021. In line with Group risk management strategy, management opted to take out forward contracts to purchase USD at a closing rate of 1.3125 in order to eliminate the foreign exchange risk on the payment. Following payment of these amounts, there are no open contracts as at 31 March 2022.

27. Trade and other payables

| | 2022 £m | 2021 £m |
|------------------------------------|------------|------------|
| Trade payables | 35.7 | 33.0 |
| Other taxation and social security | 10.3 | 0.5 |
| Other payables | 2.0 | 1.7 |
| Accruals | 133.0 | 123.2 |
| Deferred consideration | 7.8 | 25.8 |
| Capital-based grants | 0.6 | 1.3 |
| | 189.4 | 185.5 |

The directors consider that the carrying value of trade and other payables approximates to their fair value.

Deferred consideration relates to amounts payable to the vendors of the acquired businesses AirportParkingReservations, ParkSleepFly and ShuttleFinder. Under the share purchase agreements, all three acquisitions had non-contingent deferred payments due in April 2021. A payment of £19.6m, classified within "purchase of US business" in the Consolidated Statement of Cash Flows was made in relation to this, with £19.0m relating to payment of the deferred consideration made on 1 April 2021, and £0.6m relating to associated fees. The deferred consideration balance has reduced accordingly following the payment.

Notes to the financial statements continued

for the year ended 31 March 2022

28. Deferred income

| | 2022 £m | 2021 £m |
|-----------------|-------------|-------------|
| Deferred income | 28.2 | 16.6 |
| Total | 28.2 | 16.6 |

Deferred income primarily relates to cash receipts for car park bookings not yet consumed, and cash receipts on property income billed in advance.

The significant increase in deferred income versus 2021 is attributable to a large increase in car park bookings, following a significant increase in passenger volumes.

29. Provisions

| | Post sale commitment £m | Other provisions £m | Total £m |
|-----------------------------|-------------------------------|---------------------------|-------------|
| 1 April 2021 | 3.0 | 12.6 | 15.6 |
| Charged to income statement | - | 7.0 | 7.0 |
| Utilised | (0.9) | (2.8) | (3.7) |
| 31 March 2022 | 2.1 | 16.8 | 18.9 |
| Current | - | 16.8 | 16.8 |
| Non-Current | 2.1 | - | 2.1 |
| 31 March 2022 | 2.1 | 16.8 | 18.9 |

Post sale commitments

As part of the Group's disposal of its non core property portfolio in August 2020, the Group entered into commitments for the provision of certain commitments to third parties as a result of the sale, post completion under the sale and purchase agreement. Management has estimated the cost of providing these services to be £2.1m. Management anticipate that the satisfaction of the provision will be achieved within the next 2 to 4 years, as such the provision has been disclosed as being non-current. The estimated cashflows have been discounted based upon initial estimated cash outlay less future income stream discounted at 10%, based on the Group cost of capital.

Other provisions

The other provisions balance includes a provision in relation to insurance claims liabilities from incidents which have occurred at either Manchester Airport, Stansted Airport or East Midlands International Airport, and provisions relating to potential litigation across the Group including legal fees. Management anticipate that the satisfaction of the provision will be achieved within the next 12 months, as such the provision has been disclosed as being current. Management has estimated the cost of satisfying the provisions within this category to be £16.8m.

None of the provisions are materially sensitive.

30. Retirement benefit liabilities

Curtailment –Scheme Closure

Over the period GMPF, STAL and EMIA have closed to future accrual of benefits, including breaking the link to future increases in pensionable salaries. Overall, the total curtailment impact across the schemes is a gain of £10.4m (2021: Loss of £1.9m).

Settlement

On 22 March 2022, MAG agreed pay a one-off contribution of £5.2m to settle the historical liabilities of three MAG subsidiaries within GMPF:

- Manchester Airport Aviation Services Ltd ("MAAS")
- Manchester Airport Ventures Ltd ("MAV"); and
- Ringway Handling Services Ltd ("Ringway").

The settlement has had the following impact:

- Reduction in IAS 19 liabilities of £26.5m due to their transfer to the main fund of GMPF;
- Reduction in assets of £34.0m including the one-off contribution of £5.2m due to their transfer to the main fund of GMPF; and

Overall this has resulted in a net settlement loss of £7.5m.

Notes to the financial statements continued

for the year ended 31 March 2022

30. Retirement benefit liabilities continued

Defined contribution schemes

The Group operates a defined contribution scheme for all qualifying employees. The assets of the scheme is held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of £9.9m (2021: £10.3m) represents contributions payable to the scheme by the Group at rates in the pension scheme's contribution schedule. As at 31 March 2022, there was £nil (2021: £nil) of contributions due in respect of the current reporting period that had not been paid over to the scheme.

Defined benefit schemes

The Group operates four defined benefit pension schemes as follows:

- The Greater Manchester Pension Fund (GMPF).
- M.A.G (STAL) Pension Scheme.
- E.M.I.A Pension Scheme.
- The Airport Ventures Pension Scheme (AVPS).

collectively the "Schemes"

Under the Schemes, the employees are entitled to retirement benefits based on final salary and length of service at the time of leaving the Schemes, payable on attainment of retirement age (or earlier withdrawal or death). No other post-retirement benefits are provided. All Schemes are closed to new entrants. AVPS was previously closed to the future accrual of benefits, and GMPF, STAL and EMIA were closed to the future accrual of benefits during the year to 31 March 2022.

The Group operates the Schemes under the UK regulatory framework. Benefits are paid to members from trustee-administered funds, and the trustees of each scheme are responsible for ensuring that each respective scheme is sufficiently funded to meet current and future benefit payments. Scheme assets are held in trusts separate to the Group. If investment experience is worse than expected, the Group's obligations are increased.

The nature of the relationship between the Group and the trustees of each scheme is also governed by UK regulation. The trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment performance. In order to assess the level of contributions required, triennial valuations are carried out, with each scheme's obligations being measured using prudent assumptions (relative to those used to measure accounting liabilities).

The trustees' other duties included managing the investment of scheme assets, administration of scheme benefits and exercising of discretionary benefits. The Group works closely with the trustees to manage each scheme.

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2022 amounted to £8.5m (2021: £11.0m) and there were £6.3m of one-off contributions during this period (2021: £nil).

Total employees' pension contributions for defined benefit schemes across the Group during the year ended 31 March 2022 amounted to £0.6m (2021: £1.2m) and there were no one-off contributions during this period (2021: £nil).

Actuarial gains or losses are recognised immediately in the statement of comprehensive income, included within remeasurements.

The Greater Manchester Pension Fund (GMPF)

The Scheme was closed to future accrual during the year and a Deferred Debt Agreement (DDA) was entered into. Following the signing of the DDA, the Group continues to fund obligations in relation to assets and liabilities in the GMPF in respect of Manchester Airport Plc on an ongoing basis. The Group continues to contribute to support the GMPF in future (with no immediate exit debt). Certain employees of the Group participate in the GMPF, administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £2.3m (2021: £3.7m) related to payments into the GMPF and there were £6.3m of one-off contributions during this period (2021: £nil).

The securities portfolio of the fund is managed by two external professional investment managers and the property portfolio is managed internally by GMPF. Participation is by virtue of Manchester Airport Plc's status as an 'admitted body' to the fund.

The last full valuation of the fund was undertaken on 31 March 2019 by an independent actuary. The Fund was valued using the attained age method. The purposes of the valuation were to determine the financial position of the Fund and to recommend the contribution rate to be paid by Manchester Airport Plc and the other participating employers. The market value of the whole of the Fund's assets for all employers at 31 March 2019 was £23,845m (previous valuation in 2013: £17,325m). The funding level of the scheme as measured using the actuarial method of valuation was 102% (previous valuation in 2016: 93%).

The principal assumptions used in the 2019 valuation were as follows:

| | |
|-----------------------------------|-----------------|
| Salary increase | 3.10% per annum |
| Pensions increase/price inflation | 2.30% per annum |

Notes to the financial statements continued

for the year ended 31 March 2022

30. Retirement benefit liabilities continued

The Greater Manchester Pension Fund (GMPF) continued

The costs of providing pensions are charged to the income statement on a consistent basis over a term agreed between the GMPF and the employer. These costs are determined by an independent qualified actuary and any variations from regular costs are spread over the remaining working lifetime of the current members. The expected future contributions for the year-ended 31 March 2023 is £2.1m.

MAG (STAL) pension scheme

The Scheme was closed to future accrual during the year. On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. A condition of the purchase was that a new defined benefit pension scheme was set up to provide comparable benefits to those employees who had previously participated in the BAA pension scheme prior to the acquisition. Current employees transferred their accrued benefits to the MAG (STAL) Pension Scheme, but no liability for pensioners or deferred members was transferred. The last full actuarial valuation of the M.A.G (STAL) pension scheme was carried out by the scheme actuary on 30 September 2019. The aggregate market value of the assets in the scheme at the date of that actuarial valuation was £198.8m (previous valuation £153.0m), which represented approximately 89.3% (previous valuation 87.9%) of the present value of the liabilities. The scheme was valued using the projected unit method. The expected future contributions for the year-ended 31 March 2023 is £3.2m.

Other schemes

Full actuarial valuations were carried out on the other defined benefit schemes as follows:

- E.M.I.A Pension Scheme (EMIA) – 6 April 2020 (The Scheme was closed to future accrual during the year); and
- Airport Ventures Pension Scheme – 1 August 2019

The aggregate market value of the assets in the EMIA scheme during the year was updated by full valuation and at the date of that actuarial valuation was £60.6m (previous valuation £59.8m), which represented approximately 67.0% (previous valuation 74.0%) of the present value of the liabilities. The scheme was valued using the projected unit method. The expected future contributions for the year-ended 31 March 2023 for EMIA is £2.6m.

The other schemes are not significant to the Group and details of their valuation are included in the relevant entity's financial statements.

The numerical disclosure provided below for the defined benefit schemes is based on the most recent actuarial valuations disclosed above, which have been updated by independent qualified actuaries to take account of the requirements of IAS 19.

The key assumptions used are as follows:

| | GMPF | | MAG (STAL) | | EMIA | | AVPS | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Discount rate | 2.65% | 1.95% | 2.60% | 2.00% | 2.60% | 2.00% | 2.65% | 1.95% |
| Future salary increases | n/a** | 3.05% | n/a** | 3.00% | n/a** | 2.00% | n/a | n/a |
| RPI inflation | 3.50% | 3.05% | 3.30% | 3.00% | 3.45% | 3.00% | 3.50% | 3.05% |
| CPI inflation | 3.00% | 2.55% | 2.60% | 2.30% | 2.75% | 2.25% | 2.95% | 2.45% |
| Increases to pensions in payment | | | | | | | | |
| RPI (max 5%) | n/a | n/a | 3.20% | 2.95% | 3.30% | 2.95% | n/a | n/a |
| RPI (max 2.5%) | n/a | n/a | 2.20% | 2.10% | 2.25% | 2.10% | n/a | n/a |
| CPI | 3.00% | 2.55% | n/a | n/a | n/a | n/a | n/a | n/a |
| CPI (max 3%) | n/a | n/a | 2.20% | 2.00% | 2.25% | 2.00% | 2.35% | 2.10% |
| RPI | n/a | n/a | 3.30% | 3.00% | n/a | n/a | 3.50% | 3.05% |
| Life expectancy from 65 | | | | | | | | |
| Longevity at age 65 for current pensioners | | | | | | | | |
| Males | 20.1 years | 20.1 years | 21.6 years | 21.5 years | 22.0 years | 22.0 years | 22.0 years | 21.9 years |
| Females | 23.1 years | 23.0 years | 23.6 years | 23.5 years | 23.7 years | 23.7 years | 24.3 years | 24.3 years |
| Longevity at age 45 for current members | | | | | | | | |
| Males | 21.0 years | 20.9 years | 22.6 years | 22.5 years | 23.0 years | 23.0 years | 23.0 years | 22.9 years |
| Females | 24.4 years | 24.3 years | 24.8 years | 24.7 years | 24.9 years | 24.9 years | 25.5 years | 25.4 years |

The longevity assumptions for the MAG (STAL) scheme reflect the higher age profile of active scheme members, compared to other pension schemes, as the scheme commenced in 2013.

The RPI inflation assumption is set by extrapolating the Bank of England implied inflation curve out to longer terms and using the same projected cashflows to derive a single equivalent RPI inflation assumption. CPI inflation is set by reference to RPI inflation as no CPI-linked bonds exist. Management have revised their basis of estimating the inflation assumption based upon this data as set out in the section on RPI Reform.

**Scheme closed to future accrual during the period.

Notes to the financial statements continued

for the year ended 31 March 2022

30. Retirement benefit liabilities continued

Risk and risk management

Through its defined benefit pension schemes the Group is exposed to a number of risks, the most significant of which are detailed below.

| | |
|------------------------|--|
| Asset volatility | For the purpose of setting the contribution requirements, the calculation uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio - whereas under IAS 19 (R), the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. GMPF, MAG (STAL) and EMIA hold a significant proportion of their assets in return-seeking funds. The returns on these assets may be volatile and are not closely correlated to the value placed on the liabilities. This means that the deficit may be volatile in the shorter term, which may result in an increase in the contribution requirements and an increase in the net defined liability recorded on the statement of financial position. However, the Group believes that return-seeking assets offer an appropriate level of return over the long term for the level of risk that is taken. Furthermore, the schemes' other assets are well-diversified by investing in a range of asset classes, including diversified growth funds, government bonds and corporate bonds. |
| Changes in bond yields | A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in the scenario the schemes' investment in corporate and government bonds is expected to increase and therefore offset some of the increase in the value placed on the liabilities. |
| Inflation risk | The majority of the schemes' benefit obligations are linked to inflation and higher out-turn inflation will lead to a higher benefit obligation (although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature e.g. corporate bonds and government bonds, or have an indirect link to inflation e.g. equities. |
| Life expectancy | The majority of the schemes' obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy. The mortality rate is based on publicly available mortality tables for the specific country. COVID-19 has caused a short term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of COVID-19 on long-term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long COVID" along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. Overall, the Group believes there is insufficient evidence to require an explicit adjustment to the mortality assumption for COVID-19 at this time. |

Notes to the financial statements continued

for the year ended 31 March 2022

30. Retirement benefit liabilities continued

| | Fair value of scheme assets £m | Present value of defined benefit obligations £m | (Deficit)/ surplus in the scheme ⁵ £m |
|-------------------------------|--------------------------------------|--|---|
| GMPE¹ | | | |
| 2022 | 466.9 | (468.5) | (1.6) |
| 2021 | 485.2 | (526.3) | (41.1) |
| 2020 | 408.9 | (441.3) | (32.4) |
| 2019 | 465.7 | (503.9) | (38.2) |
| 2018 | 437.5 | (483.5) | (46.0) |
| 2017 | 435.2 | (489.4) | (54.2) |
| 2016 | 363.1 | (402.6) | (39.5) |
| MAG (STAL)² | | | |
| 2022 | 228.9 | (200.6) | 28.3 |
| 2021 | 217.5 | (218.8) | (1.3) |
| 2020 | 184.8 | (182.1) | 2.7 |
| 2019 | 185.0 | (209.8) | (24.8) |
| 2018 | 172.5 | (195.0) | (22.5) |
| 2017 | 161.4 | (189.2) | (27.8) |
| 2016 | 131.8 | (133.4) | (1.6) |
| EMIA | | | |
| 2022 | 73.3 | (77.9) | (4.6) |
| 2021 | 69.7 | (82.2) | (12.5) |
| 2020 | 60.7 | (77.2) | (16.5) |
| 2019 | 61.9 | (82.8) | (20.9) |
| 2018 | 61.3 | (80.1) | (18.8) |
| 2017 | 59.9 | (82.5) | (22.6) |
| 2016 | 52.9 | (64.7) | (11.8) |
| AVPS³ | | | |
| 2022 | 2.7 | (2.7) | - |
| 2021 | 3.5 | (3.5) | - |
| 2020 | 3.4 | (3.4) | - |
| 2019 | 3.7 | (3.7) | - |
| 2018 | 3.9 | (3.9) | - |
| 2017 | 4.0 | (4.0) | - |
| 2016 | 3.5 | (3.5) | - |
| Total^{4,6} | | | |
| 2022 | 771.8 | (749.7) | 22.1 |
| 2021 | 775.9 | (830.8) | (54.9) |
| 2020 | 657.8 | (704.0) | (46.2) |
| 2019 | 716.3 | (800.2) | (83.9) |
| 2018 | 675.2 | (762.5) | (87.3) |
| 2017 | 660.5 | (765.1) | (104.6) |
| 2016 | 551.3 | (604.2) | (52.9) |

Notes to the financial statements continued

for the year ended 31 March 2022

30. Retirement benefit liabilities continued

NOTES:

¹ The figures as shown represent the proportion of the scheme that is attributable to the Group. £5.0m (2021: £5.4m) of the liabilities are unfunded.

² STAL has a surplus of £28.3m which would be in the form of refunds. The Groups' assessment is that it has a right to a refund of surplus under the IFRIC 14 requirements based on the scheme rules. Since the scheme has closed in the current year, the surplus can only be recognised as a right to refund.

³ The AVPS has a surplus of £0.5m (2021: £0.5m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

⁴ GMPF has a surplus of £25.0m (2021: £41.1m deficit). Since the scheme has closed in the current year, the surplus can no longer be recognised based on future contributions. Further, the LGPS regulations do not allow the recognition of a surplus and as a consequence the Group's assessment is that it does not have a right to the surplus. Accordingly, the surplus has not been recognised in line with IFRIC 14 requirements. In addition, a further adjustment of £1.6m has been made to reflect the present value of future agreed deficit recovery contributions into GMPF in line with 'IFRIC 14'. Therefore the impact of the asset ceiling is £26.6m.

⁵ The total of £22.1m shows the net position across the Group, however the surplus in Stansted cannot be offset against the deficit of the other schemes, so these are presented separately.

⁶ There have been no other adjustments made in line with 'IFRIC 14'.

Plan assets

| | GMPF* | | MAG (STAL) | | EMIA | | AVPS | | TOTAL | |
|----------------------------------|--------------|--------------|--------------|--------------|-------------|-------------|------------|------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Equities and other growth assets | 334.6 | 339.1 | 137.6 | 132.7 | 41.4 | 41.4 | - | - | 513.6 | 513.2 |
| Corporate and government bonds | 73.0 | 69.9 | 72.8 | 73.8 | 16.8 | 16.8 | 3.1 | 3.4 | 165.7 | 163.9 |
| Property | 40.0 | 33.0 | - | - | 6.0 | 4.9 | - | - | 46.0 | 37.9 |
| Other | 45.9 | 43.2 | 18.5 | 11.0 | 9.1 | 6.6 | 0.1 | 0.1 | 73.6 | 60.9 |
| Fair value of assets | 493.5 | 485.2 | 228.9 | 217.5 | 73.3 | 69.7 | 3.2 | 3.5 | 798.9 | 775.9 |

* The asset values for GMPF and AVPS do not include the impact of the asset ceilings of £26.6m and £0.5m respectively.

Both the EMIA and GMPF pension schemes contain Level 3 assets where valuation is not based upon observable market data. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar assets and discounted cash flow methods.

The valuation techniques applied to the Level 3 assets within the Group's pension schemes are:

- GMPF pooled investment vehicles – as determined by relevant fund managers including market prices; quotations; discounted cashflows; comparable transaction pricing or industry multiples; or other pricing methodology;
- GMPF investment properties - estimates of open market value reflecting assumptions on: rental growth; void rates; and discount rates;
- EMIA Annuities (to discharge liability relating to specific scheme members) – valued at the corresponding amount of the relevant scheme member's scheme obligation; and
- EMIA with profits insurance policies – cumulative reversionary bonuses declared and current terminal bonus.

Notes to the financial statements continued

for the year ended 31 March 2022

30. Retirement benefit liabilities continued

Movement in net defined benefit liability - All schemes

| | Defined benefit obligation | | Fair value of scheme assets | | Net defined benefit liability | |
|---|----------------------------|------------|-----------------------------|------------|-------------------------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Opening position as at 1 April | (830.8) | (703.3) | 775.9 | 657.8 | (54.9) | (45.5)* |
| Included in the income statement | | | | | | |
| Current service cost of defined benefit scheme | (1.9) | (5.7) | (1.3) | (1.7) | (3.2) | (7.4) |
| Past service cost | - | - | - | - | - | - |
| Curtailment gain/(loss) | 10.4 | (1.9) | - | - | 10.4 | (1.9) |
| Settlements | 26.5 | - | (34.0) | - | (7.5) | - |
| Interest (cost)/income | (14.5) | (16.3) | 13.6 | 15.2 | (0.9) | (1.1) |
| | 20.5 | (23.9) | (21.7) | 13.5 | (1.2) | (10.4) |
| Amount recognised in the statement of comprehensive income (SOCi) | | | | | | |
| Actual return less expected return on pension scheme assets | - | - | 56.2 | 121.4 | 56.2 | 121.4 |
| Experience (loss)/gain arising on scheme liabilities | (3.7) | 7.6 | - | - | (3.7) | 7.6 |
| Remeasurement gain/(loss) due to financial assumption changes | 36.9 | (142.6) | - | - | 36.9 | (142.6) |
| Remeasurement gain due to demographic assumption changes | 0.2 | 3.7 | - | - | 0.2 | 3.7 |
| Reclassification | 0.5 | - | (0.5) | - | - | - |
| Impact of change in the asset ceiling | - | (0.5) | (26.6) | - | (26.6) | (0.5) |
| | 33.9 | (131.8) | 29.1 | 121.4 | 63.0 | (10.4) |
| Cash flows | | | | | | |
| Contributions | (0.6) | (1.2) | 15.8 | 12.6 | 15.2 | 11.4 |
| Benefits paid | 27.3 | 29.4 | (27.3) | (29.4) | - | - |
| Closing position as at 31 March | (749.7) | (830.8) | 771.8 | 775.9 | 22.1 | (54.9) |

The total of £22.1m shows the net position across the Group, however the surplus in Stansted cannot be offset against the deficit of the other schemes, so these are presented separately.

* The FY21 opening position excludes the impact of the asset ceiling of £0.7m. The amount going through the SOCiE in FY21 is £9.7m.

Notes to the financial statements continued

for the year ended 31 March 2022

30. Retirement benefit liabilities continued

Movement in net defined benefit liability - GMPF Scheme

| | Defined benefit obligation | | Fair value of scheme assets | | Net defined benefit liability | |
|---|----------------------------|------------|-----------------------------|------------|-------------------------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Opening position as at 1 April | (526.3) | (441.3) | 485.2 | 408.9 | (41.1) | (32.4) |
| Included in the income statement | | | | | | |
| Current service cost of defined benefit scheme | (0.8) | (2.5) | - | - | (0.8) | (2.5) |
| Curtailment gain/(loss) | 4.8 | (0.7) | - | - | 4.8 | (0.7) |
| Settlements | 26.5 | - | (34.0) | - | (7.5) | - |
| Interest (cost)/income | (9.2) | (10.2) | 8.4 | 9.4 | (0.8) | (0.8) |
| | 21.3 | (13.4) | (25.6) | 9.4 | (4.3) | (4.0) |
| Amount recognised in the statement of comprehensive income (SOCl) | | | | | | |
| Actual return less expected return on pension scheme assets | - | - | 44.3 | 81.4 | 44.3 | 81.4 |
| Experience (loss)/gain arising on scheme liabilities | (1.8) | 4.7 | - | - | (1.8) | 4.7 |
| Remeasurement gain/(loss) due to financial assumption changes | 18.8 | (95.1) | - | - | 18.8 | (95.1) |
| Remeasurement gain due to demographic assumption changes | 0.1 | 0.2 | - | - | 0.1 | 0.2 |
| Impact of change in the asset ceiling | - | - | (26.6) | - | (26.6) | - |
| | 17.1 | (90.2) | 17.7 | 81.4 | 34.8 | (8.8) |
| Cash flows | | | | | | |
| Contributions | (0.4) | (0.6) | 9.4 | 4.7 | 9.0 | 4.1 |
| Benefits paid | 19.8 | 19.2 | (19.8) | (19.2) | - | - |
| Closing position as at 31 March | (468.5) | (526.3) | 466.9 | 485.2 | (1.6) | (41.1) |

The scheme liabilities have a duration of approximately 16 years (2021: 16 years)

Notes to the financial statements continued

for the year ended 31 March 2022

30. Retirement benefit liabilities continued

Movement in net defined benefit liability - MAG (STAL) Scheme

| | Defined benefit obligation | | Fair value of scheme assets | | Net defined benefit liability | |
|---|----------------------------|------------|-----------------------------|------------|-------------------------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Opening position as at 1 April | (218.8) | (182.1) | 217.5 | 184.8 | (1.3) | 2.7 |
| Included in the income statement | | | | | - | - |
| Current service cost of defined benefit scheme | (1.0) | (2.9) | (0.8) | (0.9) | (1.8) | (3.8) |
| Curtailment gain/(loss) | 5.9 | (1.2) | - | - | 5.9 | (1.2) |
| Interest (cost)/income | (3.9) | (4.2) | 3.9 | 4.3 | - | 0.1 |
| | 1.0 | (8.3) | 3.1 | 3.4 | 4.1 | (4.9) |
| Amount recognised in the statement of comprehensive income (SOCi) | | | | | | |
| Actual return less expected return on pension scheme assets | - | - | 8.2 | 30.8 | 8.2 | 30.8 |
| Experience (loss)/gain arising on scheme liabilities | (1.1) | 1.4 | - | - | (1.1) | 1.4 |
| Remeasurement gain/(loss) due to financial assumption changes | 14.7 | (35.9) | - | - | 14.7 | (35.9) |
| Remeasurement gain due to demographic assumption changes | 0.1 | 0.2 | - | - | 0.1 | 0.2 |
| | 13.7 | (34.3) | 8.2 | 30.8 | 21.9 | (3.5) |
| Cash flows | | | | | | |
| Contributions | (0.2) | (0.5) | 3.8 | 4.9 | 3.6 | 4.4 |
| Benefits paid | 3.7 | 6.4 | (3.7) | (6.4) | - | - |
| Closing position as at 31 March | (200.6) | (218.8) | 228.9 | 217.5 | 28.3 | (1.3) |

The scheme liabilities have a duration of approximately 22 years (2021: 22 years).

Movement in net defined benefit liability - EMIA scheme

| | Defined benefit obligation | | Fair value of scheme assets | | Net defined benefit liability | |
|---|----------------------------|------------|-----------------------------|------------|-------------------------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Opening position as at 1 April | (82.2) | (77.2) | 69.7 | 60.7 | (12.5) | (16.5) |
| Included in the income statement | | | | | - | - |
| Current service cost of defined benefit scheme | (0.1) | (0.3) | (0.4) | (0.8) | (0.5) | (1.1) |
| Curtailment loss | (0.3) | - | - | - | (0.3) | - |
| Interest (cost)/income | (1.4) | (1.8) | 1.2 | 1.4 | (0.2) | (0.4) |
| | (1.8) | (2.1) | 0.8 | 0.6 | (1.0) | (1.5) |
| Amount recognised in the statement of comprehensive income (SOCi) | | | | | | |
| Actual return less expected return on pension scheme assets | - | - | 3.8 | 9.1 | 3.8 | 9.1 |
| Experience (loss)/gain arising on scheme liabilities | (0.8) | 1.3 | - | - | (0.8) | 1.3 |
| Remeasurement gain/(loss) due to financial assumption changes | 3.3 | (11.2) | - | - | 3.3 | (11.2) |
| Remeasurement gain due to demographic assumption changes | - | 3.4 | - | - | - | 3.4 |
| | 2.5 | (6.5) | 3.8 | 9.1 | 6.3 | 2.6 |
| Cash flows | | | | | | |
| Contributions | - | (0.1) | 2.6 | 3.0 | 2.6 | 2.9 |
| Benefits paid | 3.6 | 3.7 | (3.6) | (3.7) | - | - |
| Closing position as at 31 March | (77.9) | (82.2) | 73.3 | 69.7 | (4.6) | (12.5) |

The scheme liabilities have a duration of approximately 17 years (2021: 18 years).

Notes to the financial statements continued

for the year ended 31 March 2022

30. Retirement benefit liabilities continued

Movement in net defined benefit liability - AVPS Scheme

| | Defined benefit obligation | | Fair value of scheme assets | | Net defined benefit liability | |
|---|----------------------------|------------|-----------------------------|------------|-------------------------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Opening unrestricted position as at 1 April | (3.0) | (2.7) | 3.5 | 3.4 | 0.5 | 0.7 |
| Asset restriction | - | - | (0.5) | (0.7) | (0.5) | (0.7) |
| Opening restricted position as at 1 April | (3.0) | (2.7) | 3.0 | 2.7 | (0.0) | - |
| Included in the income statement | | | | | - | - |
| Current service cost of defined benefit scheme | - | - | (0.1) | - | (0.1) | - |
| Interest (cost)/income | - | (0.1) | 0.1 | 0.1 | 0.1 | - |
| | - | (0.1) | - | 0.1 | - | - |
| Amount recognised in the statement of comprehensive income (SOCl) | | | | | | |
| Actual return less expected return on pension scheme assets | - | - | (0.1) | 0.1 | (0.1) | 0.1 |
| Experience gain/(loss) arising on scheme liabilities | - | 0.2 | - | - | - | 0.2 |
| Remeasurement loss due to financial assumption changes | 0.1 | (0.4) | - | - | 0.1 | (0.4) |
| Remeasurement gain/(loss) due to demographic assumption changes | - | (0.1) | - | - | - | (0.1) |
| Impact of the asset ceiling | - | - | - | 0.2 | - | 0.2 |
| | 0.1 | (0.3) | (0.1) | 0.3 | - | - |
| Cash flows | | | | | | |
| Benefits paid | 0.2 | 0.1 | (0.2) | (0.1) | - | - |
| Closing position as at 31 March | (2.7) | (3.0) | 2.7 | 3.0 | - | - |

The scheme liabilities have a duration of approximately 16 years (2021: 16 years).

Total assets amount to £3.2m; however after applying the asset ceiling, as the entity is not entitled to recognise the surplus, total assets amount to £2.7m. The unrecognised surplus amounts to £0.5m (2021: £0.7m).

History of experience gains and losses

| | GMPF | | MAG (STAL) | | EMIA | | AVPS | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Difference between actual and expected returns on assets | 44.3 | 81.4 | 8.2 | 30.8 | 3.8 | 9.1 | (0.1) | 0.1 |
| % of scheme assets | 9.5% | 16.8% | 3.6% | 14.2% | 5.2% | 13.1% | (3.7)% | 3.1% |
| Experience (loss)/gain on liabilities amount | (1.8) | 4.7 | (1.1) | 1.4 | (0.8) | 1.3 | - | 0.2 |
| % of scheme liabilities | 0.4% | (0.9)% | 0.5% | (0.6)% | 1.0% | (1.6)% | - | (7.1)% |
| Total amount recognised in SOCl | 34.8 | (8.8) | 21.9 | (3.5) | 6.3 | 2.6 | - | - |
| % of scheme liabilities | (7.4)% | 1.7% | (10.9)% | 1.6% | (8.1)% | (3.2)% | - | 0.3% |

Notes to the financial statements continued

for the year ended 31 March 2022

30. Retirement benefit liabilities continued

Sensitivity analysis

| | GMPF | MAG (STAL) | EMIA | AVPS | TOTAL |
|---|--------|------------|-------|-------|--------|
| | 2022 | 2022 | 2022 | 2022 | 2022 |
| | £m | £m | £m | £m | £m |
| 0.5% increase in real discount rate | (35.0) | (19.1) | (5.7) | (0.2) | (60.0) |
| 0.5% decrease in real discount rate | 39.3 | 23.1 | 6.8 | 0.2 | 69.4 |
| 0.5% increase in RPI inflation* | 38.8 | 18.3 | 4.6 | 0.2 | 61.9 |
| 0.5% decrease in RPI inflation* | (35.0) | (17.4) | (4.4) | (0.2) | (57.0) |
| 0.5% increase in the salary increase rate** | N/A | N/A | N/A | N/A | N/A |
| 0.5% decrease in the salary increase rate** | N/A | N/A | N/A | N/A | N/A |
| 1 year increase in life expectancy | 18.9 | 5.8 | 3.1 | 0.1 | 27.9 |
| 1 year decrease in life expectancy | (18.9) | (5.8) | (3.1) | (0.1) | (27.9) |

*Including other inflation linked assumptions such as CPI inflation, salary increases and pension increases. Please note that a 0.1% increase in RPI may have a lower impact due to rounding and the effect of the caps and floors on pension increases.

** over the FY22 period GMPF, STAL and EMIA were closed to future accrual.

For all schemes, for the mortality assumption for the future improvements to life expectancy, the actuaries have used CMI 2021 projections model, 1% long-term trend rate, an initial addition parameter of 0.25% and default smoothing, 2020 and 2021 weight parameters.

Mortality base tables have been set as follows: GMPF: Fund-specific Club Vita curves; STAL: 102%/108% of the SAPS Series 3 tables (males/females); EMIA: 96%/106% of the SAPS Series 3 tables (males/females).

31. Lease liabilities

| | Land and Buildings £m | Airport infrastructure £m | Plant, fixtures and equipment £m | Total £m |
|--------------------------------|-----------------------------|---------------------------------|--|-------------|
| At 1 April 2021 | 227.6 | 199.8 | 8.9 | 436.3 |
| Additions | 1.8 | - | 1.5 | 3.3 |
| Interest charge for the period | 11.8 | 10.4 | 0.5 | 22.7 |
| Payments of liabilities | (17.6) | (11.0) | (2.2) | (30.8) |
| Remeasurements | (0.1) | 2.7 | - | 2.6 |
| Modifications | 2.1 | - | - | 2.1 |
| Disposals | (0.4) | - | - | (0.4) |
| At 31 March 2022 | 225.2 | 201.9 | 8.7 | 435.8 |

Maturity analysis of lease liabilities - discounted

| | Land and Buildings £m | Airport infrastructure £m | Plant, fixtures and equipment £m | Total £m |
|---------------------|-----------------------------|---------------------------------|--|-------------|
| Within 1 year | 7.0 | 0.7 | 2.1 | 9.8 |
| Within 2 to 5 years | 14.2 | 3.1 | 6.0 | 23.3 |
| After 5 years | 204.0 | 198.1 | 0.6 | 402.7 |
| Total | 225.2 | 201.9 | 8.7 | 435.8 |

Notes to the financial statements continued

for the year ended 31 March 2022

31. Lease liabilities continued

Maturity analysis of lease liabilities - undiscounted

The table below shows the gross undiscounted contractual cash outflows in relation to the Group's lease liabilities as at 31 March 2022 to the contract maturity date.

| | Land and Buildings £m | Airport infrastructure £m | Plant, fixtures and equipment £m | Total £m |
|---|-----------------------------|---------------------------------|--|----------------|
| In one year or less, or on demand | 17.7 | 11.0 | 2.2 | 30.9 |
| In more than one year, but not more than two years | 16.8 | 11.0 | 2.1 | 29.9 |
| In more than two years but not more than five years | 46.2 | 33.1 | 4.5 | 83.8 |
| In more than five years | 580.3 | 602.8 | 0.4 | 1,183.5 |
| Total | 661.0 | 657.9 | 9.2 | 1,328.1 |

The expense relating to variable lease payments not included in the measurement of lease liabilities is £0.7m (2021: £0.7m). Expenses relating to both short-term leases and low-value leases is £nil (2021: £nil).

Key lease arrangements

Manchester City Council (held within land and buildings):

The Group has a commitment in respect of a land lease with Manchester City Council (MCC), a related party as described in note 36. Ground rent leases are a base fee of £2.8m, and this element of the lease contributed £52.4m to the closing lease liability in land and buildings.

Further minimum amounts are payable under the main lease agreement with MCC, one element variable based on turnover, and one element based on rental value of a number of properties at Manchester Airport. The minimum amounts due on the turnover element are based on a percentage of the prior rent paid. Management have concluded that these minimum percentage payments qualify as an in-substance fixed lease payment, contributing £49.9m to the closing lease liability. These payments are variable depending on an index or rate and contribute £86.3m to the closing lease liability. The discount rate implicit in the lease is 5.29%.

The sale of non-core property in the year represented a trigger event on an additional supplementary lease to the main agreements, where rent was previously peppercorn. The lease is 275 years from 1 September 2013 and the review resulted in the rent charge increasing to £0.6m per annum, effective from the completion date on 7 August 2020. This has resulted in a remeasurement adjustment of £11.2m in the land and buildings category and the lease contributes £11.2m to the closing lease liability.

In total, all arrangements with MCC contributes £199.8m of the closing lease liability in land and buildings, and no element of the annual rent is excluded from the measurement of the lease liability.

UK Power Networks (held within airport infrastructure):

A significant portion of the airport infrastructure lease liability relates to an electricity distribution agreement with UK Power Networks. Included in the measurement of the lease liability are minimum amounts payable under the agreement, relating to a base fee of £8.7m, and £2.4m for capital investment in the network, contributing £201.9m to the closing lease liability. Remaining amounts of £0.4m are due, relating to a volume and recharge element. These are variable in nature with no minimum commitment, and therefore excluded in measurement of the lease liability.

Aberdeen Standard (held within land and buildings):

The Group has a commitment in relation to a lease of office property at Manchester Airport with Aberdeen Standard. Included in the measurement of the lease liability is fixed rent due under the lease, currently £1.0m and reviewed five-yearly to reflect prevailing market rates. The obligations under this lease have contributed £13.9m to the closing lease liability.

MAG US Lounges (held within land and buildings):

During the prior year, the Group agreed waivers of the base rent payable at a number of lounges leased and operated by MAG in the US. In FY22, a number of these waivers were removed due to improvements in the level of passengers, as well as extensions agreed to concession arrangements. The impact of these changes was accounted for as a lease modification in the year and the lease liability was increased by £2.1m as a result of the change. We have not applied the practical expedient in FY21 and FY22.

Notes to the financial statements continued

for the year ended 31 March 2022

32. Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group and movements in relation to them during the current and prior years.

| | Accelerated capital allowances £m | Investment properties £m | Retirement benefit obligations £m | Tax Losses £m | Fair value acquisition adjustment £m | Short-term timing differences £m | Total £m |
|---|---|--------------------------------|--|------------------|---|---|-------------|
| Total adjusted items recorded in result from operations | 132.8 | 32.0 | (10.6) | (8.7) | 35.8 | 9.3 | 190.6 |
| Charge/(credit) to income | 35.5 | 15.1 | - | (26.8) | 4.8 | 3.1 | 31.7 |
| Charge/(credit) to equity | - | - | 15.9 | - | 0.1 | - | 16.0 |
| At 31 March 2022 | 168.3 | 47.1 | 5.3 | (35.5) | 40.7 | 12.4 | 238.3 |
| At 1 April 2020 | 122.5 | 84.3 | (8.8) | - | 33.7 | 9.5 | 241.2 |
| Charge/(credit) to income | 10.3 | (6.0) | - | (8.7) | (2.7) | 0.2 | (6.9) |
| Charge/(credit) to equity | - | - | (1.8) | - | - | (0.4) | (2.2) |
| Reclassified to assets held for sale | - | (46.3) | - | - | - | - | (46.3) |
| Deferred Tax on acquisitions | - | - | - | - | 4.8 | - | 4.8 |
| At 31 March 2021 | 132.8 | 32.0 | (10.6) | (8.7) | 35.8 | 9.3 | 190.6 |

Deferred tax charge/(credit) includes the impact of a change in rate of corporation tax of £55.5m (2021: nil).

The deferred tax asset and liability amounts at 31 March 2022 have been calculated at 25% (2021: 19%). Deferred tax assets and liabilities have been offset in the disclosure above. The following is the analysis of the deferred tax balance for financial reporting purposes:

| | 2022 £m | 2021 £m |
|--------------------------|------------|------------|
| Deferred tax liabilities | (273.8) | (209.9) |
| Deferred tax asset | 35.5 | 19.3 |
| | (238.3) | (190.6) |

33. Other non-current liabilities

| | 2022 £m | 2021 £m |
|------------------------------|------------|------------|
| Accruals and deferred income | 3.9 | 6.6 |
| Capital-based grants | 16.4 | 15.5 |
| | 20.3 | 22.1 |

Capital based grants relate to funding provided towards airport infrastructure and airspace research at Manchester and Stansted Airports. Amortisation of these grants begins when the underlying asset they relate to is brought into use, with the amortisation period aligning to the useful life of the asset. At 31 March 2022, the remaining amortisation period for the amortising capital based grants, as a weighted average, is approximately 25 years.

Notes to the financial statements continued

for the year ended 31 March 2022

34. Share capital and share premium

| | Ordinary shares of £1 each | | | |
|----------------------------------|------------------------------------|---------------------|---------------------|-------------|
| | Number of shares ¹ m | Share capital £m | Share premium £m | Total £m |
| Issued, called up and fully paid | | | | |
| At 31 March 2022 | 316.6 | 316.6 | 743.3 | 1,059.9 |
| At 31 March 2021 | 316.6 | 316.6 | 743.3 | 1,059.9 |

¹ The shares have a nominal value of £1.

Details of classes of shares in issue and their particulars can be found in note 7 to the MAHL Company accounts.

35. Reserves

| | Hedging reserve £m | Foreign currency reserve £m | Retained earnings £m | Total £m |
|--|--------------------------|--------------------------------------|----------------------------|-------------|
| At 1 April 2021 | 1.0 | (3.5) | (59.5) | (62.0) |
| Result for the year | - | - | (321.3) | (321.3) |
| Foreign exchange movement, net of tax | - | 1.2 | - | 1.2 |
| Transfer from hedging reserve to foreign currency reserve ¹ | (1.0) | 1.0 | - | - |
| Remeasurement of retirement benefit liabilities, net of tax | - | - | 48.4 | 48.4 |
| Effect of change in rate of corporation tax on deferred tax | - | - | (1.3) | (1.3) |
| As at 31 March 2022 | - | (1.3) | (333.7) | (335.0) |

| | 2022 £m | 2021 £m |
|---|------------|------------|
| Reconciliation of movement in shareholders' funds | | |
| Opening shareholders' funds | 997.9 | 1,345.7 |
| Total recognised income for the year | (272.9) | (401.2) |
| Foreign exchange movement, net of tax | 1.2 | (5.1) |
| Effect of change in rate of corporation tax on deferred tax | (1.3) | - |
| Hedging gain | - | 2.4 |
| Share issue | - | 56.1 |
| Dividends paid in the year | - | - |
| Equity shareholders' funds as at 31 March | 724.9 | 997.9 |

¹ The hedge brought forward from FY21 relates to the net investment in an overseas operation. This forms part of the foreign currency reserve where movements are recognised through the Statement of Other Comprehensive Income. Therefore the hedge movement has been linked to the underlying transaction which formed the reserve.

Notes to the financial statements continued

for the year ended 31 March 2022

36. Capital commitments and contingent liabilities

| | 2022 £m | 2021 £m |
|--|------------|------------|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | 21.8 | 18.4 |

The Group has performance bonds and other items arising in the normal course of business amounting to £2.9m at 31 March 2022 (2021: £2.8m). As part of its investment in Airport City the Group has agreed to pay a further equity contribution up to a maximum of £12m if required.

Additionally as part of the Group's net zero 2038 commitment the Group has committed to provide £10m of funding for a sustainable transport fund.

37. Related party transactions

The ultimate parent entity is Manchester Airports Holdings Limited, a company registered in England and Wales. The ultimate controlling entity is Manchester Airports Holdings Limited.

In FY21 as part of MAG's strategic finance response to the COVID-19 pandemic the Group secured an injection of £300m cash in the form of shareholder loans. In FY22 there were no new or additional shareholder loans sought or granted, and interest payable upon those shareholder loans has continued to be deferred until it can be paid and covenant compliance permits payments to be made.

Transactions involving Manchester City Council and the other council shareholders

Manchester City Council ('MCC') is a related party to Manchester Airports Holdings Limited as MCC owns 35.5% of the share capital of the Company.

As at 31 March 2022 the amount of loans outstanding owed to MCC by the Group was £313.9m (2021: £313.9m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2021: £nil) to MCC during the year and paid interest of £nil (2021: £nil).

As at 31 March 2022 the amount of loans outstanding owed to the other nine councils (each of which is a related party to Manchester Airports Holdings Limited by virtue of its shareholding) by the Group was £267.9m (2021: £268.0m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2021: £nil) to the other nine councils during the year and paid interest of £nil (2021: £nil).

Interest during the year has been accrued on the shareholder loans to the value of £34.6m (2021: £28.8m) for MCC and £29.7m (2021: £27.5m) for the other nine councils. The cumulative interest accrual on the shareholder loans is £76.8m as at 31 March 2022 (2021: £42.2m) for MCC and £66.2m (2021: £36.5m) for the other nine councils.

Included in external charges are charges for rent and rates amounting to £36.5m (2021: £32.2m) and other sundry charges of £1.0m (2021: £0.3m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

During the year, amounts of £nil (2021: £37.4m) were received from MCC and the nine borough councils.

Transactions involving IFM

The IFM Global Infrastructure Fund (IFM GIF) (which is advised by IFM Investors PTY Ltd) is a related party to Manchester Airports Holdings Limited as IFM owns 35.5% of the share capital of the Company. During the year, the Group was party to the following transactions with IFM.

As at 31 March 2022 the amount of loans outstanding owed to IFM by the Group was £320.1m (2021: £320.1m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2021: £nil) to IFM during the year and paid interest of £nil (2021: £nil).

Interest during the year has been accrued on the shareholder loans to the value of £35.4m (2021: £31.0m). The cumulative interest accrual on the loan as at 31 March 2022 is £78.7m (2021: £43.3m).

Transactions involving associate

As at 31 March 2022 the amounts owing from the associate were £nil (2021: £nil) and amounts owed to the associate were £nil (2021: £0.1m). Net assets of £nil (2021: £nil).

During the year, transactions amounting to £1.3m (2021: £0.8m) were made with MAG's associate.

Transactions with pension schemes

The Group operates one defined contribution pension scheme and four defined benefit pension schemes. The contributions made by the Group to those schemes during the year are detailed in note 30.

Notes to the financial statements continued

for the year ended 31 March 2022

38. Reconciliation of net cash flow to movement in net debt

| | 2021 £m | Foreign exchange movement £m | Other Cashflow Movements £m | Other non-cash movements £m | 2022 £m |
|--|------------|---------------------------------------|--------------------------------------|--------------------------------------|------------|
| Cash at bank and in hand | 542.1 | 0.4 | (53.9) | - | 488.6 |
| Cash on short term deposit | - | - | - | - | - |
| Cash and cash equivalents disclosed in the statement of financial position | 542.1 | 0.4 | (53.9) | - | 488.6 |
| Overdrafts | (11.9) | - | (13.8) | - | (25.7) |
| Total cash and cash equivalents (including overdrafts) | 530.2 | 0.4 | (67.7) | - | 462.9 |
| Current debt | - | - | - | - | - |
| Non-current debt | (2,888.3) | - | 2.4 | (97.3) | (2,983.2) |
| Net debt | (2,358.1) | 0.4 | (65.3) | (97.3) | (2,520.3) |

IFRS 16

| | | | | | |
|------------------|---------|---|-----|-------|---------|
| Current debt | (7.9) | - | 6.1 | (8.0) | (9.8) |
| Non-current debt | (428.4) | - | 2.0 | 0.4 | (426.0) |
| | (436.3) | - | 8.1 | (7.6) | (435.8) |

Notes to the financial statements continued

for the year ended 31 March 2022

39. Impact of IFRS 16 upon primary statements

The purpose of these pages is to provide a reconciliation from the financial results to the pro-forma statements with the previous IAS 17 policies adopted by the Group (including key APMs such as adjusted EBITDA*). The Group APMs remain identical to those prior to IFRS 16. Whilst IFRS 16 comparatives are now available, management still produce the reconciliations below to give the reader greater insight into the impact of IFRS 16 on the reporting of Group results.

Consolidated income statement for the year ended 31 March 2022

| | Continuing operations 2022 as reported £m | Rent and finance costs £m | Depreciation £m | Continuing operations 2022 under IAS 17 £m |
|--|--|---------------------------------|--------------------|--|
| Revenue | 462.1 | - | - | 462.1 |
| Operating charges excluding depreciation | (336.5) | (30.8) | - | (367.3) |
| Adjusted EBITDA* | 125.6 | (30.8) | - | 94.8 |
| Depreciation | (238.8) | - | 11.0 | (227.8) |
| Result from operations before adjusted items* | (113.2) | (30.8) | 11.0 | (133.0) |
| Adjusted items | | | | |
| Adjusted items | (17.1) | - | - | (17.1) |
| Result from operations | (130.3) | (30.8) | 11.0 | (150.1) |
| Share of result in associate | 0.4 | - | - | 0.4 |
| Gains and losses on sales and valuation of investment properties | 22.6 | - | - | 22.6 |
| Finance costs after adjusted items | (181.3) | 22.1 | - | (159.2) |
| Result before taxation | (288.6) | (8.7) | 11.0 | (286.3) |

Consolidated statement of cashflows for the year ended 31 March 2022

| | Continuing operations 2022 as reported £m | Payment recognised as operating charge £m | Interest charge £m | Lease repayment £m | Continuing operations 2022 under IAS 17 £m |
|--|--|---|-----------------------|--------------------------|--|
| Cash generated from continuing operations* | 145.7 | (30.8) | - | - | 114.9 |
| Result before taxation – discontinued operations | (1.7) | - | - | - | (1.7) |
| Finance income - discontinued operations | - | - | - | - | - |
| Non cash movements - discontinued operations | 1.7 | - | - | - | 1.7 |
| Interest paid | (83.7) | - | 22.7 | - | (61.0) |
| Tax paid | (0.4) | - | - | - | (0.4) |
| Net cash used in operating activities | 61.6 | (30.8) | 22.7 | - | 53.5 |
| Net cash used in investing activities | (118.4) | - | - | - | (118.4) |
| Net cash from/(used in) financing activities | (10.5) | - | - | 8.1 | (2.4) |
| Net increase in cash and cash equivalents | (67.3) | (30.8) | 22.7 | 8.1 | (67.3) |

*As explained in note 40 'Alternative Performance Measures'.

Notes to the financial statements continued

for the year ended 31 March 2022

39. Impact of IFRS 16 upon primary statements continued

Consolidated statement of financial position as at 31 March 2022

| | 2022 as reported £m | Rent and finance costs £m | Depreciation £m | Opening balance £m | Additions, modifications and remeasurement £m | Disposals £m | 2022 under IAS 17 £m |
|---|---------------------------|------------------------------------|--------------------|--------------------------|---|-----------------|----------------------------|
| Non-current assets | | | | | | | |
| Goodwill | 207.7 | - | - | - | - | - | 207.7 |
| Intangible assets | 88.5 | - | - | - | - | - | 88.5 |
| Property, plant and equipment | 3,140.9 | - | - | - | - | - | 3,140.9 |
| Right-of-use assets | 417.7 | - | 11.0 | (419.5) | (9.6) | 0.4 | - |
| Long-term lease receivable | 11.2 | - | - | (11.2) | - | - | - |
| Investment properties | 188.9 | - | - | - | - | - | 188.9 |
| Investment in associate | 11.8 | - | - | - | - | - | 11.8 |
| Other long-term asset | 4.3 | - | - | - | - | - | 4.3 |
| Retirement benefit assets | 28.3 | - | - | - | - | - | 28.3 |
| Deferred tax assets | - | - | - | - | - | - | - |
| | 4,099.3 | - | 11.0 | (430.7) | (9.6) | 0.4 | 3,670.4 |
| Current Assets | | | | | | | |
| Assets held for sale | 2.1 | - | - | - | - | - | 2.1 |
| Inventories | 4.0 | - | - | - | - | - | 4.0 |
| Trade and other receivables | 86.3 | - | - | - | - | - | 86.3 |
| Cash and cash equivalents | 488.6 | - | - | - | - | - | 488.6 |
| | 581.0 | - | - | - | - | - | 581.0 |
| Current Liabilities | | | | | | | |
| Bank overdraft | (25.7) | - | - | - | - | - | (25.7) |
| Liabilities directly associated with assets held for sale | (0.5) | - | - | - | - | - | (0.5) |
| Trade and other payables | (189.4) | - | - | - | - | - | (189.4) |
| Deferred income | (28.2) | - | - | - | - | - | (28.2) |
| Provisions | (16.8) | - | - | - | - | - | (16.8) |
| Current lease liabilities | (9.8) | (6.1) | - | 7.9 | 8.0 | - | - |
| Current tax liabilities | (8.9) | - | - | - | - | - | (8.9) |
| | (279.3) | (6.1) | - | 7.9 | 8.0 | - | (269.5) |
| Net current assets | 301.7 | (6.1) | - | 7.9 | 8.0 | - | 311.5 |
| Non-current liabilities | | | | | | | |
| Borrowings | (2,983.2) | - | - | - | - | - | (2,983.2) |
| Retirement benefit liabilities | (6.2) | - | - | - | - | - | (6.2) |
| Non-current lease liabilities | (426.0) | (2.0) | - | 428.4 | - | (0.4) | - |
| Deferred tax liabilities | (238.3) | - | - | - | - | - | (238.3) |
| Provisions | (2.1) | - | - | - | - | - | (2.1) |
| Other non-current liabilities | (20.3) | - | - | - | - | - | (20.3) |
| | (3,676.1) | (2.0) | - | 428.4 | - | (0.4) | (3,250.1) |
| Net Assets | 724.9 | (8.1) | 11.0 | 5.6 | (1.6) | - | 731.8 |

Notes to the financial statements continued

for the year ended 31 March 2022

40. Alternative Performance Measures (APMs)

Overview

The Annual Report contains certain alternative performance measures ('APMs') that are not required under International Financial Reporting Standards (IFRS) which represents the GAAP under which MAG presents its Group Financial Statements. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information and enable an alternative comparison of performance over time. APMs may not be considered comparable to other similarly titled measures used by other companies.

These APMs are primarily used to:

- Provide management with a basis of planning and assessing Group performance;
- Set levels of management performance based remuneration;
- Calculate covenant compliance; and
- Explain Group performance with MAG's investor base.

Adjusted items

Many of the Group's APMs are measures prior to the impact of adjusted items.

Applied consistently over time, adjusted items are items of income and expense that, because of their size, unusual nature, or frequency of the events giving rise to them, merit separate presentation, as these are incremental and to allow an understanding of the Group's underlying financial performance from its trading activities. Such items include:

- **Impairment of assets**

Impairment charges related to non-current assets are non-cash items and tend to be significant in size. The presentation of these as adjusted items further enhances the understanding of the ongoing performance of the Group. Impairments of property, intangible assets and other tangible fixed assets are included in adjusted items if related to a fundamental transformation project or if significant in size. Other impairments are included in underlying results.

- **Major reorganisation of businesses and costs associated with acquisitions**

Restructuring costs are classified as adjusted items if they relate to a fundamental change in the organisational structure of the Group or a fundamental change in the operating model of a business within the Group. Costs may include redundancy, property closure costs and consultancy costs, which are significant in size and will not be incurred under the ongoing structure or operating model of the Group. All costs related to the acquisition of businesses will be classified as adjusted.

- **Costs associated with the modification of financial instruments, close out of previous financing arrangements upon refinancing**

Costs associated with the refinancing and changes to debt facility agreements during the current and prior year are included within adjusted items as they are significant in size, do not form part of the underlying trading activities.

- **Other specific items**

Other specific items are recorded in adjusted items where they do not form part of the underlying trading activities of the Group in order to enhance the understanding of the financial performance of the Group.

Table of definitions for Alternative Performance Measures (APMs) used by MAG

An explanation of the relevance of each APM, and their limitations, is presented in the table below.

| APM | Closest Equivalent Statutory Measure | Purpose | Definition |
|----------------------------------|--------------------------------------|---|---|
| Income statement measures | | | |
| Adjusted EBITDA | Result from operations | <p>The Group's adjusted EBITDA measure is consistent with the way that Executive Management and the Board assess the Group's financial performance.</p> <p>Additionally, it is a key metric used by the investor community to assess performance of the Group's operations.</p> | <p>Earnings before interest, tax, depreciation and amortisation prior to the impact of adjusted items.</p> <p>Reconciled to GAAP from Result from operations measured in accordance with IFRS excluding:</p> <ul style="list-style-type: none"> • Depreciation and amortisation (note 4), and; • The impact of adjusted items (note 3). |

Notes to the financial statements continued

for the year ended 31 March 2022

40. Alternative Performance Measures (APMs) continued

Table of definitions for Alternative Performance Measures (APMs) used by MAG continued

| APM | Closest Equivalent Statutory Measure | Purpose | Definition |
|--|--|---|--|
| Income statement measures | | | |
| Adjusted EBITDA on a frozen GAAP basis | Result from operations | Adjusted EBITDA on a frozen GAAP basis is a core component of the Group's leverage and interest cover banking covenants. | Earnings before interest, tax, depreciation and amortisation prior to the impact of adjusted items and the adoption of IFRS 16. Reconciled to GAAP from Result from operations measured in accordance with IFRS excluding: <ul style="list-style-type: none"> • Depreciation and amortisation (note 4); • The impact of adjusted items (note 3), and; • Add back lease charges excluded from operating expenses as a result of the adoption of IFRS 16. |
| Adjusted Result from operations | Result from operations | Adjusted result from operations is a measure of the GAAP metric whilst adjusting for adjusted items. | Result from operations measured in accordance with IFRS excluding the impact of adjusted items (note 3). |
| Earnings per share – attributable to ordinary shareholders before adjusted items | Basic earnings per share | Earnings per share – attributable to ordinary shareholders before adjusted items provides the Group's equity holders with a post-tax measure of profitability split by class of shares, | Calculated as profit after tax adjusted for the impact of adjusted items divided by the weighted average of ordinary shares (A, B & C shares). |
| Cashflow measures | | | |
| Adjusted cash generated from operations | Net cash from operating activities | This is a a measure of the Group's cash generation from operation and and working capital efficiency after adjusting for the impact of adjusted items. | Net cash from operating activities before the cash impact of adjusted items. |
| Other measures | | | |
| Net Debt | Borrowings | Net debt is a prominent metric used by credit rating agencies and investors to assess the strength of a company's balance sheet. | Borrowings less cash and cash equivalents. The measure excludes financial lease liabilities calculated under IFRS 16. Where the Annual Report references 'Net Debt (including IFRS 16)' this aggregates the Net Debt amount and the carrying value of lease liabilities |
| Net Finance Charges on Net Senior Debt | Finance costs | Net finance charges on net senior debt it's a core components of the Group's interest cover covenant. | Net finance costs from the Group's bonds and RCF less any finance income from cash and cash equivalents. Reconciled to GAAP measure Finance costs by excluding: interest on shareholder loans; pension interest; IFRS 16 interest (see note 30) |
| Net Senior Debt | Borrowings | Net Senior Debt is used in the calculation of the Group's leverage covenant. | Comprising the Group's Secured funding arrangements (Bonds and drawdown RCF) less cash and cash equivalents. Reconciled to GAAP measure Borrowings (by excluding the carrying value of shareholder loans) less cash and cash equivalents. |
| Return on Capital Employed ('ROCE') | Calculated from Result for the year and Net Assets | ROCE is a commonly used profitability metric to assess the efficient allocation of the Group's resources irrespective of capital structure. | ROCE is calculated from adjusted operating profit as a percentage of average capital employed, and on a historical cost basis. |

Notes to the financial statements continued

for the year ended 31 March 2022

40. Alternative Performance Measures (APMs) continued

The following analysis provides a reconciliation of each APM to their nearest equivalent statutory measure.

Reconciliation of APMs to Statutory Measures

| | Note | 2022 £m | 2021 £m |
|--|----------|------------------|------------------|
| Adjusted result from operations | | (113.2) | (326.3) |
| <i>Adjusted items deducted to arrive at APM:</i> | | | |
| Impairment of assets | | (9.2) | - |
| Major reorganisation of businesses and costs associated with acquisitions. | | (3.5) | (33.4) |
| Legal and other items | | (4.4) | (4.9) |
| | | (17.1) | (38.3) |
| Result from operations | 4 | (130.3) | (364.6) |
| Adjusted result from operations | | (113.2) | (326.3) |
| Add back: Depreciation and amortisation | 4 | 238.8 | 176.9 |
| Adjusted EBITDA* | | 125.6 | (149.4) |
| *See next page for reconciliation by segment | | | |
| Cash generated from continuing operations | | 145.7 | (227.8) |
| Total adjusted items in results for continued operations before tax | | (8.3) | 15.9 |
| | | (8.3) | 15.9 |
| <i>Add back of non-cash adjusted items:</i> | | | |
| Shareholder loan modification gain | | (8.8) | (54.2) |
| Impairment of property, plant and equipment | | 11.0 | - |
| Working capital movements, relating to adjusted items | | (6.6) | (2.7) |
| Curtailment (gain)/loss | | (10.4) | 1.9 |
| Non-cash pension settlement losses | | 2.3 | - |
| Non-cash adjusted items: | | (12.5) | (55.0) |
| Cash impact of adjusted items to be added back | | (20.8) | (39.1) |
| Adjusted cash generated from operations | | 166.5 | (188.7) |
| Result from continuing operations | | (319.6) | (435.2) |
| Add back: Finance costs | 7 | 181.3 | 106.8 |
| Add back: Taxation | 9 | 31.0 | (42.4) |
| EBIT | | (107.3) | (370.8) |
| Total assets | | 4,680.3 | 4,830.2 |
| Current liabilities | | (279.3) | (245.0) |
| Capital employed | | 4,401.0 | 4,585.2 |
| ROCE (EBIT/Capital employed) | | (2.4)% | (8.1)% |
| Total cash and cash equivalents (including overdrafts) | | 462.9 | 530.2 |
| Non-current debt | 22 | (2,983.2) | (2,888.3) |
| Net Debt (excluding IFRS 16) | | (2,520.3) | (2,358.1) |
| Cash at bank and in hand | 21 | 488.6 | 542.1 |
| Overdraft | 22 | (25.7) | (11.9) |
| Net Cash | | 462.9 | 530.2 |

Notes to the financial statements continued

for the year ended 31 March 2022

40. Alternative Performance Measures (APMs) continued

| | Manchester Airport £m | London Stansted Airport £m | East Midlands Airport £m | MAG US £m | Group, consolidation and other £m | Consolidated - continuing operations £m |
|--|-----------------------------|-------------------------------------|--------------------------------|--------------|--|--|
| Results from operations | (69.7) | (32.1) | 10.7 | 1.0 | (23.1) | (113.2) |
| Adjusted items deducted to arrive at APM: | | | | | | - |
| Impairment of assets | (9.2) | - | - | - | - | (9.2) |
| Major reorganisation of businesses and costs associated with acquisitions. | - | - | - | - | (3.5) | (3.5) |
| Legal and other items | (6.0) | 4.4 | (0.3) | (1.8) | (0.7) | (4.4) |
| Total adjusted items | (15.2) | 4.4 | (0.3) | (1.8) | (4.2) | (17.1) |
| Adjusted result from operations | (84.9) | (27.7) | 10.4 | (0.8) | (27.3) | (130.3) |
| Adjusted result from operations | | | | | | |
| Add back: Depreciation and amortisation | 116.7 | 83.8 | 13.5 | 6.6 | 18.2 | 238.8 |
| Adjusted EBITDA | 47.0 | 51.7 | 24.2 | 7.6 | (4.9) | 125.6 |

| | Note | 2022 | 2021 |
|--|------|---------|---------|
| Finance costs before adjusted items | | (190.1) | (161.0) |
| Add back: | | | |
| Interest on shareholder loans | 7 | 103.2 | 87.2 |
| IFRS 16 interest | 7 | 22.7 | 22.4 |
| Pension interest | 7 | 0.9 | 1.1 |
| Net finance charges on net senior debt | | (63.3) | (50.3) |

| | Note | 2022 | 2021 |
|-------------------------------------|------|-----------|-----------|
| Borrowings | | (2,983.2) | (2,888.3) |
| Add back: | | | |
| Carrying value of shareholder loans | 25 | 1,062.0 | 967.5 |
| Cash and cash equivalents | 21 | 462.9 | 530.2 |
| Net Senior Debt | | (1,458.3) | (1,390.6) |

41. Post balance sheet events

Subsequent to the year end, on 27 May 2022 the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500m revolving credit facility and £90m in standby liquidity facilities, each with a five year term, maturing in May 2027, with optional extensions. The liquidity facility is sized to cover 12 months interest on secured debt and is a 364-day revolving facility with a five year term on each annual renewal. The facilities replace similar facilities that were due to mature in June 2023. These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy.

Company Financial Statements

Accounting policies

Manchester Airports Holdings Limited (the 'Company') is a company limited by shares and incorporated and domiciled in England and Wales in the UK. The address of the registered office is Olympic House, Manchester Airport, Manchester, M90 1QX.

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') as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £million.

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

Total adjusted items recorded in result from operations

- statement of cash flows and related notes;
- key management personnel compensation;

Total adjusted items recorded in result from continuing operations

Furthermore, 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 in respect of the following disclosures:

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

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

Measurement convention

The financial statements are prepared on the historical cost basis.

Functional currency

The Company's functional and presentation currency is the pound sterling.

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

Amounts owed to subsidiary undertakings

Intercompany balances are stated at historic cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and short-term deposits net of bank overdrafts, which have an original maturity of three months or less.

Interest payable

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

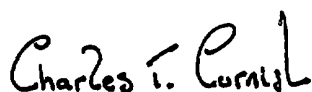
Statement of financial position

as at 31 March 2022

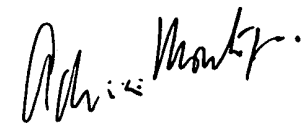
| | Note | 2022 £m | 2021 £m |
|--|------|----------------|----------------|
| Non-current assets | | | |
| Investments | 4 | 2,352.7 | 2,352.7 |
| Trade and other receivables | 5 | 245.6 | - |
| | | 2,598.3 | 2,352.7 |
| Current Assets | | | |
| Trade and other receivables | 5 | 247.0 | 514.3 |
| Cash and cash equivalents | | - | - |
| | | 247.0 | 514.3 |
| Liabilities | | | |
| Current liabilities | 6 | (252.0) | (271.3) |
| Net current liabilities/assets | | (5.0) | 243.0 |
| Total assets less current liabilities | | 2,593.3 | 2,595.7 |
| Net assets | | 2,593.3 | 2,595.7 |
| Capital and reserves | | | |
| Share capital | 7 | 316.6 | 316.6 |
| Share premium | 7 | 743.3 | 743.3 |
| Retained earnings | 8 | 1,533.4 | 1,535.8 |
| Total equity | | 2,593.3 | 2,595.7 |

The accompanying notes form an integral part of the financial statements.

The financial statements on pages 170 to 178 were approved by the Board of Directors on 6 July 2022 and signed on its behalf by:



Charlie Cornish, Group Chief Executive, MAG



Sir Adrian Montague CBE, Chairman, MAG

Statement of changes in equity

for the year ended 31 March 2022

| | Note | Share capital | Share premium | Profit and loss account | Total |
|--------------------------|------|---------------|---------------|-------------------------|---------|
| | | £m | £m | £m | £m |
| Balance at 1 April 2021 | | 316.6 | 743.3 | 1,535.8 | 2,595.7 |
| Result for the year | | - | - | (2.4) | (2.4) |
| Balance at 31 March 2022 | | 316.6 | 743.3 | 1,533.4 | 2,593.3 |

Statement of changes in equity

for the year ended 31 March 2021

| | Share capital | Share premium | Profit and loss account | Total |
|--|---------------|---------------|-------------------------|---------|
| | £m | £m | £m | £m |
| Balance at 1 April 2020 | 316.6 | 687.2 | 772.4 | 1,776.2 |
| Total comprehensive income for the year | | | | |
| Result for the year | - | - | 765.6 | 765.6 |
| Transactions with owners recorded directly in equity | | | | |
| Dividend in kind | - | | 29.6 | 29.6 |
| Impairment | - | - | (31.8) | (31.8) |
| Share issue in the year | - | 56.1 | - | 56.1 |
| Balance at 31 March 2021 | 316.6 | 743.3 | 1,535.8 | 2,595.7 |

The accompanying notes form an integral part of the financial statements.

Notes to the financial statements

for the year ended 31 March 2022

1. Notes to the income statement

Amounts receivable by the Company's auditor and the auditor's associates in respect of services to the Company and the Company's subsidiaries, have not been disclosed as the information has been disclosed on a consolidated basis as noted on page 129. The Directors of Manchester Airports Holding Limited during the year and their aggregate remuneration is disclosed on a consolidated basis in note 6 to the consolidated financial statements, on page 127. The highest paid director disclosed within this note is the highest paid director of the Company.

2. Profit on ordinary activities after taxation of the company

As permitted by Section 408 of the Companies Act, the Company is exempt from the requirement to present its own profit and loss account. The result attributable to the Company is a loss of £2.4m (2021: profit of £765.6m) which is due to interest payable (note 3). The average number of employees employed by the Company in the year was nil (2021: nil).

3. Finance Costs

| | 2022 £m | 2021 £m |
|-------------------------------|------------|------------|
| Intercompany interest payable | 3.2 | 5.8 |
| Total finance costs | 3.2 | 5.8 |

Interest payable on intercompany loans was £3.2m (2021: £5.8m), a reduction from prior year as a result of settlements of payable balances, reducing principal amounts remaining on interest bearing intercompany loans.

4. Investments

| | Subsidiary undertakings £m |
|-------------------------|-------------------------------|
| Cost and net book value | |
| At 1 April 2021 | 2,352.7 |
| At 31 March 2022 | 2,352.7 |

5. Trade and other receivables

| | 2022 £m | 2021 £m |
|---|--------------|--------------|
| Amounts due from subsidiaries - non-current | 245.6 | - |
| Amounts due from subsidiaries - current | 247.0 | 514.3 |
| | 492.6 | 514.3 |

Settlement terms on all amounts due to subsidiaries are at a date mutually agreed by both parties to the balance. As at FY21, the Board approved an exercise to settle amounts owed by group undertakings across the Group and as they expected these balances to be settled over the next 12 months, classified them as 'current'. The exercise was ongoing at the year end and balances are presented in line with their planned settlement (within the next twelve months) and classified as 'current' or classified as 'non-current' where settlement is not expected within the next 12 months.

The directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

Notes to the financial statements continued

for the year ended 31 March 2022

6. Trade and other payables

| | 2022 £m | 2021 £m |
|---------------------------------------|------------|------------|
| Amounts due to subsidiaries - current | 252.0 | 271.3 |
| | 252.0 | 271.3 |

Amounts owed to subsidiary undertakings include an interest-bearing loan of £250.0m (2021: £270.5m) at 31 March 2022, with interest charged at an annual rate of 1.5% (2021: 1.5%) above the Bank of England base rate, and all other remaining balances are interest free. Settlement terms on all amounts due to subsidiaries are at a date mutually agreed by both parties to the balance.

As at FY21, the Board approved an exercise to settle amounts owed by group undertakings across the Group and as they expected these balances to be settled over the next 12 months, classified them as 'current'. The exercise was ongoing at the year end and balances are presented in line with their planned settlement (within the next twelve months) and classified as 'current' or classified as 'non-current' where settlement is not expected within the next 12 months.

7. Called up share capital

| | Number of shares m | Share capital £m | Share premium £m | Total £m |
|----------------------------------|-----------------------|------------------------|------------------------|-------------|
| Issued, called up and fully paid | | | | |
| At 31 March 2022 | 316.6 | 316.6 | 743.3 | 1,059.9 |
| At 31 March 2021 | 316.6 | 316.6 | 743.3 | 1,059.9 |

Details of shares are given below:

| Share type | Total nominal value £ | Premium £ |
|--|--------------------------|--------------|
| 204,280,000 Ordinary Non-Voting Shares, issued at £1 nominal value | 204,280,000 | - |
| 112,354,000 Ordinary Non-Voting Shares, issued at premium | 112,354,000 | 687,157,064 |
| 10 x "A" shares, issued at £1 nominal value | 10 | - |
| 10 x "B" shares, issued at £1 nominal value | 10 | - |
| 30 x "C" shares, issued at premium | 30 | 56,099,970 |

Particulars of each class of share:

Voting - each holder of A shares shall be entitled to receive notice of, to attend, speak at and vote at general meetings of the Company. All other classes of shares do not carry voting rights.

Capital - on a winding up or other return of capital, the assets of the company available shall be applied in the following order of priority:

(A) first, in paying to each holder of A shares, B shares; and non-voting ordinary shares the nominal amount of the aggregate of such shares held by each such holder pro-rata to their holdings of shares; and

(B) second, in paying the balance to the holders of non-voting ordinary shares pro-rata to their holdings of non-voting ordinary shares.

Income - C shareholders and ordinary shareholders shall be entitled to dividends, which shall be payable to the holders pro-rata to their holdings of C shares/ordinary shares respectively.

Notes to the financial statements continued

for the year ended 31 March 2022

8. Reserves

| | Retained Earnings £m | |
|---|-------------------------|------------|
| At 1 April 2021 | 1,535.8 | |
| Result for the year | (2.4) | |
| At 31 March 2022 | 1,533.4 | |
| | 2022 £m | 2021 £m |
| Reconciliation of movement in shareholders' funds | | |
| Opening shareholders' funds | 2,595.7 | 1,776.2 |
| Result for the year | (2.4) | 765.6 |
| Issue of shares in the year | - | 56.1 |
| Dividend in kind | - | 29.6 |
| Impairment | - | (31.8) |
| Equity shareholders' funds as at 31 March | 2,593.3 | 2,595.7 |

9. Subsidiary undertakings

| Name of undertaking | Description of shares held | Group | Company | Principal activity |
|--|----------------------------|-------|---------|---|
| Agency of the North Limited ² | Ordinary £1 shares | | 100% | Holding company |
| Airportparkingreservations.com ^{6,*} | N/A | | 100% | Trading company |
| Airport Advertising Limited ^{2,7} | Ordinary £1 shares | | 100% | Non trading |
| Airport City (Asset Manager) Limited ^{1,2} | Ordinary £1 shares | | 20% | Property holding company |
| Airport City (General Partner) Limited ^{1,2} | Ordinary £1 shares | | 20% | Property holding company |
| Airport City Limited Partnership ^{1,2} | Ordinary £1 shares | | 20% | Property holding company |
| Airport City Management Company (South) Limited ^{1,2,7} | Ordinary £1 shares | | 100% | Property management company |
| Airport City (Manchester) Limited ^{1,2} | Ordinary £1 shares | | 100% | Property holding company |
| Airport City (Manchester) Investments Limited ^{1,2} | Ordinary £1 shares | | 100% | Property holding company |
| Airport Petroleum Limited ^{2,7} | Ordinary £1 shares | | 100% | Non trading |
| Airport Services International Limited ² | Ordinary £1 shares | | 100% | Holding company |
| Bainsdown Limited ³ | Ordinary £1 shares | | 100% | Property holding company |
| CAVU Distribution (AMER) LLC ^{6,*} (formerly Parksleefly.com LLC | N/A | | 100% | Trading company |
| CAVU eCommerce (EMEA) Limited ² (formerly Looking4parking L | Ordinary £1 shares | | 100% | Trading company |
| CAVU eCommerce (AMER) LLC ^{6,*} (formerly MAG US Parking Management LLC) | N/A | | 100% | Non trading |
| CAVU Experiences (AMER) LLC ^{6,*} (formerly MAG US Lounge Management LLC) | N/A | | 100% | Non trading |
| CAVU Holdings (AMEA) Inc ^{6,*} (formerly MAG US Holdings Inc) | Ordinary \$0.01 shares | | 100% | Investment holding company |
| CAVU Group Limited ² | Ordinary £1 shares | | 100% | Trading company |
| East Midlands Airport Core Property Investments Limited ^{2,7} | Ordinary £1 shares | | 100% | Non trading |
| East Midlands Airport Nottingham Derby Leicester Limited ² | Ordinary £1 shares | | 100% | Intermediate holding company of East Midlands International Airport Limited |
| East Midlands Airport Property Investments (Hotels) Limited ² | Ordinary £1 shares | | 100% | Non trading |
| East Midlands Airport Property Investments (Industrial) Limited ² | Ordinary £1 shares | | 100% | Non trading |

Notes to the financial statements continued

for the year ended 31 March 2022

9. Subsidiary undertakings continued

| Name of undertaking | Description of shares held | Group | Company | Principal activity |
|---|--|-------|---------|--|
| East Midlands Airport Property Investments (Offices) Limited ² | Ordinary £1 shares | | 100% | Non trading |
| East Midlands International Airport Limited ⁴ | Ordinary £1 shares 9% cumulative redeemable preference shares | | 100% | Airport operator |
| EMIA Pension Trustee Limited ² | Ordinary £1 shares | | 100% | Pension trustee |
| Manchester Airport Aviation Services Limited ^{3,7} | Ordinary £1 shares | | 100% | Investment holding company |
| Manchester Airport Finance Holdings Limited ² | Ordinary £1 shares | | 100% | Investment holding company |
| Manchester Airport Group Finance Limited ² | Ordinary £1 shares | | 100% | Investment holding company |
| Manchester Airport Group Funding Plc ² | Ordinary £1 shares | | 100% | Investment holding company |
| Manchester Airport Group Investments Limited ² | Ordinary £1 shares | | 100% | Investment holding company |
| Manchester Airport Group Property Developments Limited ² | Ordinary £1 shares | | 100% | Property development company |
| Manchester Airport Group Property Services Limited ² | Ordinary £1 shares | | 100% | Non trading |
| MAG Airport Limited ² | Ordinary £1 shares | | 100% | Trading company |
| Manchester Airport Car Park (1) Limited ² | N/A | | 100% | Trading company |
| Manchester Airport Group US Holdings Inc ^{6,*} | Ordinary \$0.01 shares | | 100% | Investment holding company |
| Manchester Airport Plc ³ | Ordinary £1 shares | | 100% | Airport operator |
| Manchester Airport Property Investments (Hotels) Limited ^{2,7} | Ordinary £1 shares | | 100% | Investment property holding company |
| Manchester Airport Property Investments (Industrial) Limited ^{2,7} | Ordinary £1 shares | | 100% | Investment property holding company |
| Manchester Airport Property Investments (Offices) Limited ^{2,7} | Ordinary £1 shares | | 100% | Investment property holding company |
| Manchester Airport Ventures Limited ^{2,7} | Ordinary £1 shares | | 100% | Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited |
| MAG Investments US Limited ² | Ordinary £1 shares | | 100% | Investment holding company |
| MAG Overseas Investments Limited ² | Ordinary £1 shares | | 100% | Non trading |
| MAG US Terminal Management LLC ^{6,*} | N/A | | 100% | Non trading |
| MAG DC Pension Trustee Limited ² | Ordinary £1 shares | | 100% | Pension trustee |
| MAG Pension Trustee Limited ² | Ordinary £1 shares | | 100% | Pension trustee |
| MAG US (Apollo) Limited ² | Ordinary £1 shares | | 100% | Holding company |
| MAG US (Apollo) Inc ^{6,*} | N/A | | 100% | Non trading |
| Ringway Developments Ltd ^{2,7} | Ordinary £1 shares | | 100% | Non trading |
| Ringway Handling Limited ^{3,7} | Ordinary £1 shares | | 100% | Non trading |
| Ringway Handling Services Limited ³ | Ordinary £1 shares | | 100% | Non trading |
| Shuttlefinder.net LLC ^{6,*} | N/A | | 100% | Trading company |
| Simmerdown Limited ² | Ordinary £1 shares | | 100% | Holding company |
| Skyparksecure Limited ² | Ordinary £1 shares | | 100% | Trading company |

Notes to the financial statements continued

for the year ended 31 March 2022

9. Subsidiary undertakings continued

| Name of undertaking | Description of shares held | Group | Company | Principal activity |
|---|--|-------|---------|--------------------|
| Stansted Airport Limited ⁵ | Ordinary £1 shares | | 100% | Airport operator |
| The Escape Lounge FLL LLC ^{6,*} | N/A | | 100% | Trading company |
| Travel Parking Group Limited ² | Ordinary £1 shares | | 100% | Holding company |
| Worknorth Limited ^{2,7} | 7% cumulative redeemable preference shares | | 100% | Non trading |
| | Ordinary £1 shares | | 100% | |
| Worknorth II Limited ^{2,7} | 7% cumulative redeemable preference shares | | 100% | Non trading |
| | Ordinary £1 shares | | 100% | |

¹ These reflect the Group's 20% investment in Airport City shown within the Group financial statements as an investment in associate.

The registered office addresses for each of the above companies are listed below.

² Olympic House, Manchester Airport, Manchester, M90 1QX

³ PO Box 532, Town Hall, Albert Square, Manchester, M60 2LA

⁴ Building 34, East Midlands Airport, Castle Donington, Derby DE74 2SA

⁵ Enterprise House, Bassingbourn Road, Stansted Airport, Essex, CM24 1QW

⁶ 251 Little Falls Drive, Wilmington, Delaware, 19808, United States of America

⁷ Dormant and exempt from preparing and filing individual accounts by virtue of S394A if the CA06

All the above companies operate in their country of incorporation or registration, which is England and Wales except where indicated (*) is United States of America.

10. Parent Guarantee

The subsidiary undertakings listed below are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act:

| Name of undertaking | Registered company number |
|---|---------------------------|
| Agency of the North | 07761704 |
| Airport Advertising Limited | 02688267 |
| Airport City (Manchester) Investments Limited | 08721435 |
| Airport City (Manchester) Limited | 08385545 |
| Airport Petroleum Limited | 02714831 |
| Airport Services International Limited | 11415904 |
| Bainsdown Limited | 01633068 |
| East Midlands Airport Investments (Hotels) Limited | 07088376 |
| East Midlands Airport Property Investments (Industrial) Limited | 07088412 |
| East Midlands Airport Property Investments (Offices) Limited | 07088415 |
| MAG Overseas Investments Limited | 09434983 |
| Manchester Airport Aviation Services Limited | 04160059 |
| Manchester Airport Group Property Developments Limited | 07088164 |
| Manchester Airport Group Property Services Limited | 07088135 |
| Manchester Airport Ventures Limited | 04160075 |
| Ringway Handling Services Limited | 02638238 |
| Travel Parking Group | 07235776 |
| Worknorth II Limited | 03152115 |
| Worknorth Limited | 01793483 |

Notes to the financial statements continued

for the year ended 31 March 2022

10. Parent Guarantee continued

IMPORTANT INFORMATION

Cautionary Statement: The Annual Report and Accounts contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast. Unless expressly stated otherwise, the 'Group', 'MAG', 'Manchester Airports Group', 'MAHL' or 'the Company' means Manchester Airports Holdings Limited and its subsidiary undertakings.