

Manchester Airports Holdings Limited
Annual report and consolidated
financial statements for the year ended
31 March 2021

MAG

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MAG

Officers and professional advisers

Directors

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

Executive Directors

Charlie Cornish	(Chief Executive)	
Neil Thompson	(Chief Financial Officer)	resigned 30 October 2020
Jan Bramall	(Chief Financial Officer)	appointed 3 December 2020
Andrew Cowan		resigned 30 October 2020
Ken O'Toole		

Non-Executive Directors

Sir Adrian Montague CBE (Chair)
Councillor John Blundell
Sir Richard Leese
Manoj Mehta
Vanda Murray OBE
Robert Napier CBE
Catherine Schefer
Christian Seymour
Jonathan Wragg

Company secretary

Jenny Cochrane

Registered office

Olympic House
Manchester Airport
Manchester
M90 1QX
United Kingdom

Independent auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE
United Kingdom

The Strategic Report is presented in six sections:

Management review – overview of the year ended 31 March 2021, along with an outlook for the year ahead;

Business overview – overview of the business model and strategy of the Group;

Financial review – presentation and explanation of the key drivers behind the financial performance reported for the year ended 31 March 2021 and analysis of the financial position of the Group as at that date;

Leadership and governance – description of the Board of Directors (the ‘Board’) and Committees of the Board which provide overall leadership to the Group;

Corporate Social Responsibility (“CSR”) – outline of how the Group satisfies its Corporate Social Responsibility requirements; and

Internal controls and risk management – outline of the Group’s internal controls, approach to risk management, the key and emerging business risks identified by the Group and the mitigation strategies adopted.

In common with last year’s report, and as a reflection of the continuing focus of the business on minimising non-essential expenditure, we have simplified the presentation of this report to reduce the time and costs associated with its publication.

Management review

Chair's statement

This has been the toughest year in the history of aviation. The length and severity of the COVID-19 pandemic has surprised governments and companies around the world, in every sector.

In the travel and tourism industry, we saw out the first lockdown and laid plans for the summer months of 2020 which we expected would see a gradual but full reopening of international travel. However, sudden changes in the direction of the pandemic meant that those plans could not be delivered.

One of the greatest challenges of the pandemic for businesses has been the need to work around this kind of extreme uncertainty. Rather than the growing, thriving industry we have all been part of over the last decade, this has been a year characterised by minimising costs and managing risk. These are areas that no company wants to be their focus, but it is the mark of a strong team and culture to be able to get through such an intensely challenging period and come out the other side intact.

The UK is now one of the leading countries in rolling out its vaccination programme. However, travel restrictions will not go away overnight and the months ahead will continue to be extremely challenging. With the strong team in our airports, who have all pulled together to get through the last year, I know that MAG's recovery is in the best possible hands as we begin to grow our business again. I want to thank all of our people for their immense efforts over the last year, and to thank you in advance for the hard work and dedication I know you will all offer up as we build back from this pandemic.

As we look again to the future of our sector, we must continue to make strong progress towards decarbonising our sector. MAG is proud to take a leading role in the work to secure a sustainable future for aviation, and for the first time this report sets out our performance towards that objective against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our Board and MAG's management team look forward to continuing that essential work as we push towards net zero operations in our airports by 2038, in line with our Business Plan and CSR Strategy. We are confident that our transition to net zero will support the development of our business, is consistent with our long-term investment plans and ensures we play our part in the UK aviation sector's global leadership in our collective commitment to achieve net zero aviation by 2050 at the latest.



Sir Adrian Montague CBE

Chair

8th July 2021

Chief Executive Officer's Statement

Introduction

When last year's annual report was published, the world was still coming to terms with the early impact of the COVID-19 pandemic. The aviation industry and the global economy were brought to a near standstill. Twelve months on and we are only just taking our first tentative steps towards recovery.

Bar a few exceptions, international travel has been severely restricted for much of this year. Despite this, MAG's airports are critical UK infrastructure and have remained open throughout the pandemic to support those making essential journeys, along with the movement of vital cargo such as Personal Protective Equipment and medical supplies.

This report therefore paints a very different picture to previous years. It outlines the decisive steps taken by MAG to respond to the profound challenges posed by the pandemic, and how we have worked with our industry and the UK Government to keep customers and colleagues safe when they use our airports.

It also details the steps being taken to protect our business and set it on a course towards sustained recovery, as the global vaccine rollout creates the prospect of a resumption in international travel. We remain confident in the underlying strength of our business, and of our industry's prospects for a strong revival when conditions allow. What is clear is that all of MAG's airports will have a critical role to play in enabling a full and balanced return to growth of the UK economy as a whole.

While COVID-19 has dominated this year, this report sets out how we have continued to deliver on several other important projects despite the pandemic. This includes steering MAG through the final stages of Brexit, showing leadership as the industry remains committed to a net zero future and playing our part in the Government's freeports programme.

A significant addition to this year's report is the inclusion of reporting against the Task Force on Climate-related Financial Disclosures recommendations (TCFD). This is the first time MAG has reported in this way, and we will be expanding our disclosures to meet the TCFD recommendations in full over the next two years and in line with the UK's future mandatory reporting requirements for UK companies.

Results for FY21

Performance over the full year to 31 March 2021 has been heavily impacted by the COVID-19 pandemic, affecting all aspects of the business.

While international travel was all but suspended as the pandemic took hold in the spring of 2020, the Government's 'travel corridor' scheme, which was introduced in June 2020, resulted in a brief but noticeable increase in passengers over the summer period.

Management Review continued

However, short notice changes to the list of travel corridors had a serious impact on consumer confidence and traffic between July and September was still 80% down on the previous year. Since January 2021, the Government has sought to limit the spread of new variants by restricting travel to a limited number of essential journeys.

As a result, overall passenger numbers for the year were almost 90% down on the previous year. Across the Group, our airports served 6.3m passengers in FY21, compared to 59.6m in FY20.

This severe reduction in passenger numbers due to public health restrictions is reflected in MAG's financial performance, with revenue down by £714.8m (80.0)% at £178.6m compared to prior year (2020: £893.4m).

This impact has been felt across all areas of the business. Aeronautical revenues were 79.4% lower this year compared to FY20. The majority of our airport car parks have remained closed over the last year, and parking bookings have been running at only 9% of usual levels. Similarly, many of our retail partners have either remained closed or had extremely limited operations, resulting in revenue reductions of 80%.

In addition, the pandemic has seen our airline partners take difficult business decisions, with many cancelling existing services, suspending operations entirely or pushing back the launch of new routes in and out of the UK. At East Midlands, the passenger operation was completely suspended between February and May 2021 in line with airlines operating vastly reduced schedules.

However, confidence in the recovery remains strong and a number of airlines have launched new routes or announced new services for the coming months. For example, Aer Lingus chose Manchester Airport as its first UK base for transatlantic flights, with routes to New York, Boston, Orlando and Barbados set to launch this summer; and Pegasus has announced two new connections between Stansted and Batumi in Georgia, via Istanbul. Passenger services also began operating again from East Midlands Airport on 17 May 2021.

One area of the business that has seen noticeable growth this year is the dedicated air cargo operations at London Stansted and East Midlands, with the volume of goods handled this year up 31% and 19% respectively. This has been driven by the very limited bellyhold cargo capacity on long-haul passenger routes and a marked increase in online shopping during periods of lockdown.

Despite the profound impact of COVID-19 on passenger numbers over the last year, we continue to plan for a return to growth at our airports in the coming years.

In Manchester, work on the Terminal 2 extension – the centrepiece of the Manchester Airport Transformation Programme – is nearly complete and the new facility is expected to begin welcoming passengers during FY22.

In July 2020, we confirmed we would be appealing the decision by Uttlesford District Council to refuse our application to increase the number of passengers we can serve at London Stansted to 43mppa. This rejection was contrary to earlier approval by the previous Council administration and went against advice of the Council's own planning officers and legal experts. This resulted in an independent Planning Inquiry into the application which concluded in March. It was confirmed on 27 May 2021 that we had been successful in our appeal and the Planning Inspectorate have granted the planning permission.

The US has always been one of our important growth markets and it soon became clear that the domestic US market was likely to bounce back more quickly than other parts of the global aviation industry. After initial periods of closures and lockdowns similar to those in the UK, we have now reopened 5 of our lounges in the US, with the remainder due to reopen within the next two months, and bookings through our distribution network are also recovering at pace. Our commercial solutions are perfect for helping airports recover lost revenues and improve the customer journey making it more predictable and contactless and business development activity accelerated over the last year as a result.

The UK completed its exit from the European Union at the end of the transition period on 31 December 2020. Thanks to hard work and preparation across the Group, the switchover to new arrangements has had a minimal impact on operations, both at the border for our passengers but also for our cargo customers.

As part of the Government's Budget in March, the Chancellor announced that eight new freeports will be established in England – including an East Midlands Freeport, which has East Midlands Airport at its heart. This was the culmination of a joint bid by MAG, other landowners, local authorities and LEPs. Areas given Freeport status will benefit from a wide package of tax reliefs, simplified customs procedures, streamlined planning processes to boost redevelopment, and Government support to promote regeneration and innovation. Once established, the East Midlands Freeport will boost trade, create 60,000 jobs and attract investment across the region.

This year more than ever, our industry-leading community engagement and CSR programmes have played a vital role in connecting our airports with the communities they serve, as well as cementing MAG as a leading voice as the industry addresses big issues such as sustainability and noise impacts.

Our commitment to our communities throughout the pandemic has seen MAG colleagues give more than 23,000 hours of their time volunteering to support local projects in the last 12 months including while on furlough. Our employment and skills teams have also played an important role in supporting those colleagues who have left the business as a result of the pandemic, through virtual jobs fairs and free online training.

Management Review continued

On the vital work to decarbonise our industry, the UK aviation and aerospace sectors have set ambitious targets through the Sustainable Aviation roadmap to reach net zero by 2050. In July, the Government convened the first meeting of the Jet Zero Council, which brings together industry figures and environmental experts, with the aim of making this ambition a reality. I am proud to represent MAG on the Council, chaired by the Secretary of State for Transport and the Secretary of State for Business, Energy and Industrial Strategy, as MAG continues to show leadership in this area ahead of COP26 in the autumn.

Within MAG, we remain committed to reducing carbon emissions and are on track to achieve our target of reaching net zero for our operations by 2038. Our climate risk management is explored in more detail in the TCFD section of this report, which provides a useful framework for disclosing the company's exposure and response to climate-related risks. MAG's climate performance leadership in the sector was demonstrated recently when we were confirmed by the Financial Times as one of the top 30 companies in its list of Europe's top 300 climate leaders, and the highest performing transport organisation.

Addressing the environmental impacts of flying is also one element of the Government's airspace modernisation programme. Launched in 2018, it requires all airports to review the way airspace is managed locally, with a view to making it more efficient, helping reduce delays, cut emissions and manage some of the local impacts on the ground. Last year saw all three of MAG's airports successfully pass through the first of the CAA's gateways, and, after a period of pause in response to the global pandemic, work is now underway to engage stakeholders on initial proposals ahead of further public consultation in 2022.

Responding to COVID-19

The COVID-19 pandemic has had an immense impact on the aviation industry, which is reflected in the figures contained within this report. However, the last year has seen swift, decisive steps taken by MAG's management to reduce costs and place the business in the strongest possible position to return to growth as international travel resumes in earnest.

We acted quickly to secure our strategic finance response to the pandemic. Our shareholders have supported us through this period with £300.0m of additional funding which – along with proceeds from the sale of the Group's property book – has given us a strong cash position throughout the crisis. We have also successfully negotiated new conditions on borrowing with our secured financing creditors, bondholders and banks, with waivers of financial covenant tests meaning that the Group's financial covenants will not be tested again until September 2022.

This support was provided partly in recognition of the strong management action we had already taken to control costs. This included a comprehensive review of all expenditure, pausing non-essential capital projects, freezing recruitment, temporarily reducing pay for all staff and reducing working hours.

These were difficult but necessary decisions for us to take and we recognise the impact they have had on our people. We have had to ask our staff to make sacrifices to protect the future of the company. We've also sadly had to lose many great colleagues, and MAG today employs one-third fewer people than it did a year ago. Some of our people have been forced to work remotely for extended periods of time, while many of our teams are key workers who have been on the ground in our airports throughout the pandemic – each of these bring their own stresses and strains, with clear impacts on people's health and wellbeing. I am grateful for the understanding and spirit that everyone in MAG has shown as we have worked through this challenging period.

The last 12 months has seen MAG work intensively with Government to ensure the industry is properly supported throughout the pandemic, in line with the support provided to airports on the continent and in Scotland and Northern Ireland, and to other sectors such as retail and hospitality in the UK. This has resulted in some limited support in the form of extensions to the Coronavirus Job Retention Scheme (CJRS) and the adoption of a more localised approach to travel corridors in summer 2020, enabling travel to popular island destinations such as the Balearics and the Canaries. In January 2021 the Government launched the Airport and Ground Operations Support Scheme (AGOSS) to provide up to £8.0m of support in FY21 to individual airports. The AGOSS scheme has since been extended to also cover the first six months of FY22.

Despite MAG making extensive use of the CJRS, with up to 70% of colleagues on furlough, the reality is that this scheme has only accounted for less than 20% of our fixed operating costs. In October we became the latest aviation business to announce a consultation on redundancies across the Group. We have also negotiated a new, flexible pay deal with our Trade Unions for this financial year designed to avoid further compulsory redundancies. This sees colleagues return to 100% of their salary as workloads increase, while ensuring no colleague is paid less than 80%, and no less than the National Living Wage.

Throughout the last year, MAG has also worked hard to shape Government thinking around the safe resumption of international travel, and the reopening of international travel to and from the UK on 17 May was an important step in the right direction. Since then, we have continued to make the case for restriction-free travel to those countries where infection rates are at their lowest, greater transparency in how decisions are made on which countries are considered low-risk, and for the removal of the need for expensive PCR testing for all passengers.

Management Review continued

Looking ahead

Despite the significant challenges of the last 12 months, MAG and the wider industry are confident in forecasts of a strong recovery for air travel as restrictions are eased. MAG is particularly well-placed to recover quickly when conditions allow.

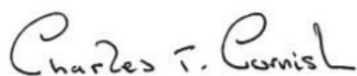
Firstly, our robust finances and the support of our investors means we have maximum flexibility in how we approach the sector's recovery over the coming months.

Secondly, we expect growth to be strongest during the early stages of the recovery in short-haul, low-cost markets and services to popular leisure destinations. MAG's customer demographic and the catchment of our airports puts us in a strong position to capitalise on this, while also retaining our focus on growing our long-haul route network.

Thirdly, the success of the UK's vaccine rollout puts our country in a good position to re-establish connections with popular overseas markets, particularly those where similar vaccination programmes are underway or gathering pace. Coupled with the pent-up demand we know exists among both our passenger and airline customers, we are hopeful that a meaningful return of international travel will begin this summer, providing a springboard for a future return to growth.

Throughout the pandemic we have worked closely with Government, our airline customers and other partners to ensure we are ready to remobilise our operations and investment programmes as the recovery takes hold. Through prudent planning, taking difficult decisions and drawing on the incredible efforts of colleagues across the business, MAG stands to deliver a strong recovery, setting us on a pathway to sustainable growth once again.

I would like to conclude by thanking all our colleagues at MAG for the role they have played in steering the business through a year like no other. For some this has involved working round the clock to keep our airports operational in exceptional circumstances. For others, it has meant taking extended time away from the business on furlough. This has been the hardest year we have ever faced, and my thanks go to each and every one of you.



Charlie Cornish
Group Chief Executive
8th July 2021

Business overview

Business Model and Key Priorities

MAG's goal is to deliver sustainable growth in shareholder value, balancing the needs of our customers, passengers, employees and the communities in which we work, while maintaining the highest safety and security standards.

Over recent years MAG's management team has successfully delivered sustained growth and consistently outperformed its business plan targets.

The short-to-medium term global impact to the aviation sector of the COVID-19 pandemic has been significant with blanket restrictions on non-essential travel (domestic and international) and quarantine measures resulting in passenger volumes reducing by 90% of pre-COVID-19 levels. The control of the pandemic and the subsequent re-start of the aviation sector is now looking more certain with the global rollout of vaccines, comprehensive testing protocols and improvements in medical care. However, it is clear that the recovery will take time with a phased opening up of International travel as country and border restrictions are eased, and the global economic impacts of the pandemic materialise. While there are still significant uncertainties, MAG expects traffic to return to close to pre-COVID-19 levels in the next two to three years.

Through this recovery period, our core objective will be to drive the Group back to previous levels of performance as quickly as possible. 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.

Strategy

The COVID-19 pandemic is the single biggest challenge the aviation industry has faced with passenger volumes reducing to near zero as countries and borders have restricted the movement of people. MAG is no different, except for East Midlands which has seen significant increases in cargo volumes with significant reductions in passenger traffic across all our airports.

MAG has responded by taking decisive steps to significantly reduce operating costs through the alignment of infrastructure and resources to meet the revised traffic demand. The increase in supply of vaccines, the steps being taken by countries to roll out the vaccine to vulnerable categories in the first instance and the testing protocols that are being put in place by governments will allow the gradual re-introduction of international travel as border controls are gradually relaxed as the impacts of the pandemic reduce. MAG has introduced additional health measures and controls at our airports to provide a safe environment for our passengers, customers, airlines and colleagues as airlines start up their operations again.

Looking to the future, we will seek to deliver our strategy of investing, transforming and connecting as soon as circumstances permit. However, the scale of the pandemic has demanded that we refocus our priorities in the short-term to ensure that we respond effectively to the immediate challenges we face.

In responding to the challenges associated with the COVID-19 pandemic, we have focused on three key areas: (1) right-sizing our business in response to the pandemic and loss in revenues; (2) the recovery phase and re-start of operations incorporating safe systems of travel for both customers and employees; and (3) how we intend to operate once market conditions return to normal.

Our initial response to the pandemic was designed to maintain air connectivity for the repatriation of UK citizens, delivering essential goods to the UK including medical supplies, and providing our infrastructure to support NHS COVID-19 testing centres. At the same time, we have scaled our infrastructure to meet this demand by reducing facilities, reduced staff levels to align with the demand and limited operating hours to align with a reduced flying programme while at the same time maintaining a 24-hour airside operation.

We are working with Government and the industry to restart operations at the earliest safe opportunity. We are ready to re-start operations safely maintaining the wellbeing of our passengers, customers and colleagues with a safe environment to work and travel from as soon as restrictions are lifted, and flying programmes are re-introduced. Consistent with Government guidance, our safe system for air travel will adopt a risk-based approach, introducing a range of control measures and new operating processes throughout our airports to mitigate the risk of infection and transmission, these include:

- minimising passenger contact through increased contactless passenger processes;
- enhancing the cleaning of all passenger areas and vehicles;
- providing passenger sanitisation stations pre-security;
- providing Personal Protective Equipment to all operational frontline colleagues;
- installing perspex protection guards to check-in desks and information desks;
- using face coverings for all passengers in line with government guidance; and
- maintaining physical distancing where possible.

Business overview continued

The COVID-19 pandemic has presented a significant challenge to the aviation sector requiring the industry to significantly reduce operating costs, raise capital, and consolidate operations. These underlying issues present MAG with several strategic risks in the short-term, that will require addressing to mitigate their potential impacts. The key risks are:

- slow recovery in passenger demand;
- slow recovery in airline capacity and pressure on aviation yields;
- changes in consumer behaviour causing lower retail and carpark yields; and
- operating costs not aligned to passenger demand.

In response to these risks, MAG has engaged with its partners to align their requirements to support the recovery phase and future operations once traffic returns to normal and has implemented a commercial strategy with its airline and commercial partners to encourage accelerated growth in the short-term, while laying the foundation for future years to support sustained traffic growth. MAG will continue to offer its passengers and airlines the choice and range of products that is aligned to future policy, environmental and carbon commitments, consumer behaviour and travel requirements.









As traffic volumes return to pre-COVID-19 levels we will return to our strategy to invest in our infrastructure, continue to transform our business and processes, and provide global connectivity that meets our customers' needs and supports our airlines' ambitions.

Our long-term strategy will be to focus on the following three key areas:







- utilising our scale to grow passenger traffic across all our airports;
- continuing our successful strategy to accelerate the growth at Manchester and London Stansted; and
- investing in other growth opportunities including complementary airport service and digital businesses that will accelerate growth.

The timing of future investments will be determined by the recovery of traffic and the economic outlook. MAG will continue to take a balanced approach to align investments with future traffic and economic projections.

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 2021	Progress in 2021	
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	£178.6m 2020: £893.4m		(80.0)%
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	£(149.4)m 2020: £382.1m		(139.1)%
Result from operations (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 significant items	£(364.6)m 2020: £182.7m		(299.6)%
ROCE ^{1,2}	Achieve a healthy ROCE which exceeds our cost of capital	We generate profits which cover the cost of investing in our asset base	(8.1)% 2020: 4.0%		(302.5)%
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	£168.9m 2020: £570.3m		(70.4)%
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	£154.0m 2020: £540.7m		(71.5)%
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	£(188.7)m 2020: £402.5m		(146.8)%
Shareholder return	Generate growth in distributions for shareholders	We provide returns to reward the shareholders' investment	£nil 2020: £231.9m		(100)%

Key Performance Indicators continued

Measure	Aim	Context	Progress in 2021	Progress in 2021	
Passengers	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	6.3m 2020: 59.6m		(89.4)%
Departure punctuality ⁴	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations	93.4% 2020: 78.8%		+18.5%
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	193 2020: 286		(32.5)%
Carbon Reduction - CO ₂ emissions ⁶	Minimise the environmental impact of our operations	We closely monitor our CO ₂ emissions and environmental impact	1.190 2020: 0.232		+412.9%
Area of noise footprint ⁷	Being good neighbours with our communities	Minimising the impact of our operations on the local community	24.9 km ² 2020: 69.7 km ²		(64.3)%
Number of training placements provided ⁸	Supporting work in our communities	Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies	1,559 2020: New KPI	New KPI	New KPI
Health and Safety RIDDOR - reportable accidents 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	2 2020: 12		(83.3)%

1. As explained on page 12.

2. ROCE (return on capital employed) is calculated from adjusted operating profit as a percentage of average capital employed, and on a historical cost basis.

3. Investment property related to the Group's core property and the non-core property classified as assets held for sale.

4. Measured as a percentage of departures within 15 minutes of scheduled departure time. The improvement seen 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. The KPI relates to individual airports.

6. We measure carbon intensity against traffic units, which are defined by the International Air Transport Organisation as equivalent to 1,000 passengers or 100 tonnes of freight. In 2019-20 we changed the scope of reported emissions to align with government's new Streamlined Energy and Carbon Reporting (SECR) requirements. With lower activity this year we implemented a range of energy efficiency initiatives which reduced our total energy use by 14%. Despite these measures, and an overall gross market-based emission reduction of 8%, the more significant (82)% reduction in traffic units means that the emissions intensity of our operations increased this year. 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 38 of this Report.

7. This KPI has been modified this year to ensure we report performance measures which best reflect our performance. We have very limited influence over local planning policy, nearby developments and building occupancy. As such, our noise related KPI is now based on noise emissions, specifically the cumulative area of the 57dB LAeq 16hr noise contour at our airports. As a result of the COVID-19 pandemic, and significantly reduced airport activity, this year the size of our noise contours reduced by 64%. Similarly, the population within these noise contours reduced to 4,600 from a population of 38,200 in 2019-20.

8. This KPI has been modified this year to align with our CSR Strategy. Because the measure depends upon data which was not previously recorded it is not possible to report performance for previous years. 'Support' is delivered face to face and virtually and 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.

9. The number of RIDDOR reportable incidents has significantly reduced in the reporting period. While the COVID-19 control measures MAG has employed have played a significant part in keeping airports safe, the reduction in incidents correlates with the significant down turn in operations across MAG.

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 ('IFRS') in conformity with the requirements of the Companies Act 2006.

Headline Financials

The impact of COVID-19 on MAG's financial performance resulted in a 89.4% reduction in passenger levels and a fall in revenue of £714.8m (80.0%) in comparison to FY20. Whilst MAG has undertaken significant cost and cash mitigation measures, the relatively high proportion of fixed costs has resulted in a reported EBITDA loss of £149.4m (in comparison to a profit in FY20 of £382.1m).

MAG has taken prompt and decisive action during FY21 to mitigate the financial impact of the pandemic to ensure the long-term viability of the business. In addition to immediate cost and cash mitigation actions, the measures to enhance the business's liquidity have included: securing £300.0m of shareholder loan funding; fully drawing down available banking facilities; and the sale of the Group's non-core property portfolio for in excess of £400.0m, generating a profit from sale of discontinued activities of £39.3m. All of these actions have, despite the passenger led trading shortfall, resulted in the Group being able to maintain a broadly consistent net debt level and increase its cash position net of overdrafts by £258.9m to £530.2m (FY20: £271.3m).

	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m	Change £m	Change %
Passenger numbers	6.3	59.6	(53.3)	(89.4)%
Revenue – continuing operations	178.6	893.4	(714.8)	(80.0)%
Revenue – discontinued operations	8.5	28.9	(20.4)	(70.6)%
Adjusted EBITDA* – continuing operations	(149.4)	382.1	(531.5)	(139.1)%
Adjusted EBITDA* – discontinued operations	7.9	25.4	(17.5)	(68.9)%
Result from operations* – continuing operations	(364.6)	182.7	(547.3)	(299.6)%
Result from operations* – discontinued operations	7.9	19.0	(11.1)	(58.4)%
Result before taxation – continuing operations	(477.6)	75.4	(553.0)	(733.4)%
Result after taxation – continuing operations	(435.2)	15.3	(450.5)	(2,944.4)%
Result after taxation – discontinued operations	41.9	11.7	30.2	258.1%
Adjusted cash generated from operations*	(188.7)	402.5	(591.2)	(146.8)%
Capital investment	154.0	540.7	(386.7)	(71.5)%
Dividends paid in period	-	199.3	(199.3)	(100.0)%
Net Cash and Cash Equivalents	530.2	271.3	258.9	95.4%
Net Debt – including IFRS 16	(2,794.4)	(2,670.5)	(123.9)	4.6%
Net Debt – excluding IFRS 16	(2,358.1)	(2,253.5)	(104.6)	4.6%
Equity shareholders' funds	997.9	1,345.7	(347.8)	(25.8)%

* As explained on page 12.

Financial review continued

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 directors use these measures to review the performance of the Group, as evidenced by performance targets being significantly based on Adjusted EBITDA.

The APMs referred to in this report are:

- adjusted EBITDA¹; and
- return on capital employed²

The reconciliation of these APMs to the relevant IFRS measures is detailed below. The following APMs are reconciled to the relevant IFRS measure on the face of the Group's Income Statement and Cashflow Statement respectively:

- adjusted result from operations³; and
- adjusted net cash generated from operations⁴

As such, these measures are important and should be considered alongside the IFRS performance measures. The adjustments for each of the APMs from IFRS measures are separately disclosed and relate to items that are significant in size or non-recurring in nature, and where, in the directors' view, their separate disclosure gives a more accurate indication of 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 one-off and are presented within Significant 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:

- adjusted EBITDA¹.

Continuing operations	2021			2020		
	Adjusted before significant items £m	Significant items ⁵ £m	Adjusted after significant items £m	Adjusted before significant items £m	Significant items ⁵ £m	Adjusted after significant items £m
EBITDA	(149.4)	(38.3)	(187.7)	382.1	(18.6)	363.5
Depreciation and amortisation	(176.9)	-	(176.9)	(180.8)	-	(180.8)
Result from Operations	(326.3)	(38.3)	(364.6)	201.3	(18.6)	182.7

	2021	2020
Earnings before interest and tax (EBIT) (£'m)	(370.8)	184.9
Capital employed (total assets, less current liabilities) (£'m)	4,585.2	4,619.4
ROCE (EBIT/Capital Employed) (%)	(8.1)	4.0

Summary trading performance

Summary of Revenue Stream	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m	Change £m	Change %
Aviation income	74.3	361.2	(286.9)	(79.4)%
Retail concessions	16.2	200.0	(183.8)	(91.9)%
Car parking	39.5	234.8	(195.3)	(83.2)%
Property & property related income	20.5	18.7	1.8	9.6%
Other	28.1	78.7	(50.6)	(64.3)%
Total Revenue - continuing operations	178.6	893.4	(714.8)	(80.0)%
Total Revenue - discontinued -operations	8.5	28.9	(20.4)	(70.6)%

¹ Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, share of results of associate, gains and losses on sales and valuation of investment property, and before significant items.

² ROCE is defined in the footnotes on page 10.

³ Adjusted results from operations before significant items

⁴ Adjusted cash generated from operations is cash generated from operations before significant items.

⁵ Significant items are disclosed in note 3 on page 77.

Financial review continued

Summary Trading Performance continued

Summary of Revenue by Division	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m	Change £m	Change %
Manchester Airport	70.8	434.4	(363.6)	(83.7)%
London Stansted Airport	66.1	365.2	(299.1)	(81.9)%
East Midlands Airport	36.3	71.1	(34.8)	(48.9)%
MAG US	6.0	15.4	(9.4)	(61.0)%
Group, Consolidation and other	(0.6)	7.3	(7.9)	(108.2)%
Total Revenue - continuing operations	178.6	893.4	(714.8)	(80.0)%
Total Revenue - discontinued -operations	8.5	28.9	(20.4)	(70.6)%

This year's business performance was fundamentally altered by the impact of COVID-19 which impacted the Group from the start of the year. Despite a brief recovery after the initial lock-down, with the introduction of travel corridors, the re-imposition of tough travel restrictions from January onwards has resulted in passenger numbers being 89.4% down in comparison to 2020. This decrease being similar to that experienced across the industry and evenly spread across the Group's three airports.

The Group has experienced an overall revenue reduction of 80.0% in comparison to the prior period. The reductions in the airport divisions largely mirror the percentage reductions in passengers through the airports with reductions in the region of 80%-85%. The exception to this being the much smaller reduction of 48.9% at East Midlands owing to the increased cargo income which has increased by 40% to £23.4m. MAG US revenue has fallen by only 61.0% which is in part due to the addition of the revenues from the US acquisition completed on 22 June 2020 and the relatively more buoyant US trading levels during the year.

Aviation revenue fell by 79.4% in comparison to the prior year, with passenger mix at Manchester and general aviation at Stansted and East Midlands partially offsetting the lower volume of passengers. The Group experienced a shortfall in car parking revenues in line with the fall in aviation revenues. The reduction experienced in the retail revenue stream is more pronounced at 91.9% with some closures of retail units and yield reductions. MAG looks to work with its retail partners to ensure that both are in a position to take advantage of the increase in activity levels when we emerge from the pandemic.

Property income, from continuing activities, during the period remained relatively stable during the year, showing a 9.6% increase over the prior year. Other income has fallen by 64.3% with passenger related activities such as retail services and passenger mobility charges falling to a greater extent than utility recoveries.

Operating costs	Year ended 31 March 2021 (£m)	Year ended 31 March 2020 (£m)	Change £m	Change %
Employment costs	(203.9)	(265.4)	61.5	(23.2)%
Less: Job Retention Scheme income	58.9	-	58.9	-
Net employment costs	(145.0)	(265.4)	120.4	(45.4)%
Loss on sale of property plant and equipment	(0.1)	-	(0.1)	-
Depreciation and amortisation	(176.9)	(180.8)	3.9	(2.1)%
Other operating charges	(202.4)	(245.9)	43.5	(17.7)%
Less: Airport and Ground Operations Support Scheme	19.5	-	19.5	-
Net Operating Costs - continuing operations	(504.9)	(692.1)	187.2	(27.1)%

Overall costs, comprising employee costs and non-employee costs, decreased by £183.4m to £327.9m. Employee cost reduction activities of £120.4m resulted from: utilisation of the UK Government's Job Retention Scheme (£58.9m), and other employee cost reduction activities (10% pay reduction, initiatives to reduce overtime, temporary resources, recruitment, incentives and restructuring of the organization to reflect current demand levels). See note 4 to the financial statements where costs are discussed further.

The Group has also achieved other operating cost savings of £68.8m in areas including: AGOSS grant of £19.5m and savings in discretionary spend; rent rates & utilities; airfield costs, maintenance; and policing.

Financial review continued

Summary Trading Performance continued

Adjusted EBITDA* by Division	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m	Change £m	Change %
Manchester Airport	(91.5)	201.6	(293.1)	(145.4)%
London Stansted Airport	(58.4)	170.4	(228.8)	(134.3)%
East Midlands Airport	5.5	24.9	(19.4)	(77.9)%
MAG US	(1.3)	1.0	(2.3)	(230)%
Group, consolidation and other	(3.7)	(15.8)	12.1	(76.6)%
Total Adjusted EBITDA* - continuing operations	(149.4)	382.1	(531.5)	(139.1)%
Total Adjusted EBITDA* - discontinuing operations	7.9	25.4	(17.5)	(68.9)%

Adjusted EBITDA* position for the Group shows a reduction of £525.7m to a loss of £149.4m driven by the £714.8m Pax driven revenue reduction only partially mitigated by the £189.2m Group's cost mitigation actions compared to the prior year.

Depreciation and amortisation costs relating to continuing operations are £3.9m lower than the prior year at £176.9m. This reduction reflects accelerated depreciation recognised in the 2020 accounts. The Group has considered whether the non-financial assets have been impaired as a result of the pandemic and concluded that an impairment of £0.7m is required in relation to two of the Group's US based lounges (see note 16).

The Group has also recognised a credit of £15.9m of Significant items in the current year's accounts in comparison to a charge of £18.6m in the prior year. Of the overall credit, £54.2m relates to a modification gain relating to the Group's shareholder loans (as discussed in note 7 to the financial statements) with the residual charge of £38.3m relating to operating expenses and impact upon the Group's adjusted EBITDA performance metric (as discussed in note 3 to the financial statements). The principal components of the £38.3m charge recognised in the current year include: organisational restructuring costs £33.4m; pensions costs £2.7m; and acquisition costs relating to the purchase of three US businesses £1.2m (see note 18).

Results from operations by Division	Year ended 31 March 2021 £m	Year ended 31 March 2020 £m	Change £m	Change %
Manchester Airport	(189.2)	106.3	(295.5)	(278.0)%
London Stansted Airport	(143.8)	108.4	(252.2)	(232.7)%
East Midlands Airport	(9.7)	11.8	(21.5)	(182.2)%
MAG US	(6.8)	(2.0)	(4.8)	(240.0)%
Group, consolidation and other	(15.1)	(41.8)	26.7	(63.8)%
Total result from operations - continuing operations	(364.6)	182.7	(547.3)	(299.6)%
Total result from operations - discontinuing operations	7.9	19.0	(11.1)	(58.4)%

*As explained on page 12.

Financial review continued

Impact of COVID-19 on Financial Performance

The trading performance highlights the huge impact of the pandemic on MAG's trading performance with MAG. The business has undertaken cost and cash mitigation measures to mitigate the downturn in demand. These measures include utilising the government support available in the form of the CJRS and AGOSS government grants, reducing capital expenditure, curtailing discretionary spend and the streamlining of employee numbers to reflect anticipated demand levels.

In addition to the impact on demand, MAG has also considered the impact of COVID-19 on the Group as a going concern (covered in the Basis of Preparation at page 58), and the carrying value of both its non-financial and financial assets. COVID-19 is an impairment trigger that has resulted in the Group reviewing the carrying value of its significant assets. Management's testing concluded that an impairment of two of its US lounges amounting to £0.7m was required. Management acknowledge the challenges of estimating the recoverable amounts of its assets given their dependency on future cashflows, which depend upon the duration of the pandemic and the social restrictions implemented by governments. As a result, the accounting policies section on page 62 provides more detail of the impairment testing process undertaken and the assumptions used in arriving at the impairment quantification.

As highlighted in MAG's 2020 Annual Report, the pandemic also impacted upon the anticipated sale of the Group's non-core property portfolio. As part of its strategic finance response MAG was able to remain active in the marketing of the non-core property portfolio and was able to successfully conclude the sale in August 2020.

Additionally, the pandemic has also given rise to the modification of MAG's contractual arrangements. Most notably this is the modification gain recognised on its shareholder loans owing to the revision in anticipated cashflows but also in terms of MAG waiving minimum guaranteed payments as it looks to work with its partners as we progress towards recovery from the pandemic.

Business outlook

In addition to impacting the financial results for the year ended 31 March 2021, MAG have put in place a wide-ranging strategic response for the business beyond the reporting date including:

- MAG has again taken prompt and decisive action, leveraging our strategic finance response in 2020 to: generate funding; reduce costs; and protect the business to enable 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 impact of COVID-19 represents, is detailed in the Basis of preparation at page 58;
- Getting MAG ready to leverage the success of the UK vaccination programme and those of our target markets and benefit from pent-up consumer demand by;
 - Utilising our strong customer demographic and airline partnerships; and
 - Working closely with government and our partners to remobilise our operations and investment programmes;
- Our industry leading community engagement and CSR programmes will enable the Group to ensure that the business's recovery from the pandemic addresses the important issues such as sustainability.

MAG continues to have strong fundamentals, well invested infrastructure and talented people. Through these actions MAG is confident in its ability to successfully navigate the current situation and be well positioned to benefit from the rebound and recovery.

Trading units

Manchester Airport

Manchester Airport delivered 2.8m passengers travelling through the airport in the year to 31 March 2021, a decrease of 90.1% over the prior year.

			Variance	
	FY21	FY20		%
Passengers (million)	2.8	28.2	(25.4)	(90.1)%
Revenue (£m)	70.8	434.4	(363.6)	(83.7)%
Adjusted EBITDA* (£m)	(91.5)	201.6	(293.1)	(145.4)%

£ per Passenger	FY21	FY20	FY19
Aviation	7.4	6.3	6.1
Commercial	13.0	8.5	8.3
Operating costs	85.0	11.6	11.0

Financial review continued

Manchester Airport continued

The 90.1% reduction in passengers translated into an 83.7% reduction in revenue as Manchester, with all the core revenue streams of aviation, retail and car parking aligned to passenger volumes and therefore significantly impacted by COVID-19.

The airport has sought to manage its cost base and has reduced employee costs by £48.1m through a combination of utilising the UK Government's Coronavirus Job Retention Scheme and restructuring activities, with over a third of the roles removed vs FY20. Additionally, the business also reduced non-employee costs by £28.4m through utilising the AGOSS, savings across rent, rates & utilities, airfield costs, cleaning, policing and maintenance expenditure. The combined impact of reducing revenue by £363.6m was partially offset by operating cost savings of £76.5m has resulted in Manchester's Adjusted EBITDA* reducing by £287.3m to a loss of £85.7m. Management has achieved a significant reduction in the airport's overall cost base through robust and timely action, implementing a comprehensive cost savings programme across all areas of the business, right-sizing the operation to lower passenger volumes, all whilst keeping the airport open, safe and compliant throughout. This has included the consolidation of infrastructure from three terminals to a single terminal operation, alongside reducing to minimal operations when government lockdown measures / broader restrictions on International travel were imposed. Despite the strong action to reduce overall costs where possible, the high proportion of costs that are largely 'fixed' in nature and do not decrease in line with passenger volumes, resulting in a significant increase in our relative cost per passenger.

During FY21, capital expenditure was slowed down, with investment prioritising the completion of the first phase of MAN-TP, alongside critical and regulatory spend across the wider estate, with all other expenditure reduced or deferred where possible. The business plans to open the first phase of MAN-TP in the first half of FY22, dependent on the recovery of passenger demand, with future phases of MAN-TP being deferred until the economic environment normalises.

London Stansted Airport

London Stansted Airport has experienced a reduction of 88.5% in passenger numbers over the course of the whole year with a total of 3.1m passengers.

			Variance	
	FY21	FY20		%
Passengers (million)	3.1	26.9	(23.8)	(88.5)%
Revenue (£m)	66.1	365.2	(299.1)	(81.9)%
Adjusted EBITDA* (£m)	(58.4)	170.4	(228.8)	(134.3)%

£ per Passenger	FY21	FY20	FY19
Aviation	9.2	5.8	5.6
Commercial	10.6	7.6	7.0
Operating costs	62.5	9.8	9.0

The 88.5% reduction in passengers translated into an 81.9% reduction in revenue at Stansted with all key revenue lines, aviation, retail and car parking impacted by the drop in passenger volumes

The airport has sought to manage its cost base and has reduced employee costs by £36.2m through a combination of utilising the UK Government's Coronavirus Job Retention Scheme and restructuring activities. Additionally, the business also reduced non-employee costs by £34.1m through utilising the AGOSS, savings in rent, rates & utilities, policing, airfield costs, car parking operations and maintenance spend.

The combined impact of reducing revenue by £299.1m was partially offset by operating cost savings of £70.3m has resulted in Stansted's Adjusted EBITDA* reducing by £228.8m to a loss of £58.4m. Management undertook extensive and comprehensive cost saving measures across all areas of the business during the year to right-size the organisation and operation at a time of significant passenger decline, whilst keeping the airport open, safe, compliant and operational, with the capability to remobilise at pace as passenger demand returns. This included moving to a minimal operational environment with the periodic consolidation of facilities to one satellite and limited 12 hour terminal opening windows during periods of Government 'lock down' and restrictions on travel, whilst keeping the airfield open to facilitate both passenger and cargo operations. The airport ensured its environment was COVID-19 compliant and safe for passengers, staff and visitors, installing hand sanitisation stations, extensive perspex screening and social distancing measures, receiving accreditation of its standards in line with industry best practice.

MAG slowed the pace of construction on the STN-TP project and focused its efforts on completing works underway, primarily the enabling works for the arrivals terminal extension. The remaining STN-TP has been deferred until passenger forecasts are more certain and demand levels recover.

*As explained on page 12.

Financial review continued

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.

			Variance	
	FY21	FY20		%
Passengers (million)	0.4	4.5	(4.1)	(91.1)%
Revenue (£m)	36.3	71.1	(34.8)	(48.9)%
Adjusted EBITDA* (£m)	5.5	24.9	(19.4)	(77.9)%

£ per Passenger	FY21	FY20	FY19
Aviation	60.3	5.8	5.1
Commercial	18.2	9.2	8.4
Operating costs	109.3	13.1	11.8

Whilst passengers levels have decreased by 91.1% to 0.4m, cargo's performance over the period has supported revenue levels so that revenue reduction was only 48.9% year on year. Cargo showed a 40% increase in activity from the prior year, reflecting the airport's position as a key cargo hub for the UK and has helped East Midlands maintain a positive adjusted EBITDA* position at £5.5m (2020: £24.9m).

To address the downturn in passenger demand levels the business has reduced its employee costs by £7.7m through a combination of utilizing the UK Government's Coronavirus Job Retention Scheme and restructuring. Additionally, the business also reduced its non-employee cost base by £7.7m including utilising the AGOSS.

UK Property Disposal

As disclosed in the Interim report, on 7 August 2020 the Group successfully concluded the sale of its non-core property portfolio and a 50% shareholding in the Airport City joint venture to Columbia Threadneedle Investments for circa £370.0m. The Group also sold the residual elements of the portfolio for a further £59.2m in October 2020.

The disposals generated an overall profit of £31.3m comprising a £39.3m profit on sale of non-core property, recognised as a significant item in the result from discontinued operations and a loss of £8.0m from the disposal of MAG's 50% holding in the Airport City associate which is recognised as part of "share of result of associate" in the result from continuing operations. The disposals are discussed in detail in note 39 to the financial statements.

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. The sale of the non-core property portfolio in August 2020 significantly reduced the Group's investment property holding. During the year ended 31 March 2021 the Group's investment properties experienced a £1.2m upward revaluation to £166.9m, representing a 0.9% underlying increase in the value of the portfolio.

MAG sold a 50% MAG's shareholding in Airport City during the period. The Group has retained a 20% interest in the 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, but due to the decrease in its shareholding this is classified as an associate. The additional investment during the year and a profit of £0.5m increased the carrying value to £10.1m and is attributed to the Group's shareholding as at 31 March 2021 (2020: £7.0m).

*As explained on page 12.

Financial review continued

Trading units continued

US Acquisition

On 22 June 2020 MAG acquired 100% of the share capital of AirportParkingReservations.com LLC (APR), ParkSleepFly.com LLC (PSF) and its subsidiary ShuttleFinder.net LLC (SF). The consideration being an initial cash consideration of \$31.3m; deferred consideration of \$25.8m; and contingent consideration of up to \$12.5m. A purchase price allocation (PPA) exercise has valued consideration at \$65.1m and generating intangible assets of \$23.0m upon acquisition, relating to trade names, operator relationships and technology which was reflected in note 18 to the accounts.

MAG put in place a forward purchase contract for both the upfront payment and the deferred consideration of \$25m. MAG has applied hedge accounting for this forward contract and reflected the £2.4m gain from the hedge through the SOCIE. The subsequent strengthening of sterling against the dollar by the reporting date has resulted in a foreign exchange loss of £3.9m being posted to the Statement of changes in equity in relation to the acquired assets.

MAG US

As part of the overall Group strategy, opportunities were identified to utilise MAG's existing expertise, drawn from its running of the three UK airports, to provide a unique offering to the North American market, exploiting potential long-term opportunities across passenger lounges, car parking services the development and operation of terminal and/or retail concessions and the newly acquired online car-parking aggregators (APR, PSF & SF).

Despite the impact of COVID-19, the resilience in the US market has been comparatively robust given the composition of travel being heavily domestic compared to many other countries, and this is demonstrated by the lower levels of reduction in turnover in FY21. The Transportation Security Administration (TSA) throughput has improved during the last quarter of FY21 and into FY22 and while business travel has certainly declined, the US market has seen increases in the number of people that are traveling to other parts of the country to do business.

Cashflow

Adjusted cash generated from continuing operations* has decreased to a net outflow of £201.5m, a decrease of 151.0% in comparison to the FY20 levels. Adjusted cash generated from operating activities represented 139% of EBITDA, with the reduction principally arising owing to the reduction in trade and other payables exceeding the reduction in the Group's receivable position.

Over the year ended 31 March 2021 the Group's net cash position improved by £258.9m to £530.2m with the funding secured from the sale of discontinued operations (£400.1m) and funding from financing, principally the cash injection of shareholder loans, (£325.2m), principally the cash injection from shareholder loans (£300.0m), more than offsetting net cash investment of £188.4m and the cash outflow from operations of £240.8m.

Group Cash flow (£m)	FY21	FY20	% Change
Adjusted cash generated from operations**	(188.7)	402.5	(146.8)%
Significant items	(39.1)	(8.1)	382.7%
Cash generated from operations	(227.8)	394.4	(157.8)%
Net operating cash from discontinued operations	0.7	19.2	(96.4)%
Interest and tax	(37.9)	(169.9)	(77.7)%
Net cash used in investing activities	(201.4)	(509.1)	(60.4)%
Sale of investment in discontinued operations	400.1	-	100%
Dividends paid	-	(199.3)	(100.0)%
Net cash from financing activities	325.2	504.2	(35.5)%
Net increase in cash and cash equivalents	258.9	238.8	8.4%
Year end position:			
Net cash and cash equivalents	530.2	271.3	95.4%

* As explained on page 12.

Financial review continued

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 in the Group's financial resilience over the past 12 months as the Group has addressed the unprecedented issues caused by 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 when they occur.

Group net debt (excluding leases) has increased to £2,358.1m (2020: £2,253.5m). The movement during the year reflects the cash outflow from operating activities after interest and tax of £277.8m and investments of £188.6m in being offset by proceeds from sale of investments of £400.1m resulting in a net £66.3m outflow before financing. The increase in debt from financing activities of £325m, principally the cash injection from shareholder loans (£300.0m), has been partially offset by the £258.9m increase in net cash balances. Consequently, after taking into account IFRS 16, Group net debt of £2,794.4m comprises: long-term fixed rate bonds (£1,438.2m); shareholder loans (£967.5m); drawdown funds from the £500.0m Secured Revolving Credit Facility (£482.6m) and lease liabilities (£436.3m); offset by net cash of £530.2m at 31 March 2021.

Group net interest payable in the financial statements amounts to £106.8m and reflects a reduction of 2.5% in comparison to the prior year. The overall reduction in interest charge arises due to the recognition of a £54.2m modification gain on the Group's shareholder loans. This gain arose as a result of the deferral in payment of loan interest as part of the 2020 strategic finance response and deferred interest attracting a lower interest charge than the effective interest rate on the loans. The Group currently forecasts that the accrued shareholder loan interest will start to be repaid commencing in FY24.

The modification gain more than offsets the underlying interest payable which has increased by 27.8% to £151.3m reflecting the additional £300.0m funding through shareholder loans and full drawdown of the revolving credit facility throughout the period. In addition to the underlying interest the finance charge on IFRS 16 leases increased marginally to £22.4m (2020: £21.9m) whereas IAS 19 interest on the Group's defined benefit pension schemes reduced to £1.1m (2020: £2.2m). The capitalisation of £10.4m (2020: £23.4m) of borrowing costs relating to capital investment programmes, in line with IAS 23 and the Group's accounting policies are consistent with prior year but reflect the reduced level of capital expenditure during the year end the completion of existing phases of the MAN-TP and STN-TP programmes.

As part of its 2020 strategic finance response to the pandemic the Group secured an additional £300.0m of funding through shareholder loans, cash proceeds in excess of £400.0m from the sale of its non-core property portfolio, deferral of dividend and shareholder loan interest, significant cash and cost mitigation activities and has fully drawdown the funds on its revolving credit facility. As a result, despite the impact of COVID-19 on passenger levels throughout FY21 the Group had £530.2m (2020: £271.3m) in cash at the year end, an increase in liquidity of £258.9m. This responsible treasury management approach enables the Group to place itself in the best position to address current market conditions until the market returns to normal levels.

In response to the ongoing impact of the COVID-19 pandemic the Group has implemented a strategic financing response for 2021, which has built upon the foundations of the 2020 response detailed above and is outlined in greater detail in the Basis of Preparation on page 58.

Capital expenditure

As a result of the COVID-19 pandemic, MAG has refocused its capital expenditure programmes to complete the phases of the transformation programmes which were in progress. Consequently, the Group's investment of £154.0m in infrastructure during the year was a significant reduction in comparison to the prior period (2020: £540.7m), with MAN-TP representing 53.9% of the Group's total capital expenditure. MAG's property plant and equipment balance has remained relatively static at £3,296.5m (2020: £3,350.9m) with depreciation offsetting the investment made during the year.

Leases (IFRS 16)

During the year ended 31 March 2021 the Group's lease liability increased to £436.3m (2020: £417.0m), with the principal component relating to the remeasurement of an underlying lease at Manchester Airport which arose through the Group's sale of its non-core property portfolio. The right-of-use asset balance has only increased marginally to £419.5m (2020: £414.8m), as the asset of £11.2m arising from the sale of the non-core property has been reclassified to long-term lease receivable.

Note 40 to these financial statements provide a full reconciliation of the impact of the transition to IFRS 16 from IAS 17 (the previous standard). This analysis is provided to aid the users view of the impact of IFRS 16 as the Group's banking covenants are calculated on a frozen GAAP basis.

Financial review continued

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. The Greater Manchester Pension Fund (GMPF) comprises 77.6% (2020: 70.1)% of the net aggregate Group pension scheme deficit.

Summary of changes in aggregate pension scheme deficit	£m
Deficit as at 31 March 2020	(46.2)
Current service & past service cost	(7.4)
Other financial expenses	(1.1)
Contributions	11.4
Curtailment loss	(1.9)
Actuarial loss	(9.7)
Deficit as at 31 March 2021	(54.9)

During the year the aggregate of the Group's defined benefit schemes moved with the IAS 19 accounting deficit of £46.2m increasing by £8.7m to £54.9m. This reflects a £9.7m actuarial loss relating to an increase in scheme liabilities of £127.0m, driven by higher inflation and future salary assumption, but partially offset by an increase in schemes assets of £118.1m. Following the Government's announcement to align RPI and CPI-H from February 2030, MAG has adjusted its RPI assumption (refer to RPI Inflation reform section in note 30). The £1.0m residual movement in the deficit relates to the surplus of contributions paid into the scheme in comparison to expenditure recognised through the income statement.

In addition to the revisions in actuarial assumptions the deficit was also impacted by contributions of £11.4m in the year which were greater than the current and past service cost and other expenses of £7.4m, and by two non-recurring transactions: a curtailment loss of £1.9m which has been recognised in the income statement through significant items, and the impact of the further ruling by the High Court on the 27 November 2020 on the Guaranteed Minimum Pension (GMP) applicable to all schemes, where the impact to MAG was less than £0.1m.

As part of MAG's pension risk management strategy, during the year MAG has consulted with scheme members of its defined benefit pension schemes regarding the closure of the schemes. In March 2021 MAG advised members that the consultation period had ended and the Group's intention was to close the schemes to future accruals. No adjustment has been reflected in the financial statements to reflect these closures as MAG has yet to agree a path to closure with the trustees and therefore has not passed the threshold required by IAS 19.

Taxation

The total tax credit of £40.7m in the consolidated income statement (compared to a £61.9m charge in the prior year). The underlying effective current tax rate of 8.4% (2020: 69.6%) is lower 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.

Equity Shareholders funds and dividends

Equity shareholders' funds are £997.9m as at 31 March 2021 (2020: £1,345.7m). The movement comprises £393.3m loss after tax and significant items, an equity injection of £56.1m relating to the funding of a car park; loss on remeasurement of pension liabilities (net of tax) of £7.9m, recorded in equity, a hedging gain of £2.4m on the MAG's US acquisition and foreign exchange loss of £5.1m on the investment in MAG US.

Whilst the Group has a long-term objective to grow dividends to shareholders in a sustainable manner, owing to the impact of COVID-19 upon the Group's current trading outlook there is no proposed final dividend for the year ended 31 March 2021.

Financial review continued**Post-balance sheet events**

On 3 June 2021, the Group successfully obtained consent from its banks and bondholders to waive covenant testing in September 2021 and March 2022 and modify the covenant test to be performed in September 2022.

In the 3 March 2021 budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This announcement, when enacted, will have an effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the net deferred tax liability would have increased by £60.5m.

On 26 May 2021 the Planning Inspectorate announced that MAG's 35+ planning appeal at Stansted airport had been successful. This results in the Group receiving permission for the growth of Stansted airport to 43 million passengers per annum. Uttlesford district council have confirmed they will appeal this decision.



Jan Bramall
Group Chief Financial Officer
8th July 2021

Leadership and governance

As we describe in the strategic report, this has been another challenging year for the aviation sector. Almost all companies have faced new challenges to their core operations and to protecting the health, safety and wellbeing of their customers, staff and business partners. MAG, like all aviation businesses, has had to address these challenges while also facing the most severe public health restrictions on trading of any sector of the UK economy. Against this backdrop, it is a testament to the dedication, resilience and strength of our senior management team (and in turn their teams, and our staff generally), their business resilience plans, our Board's diverse skills and an appropriate governance and internal control framework that we have been able to navigate the exceptional external challenges we have faced. At the same time, we have maintained our disciplined approach to safety standards as the health, safety and wellbeing of our customers, staff and business partners are paramount.

MAG considers that strong corporate governance is a core foundation for any successful company and is 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. As noted in the s172 statement below the views of stakeholders, is monitored by the Company's CSR Committee, chaired by Vanda Murray. 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 28. While this year's extraordinary conditions have made it more difficult to deliver some parts of the new CSR Strategy we adopted last year, other aspects of our CSR programme have been strengthened as colleagues have stepped up to volunteer in their local communities throughout the COVID-19 pandemic. This year also represents a step change in our sustainability reporting, as we have adopted the recommendations from the Task Force on Climate-Related Financial Disclosures. The Board's consideration of stakeholder views is described more fully in the s172 statement below.

A large proportion of the Board's attention this year has been on supporting the executive team and providing robust scrutiny and healthy challenge as they have navigated the risks and opportunities presented by the COVID-19 pandemic. As such, there has not been a wholesale strategic review carried out this year and a full Board evaluation process has been deferred. With the exception of the resignations of Neil Thompson and Andrew Cowan in October 2020, and the appointment of Jan Bramall as Chief Financial Officer in December 2020, there were no other changes to the Board's constitution. Once the sustained recovery of international travel has begun following the pandemic, it will become possible to plan over a longer time horizon and ensure that MAG's business model continues to evolve to maximise opportunities and mitigate risks posed by the long-term effects of the pandemic on travel.

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.

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

Leadership and governance continued

Stakeholder engagement

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 an integral part 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.</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, including the CSR Sub-Committee, which considers safety and responsible business practices, including environmental impacts.
Colleagues	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>Our colleagues want a workplace that is safe, inclusive and offers them opportunities to develop their career.</p> <p>Colleagues want to be a part of the decisions that affect them supported by an effective system of internal communication.</p>	The Board receives regular reports on safety matters and the CSR Sub-Committee, which is attended by the Chief People Officer and provides an opportunity for workplace issues, including fair pay, diversity and inclusion to be discussed.
Passengers	Passengers provide much of our income. They are the foundation for our business. It is important that, working with our airline partners, we seek to provide the best range of services to meet their transport needs.	Our customers want our airports to be accessible; to provide a safe, secure, clean and welcoming environment, and to experience an efficient service.	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 special or additional support to access our services.
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 local communities, though some of the impacts of our operations, particularly impacts on the natural environment, 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 more generally 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 climate targets.</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.

Leadership and governance continued

Stakeholder engagement 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 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 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.

Leadership and governance continued

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

As set out within this Governance section, the Board oversees a risk management process, including a dedicated Audit Committee. 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 impact of new, emerging and existing risks arising as a result of the COVID-19 pandemic, climate change and Brexit, alongside long-standing and important risks around IT, people and regulatory compliance.

With the impact of the COVID-19 pandemic, this year it has been necessary to take steps that secure the long-term stability and success of the business. The Board has ensured that the company has been able to maintain a stable financial position, with access to sufficient funding. Whilst it has been necessary to reduce and realign investment plans, the Board has continued to support the measures necessary to secure the long-term recovery, including the completion of the MAN-TP, which will deliver new terminal capacity and the appeal of the planning application at Stansted to grow the airport beyond the current planning cap of 35 million passengers per annum.

Having regard to the interests of the company's employees

This has been a challenging year for our colleagues. The sharp fall in passenger numbers has resulted in many of them working reduced hours and MAG has made extensive use of the Government's Coronavirus Job Retention Scheme (CJRS). Whilst it has been necessary to share the financial impact on the business with colleagues, we have gone beyond the minimum requirements of the CJRS reaching an agreement that all colleagues continued to receive 90% of their regular pay. Where it has been necessary to make redundancies to ensure that the business has the right number of colleagues to serve the reduced number of passengers, this has been done only after full consultation, taking advantage of CJRS 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. Colleagues who remain employed by the business but who have reduced working hours have been advised of, and encouraged to take on, volunteering opportunities. As set out in the CSR section, many of our colleagues have taken up this opportunity, making an invaluable contribution to their communities. 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, diversity and inclusion and fair pay. Safety remains a critical priority for the Board and in addition to scrutinising regular safety performance reports, the CSR Committee has overseen a review of safety management and the production of a new health and safety strategy. This has been particularly important this year with the introduction of COVID-19 secure protocols.

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

Despite the challenges presented by the global pandemic, regular consultation forums have been maintained. 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 groups and to ensure we take account of their views in decision making.

This year we commissioned an independently facilitated materiality review to assess how stakeholders' views have changed, particularly given the impact of pandemic. This review has also informed 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 ISO14001. 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, the measures being taken to achieve net zero emissions and the assessment and reporting of risk consistent with the Taskforce on Climate Related Financial Disclosures (TCFD). As set out in Internal control and risk management section, the reporting of emissions and climate risk have been enhanced 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.

This year the company became a supporter of the Greater Manchester Good Work Charter and, consistent with the commitment in the CSR Strategy, work continues to develop the MAG Good Work Charter. The Board takes an active interest in issues that might impact MAG's reputation.

Leadership and governance continued

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.

Taking a long-term view of risks and opportunities

We operate a systematic process to identify risks and opportunities. Further information on our risk framework can be found on pages 40 to 45. Our principal risks include the need to maintain a safe and secure operation, within a highly regulated sector; responding to changes that may arise as the UK exits the European Union; responding to changes in passenger levels and the UK and global economic outlook; and the need to attract and retain talented people. This year, increased risk associated with climate change informed the Board's view in agreeing a new commitment to transition MAG to a net zero carbon business by no later than 2038. Our assessment of risk is regularly reported to the Board, to allow the long-term consequences of decisions to be assessed.

Managing our impacts on local communities and the environment

Ensuring local communities benefit from operations at our airports and minimising impacts including noise and emissions have consistently been a high priority for MAG. We also have well established environmental management systems.

The CSR Committee receives regular reports on all relevant aspects of policy, regulation and performance, and this year agreed a new five-year CSR Strategy. Further detail can be found on page 34.

Maintaining a reputation for high standards of business conduct

It is important that MAG operates to high standards of business conduct and appropriate policies, including the prevention of bribery and corruption have been implemented, with supporting training for those colleagues whose work is most likely to expose them to relevant risks. All colleagues have access to an anonymous reporting service to report any instance of bullying or intimidation in the workplace. To demonstrate transparency in reporting, MAG publishes an annual CSR Report, which includes full disclosure against the relevant industry sector guidance published by the Global Reporting Institute (GRI). The most recent disclosure can be found on page 34. The CSR Committee receive and approve the CSR Report prior to publication.

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)%. Amongst those owners, The Council of the City of Manchester and IFM GIF enjoy, in equal shares, the voting rights in general 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.



* (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)

Leadership and governance continued

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. 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.

It is considered that the size of the Board is sufficient for the requirements of the business and that there is an appropriate balance of independent and shareholder-appointed non-executive and executive directors on the Board, with the Shareholder representative groups being equally represented. The Board meets formally six times per year with updates every month being given to the Board. In addition, the Board does consider specific business matters on other occasions and has met regularly during the COVID-19 pandemic.

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 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.

Certain matters are reserved for decision by the Group's voting shareholders, and others are reserved for the Board. The day-to-day management of the Group, the development and implementation of strategy, and the delivery of Group financial and operational objectives are the responsibilities of the Chief Executive. He is supported by his executive committee which comprises the Chief Executive, the Chief Financial Officer, the Chief Development Officer, Chief Information Officer, Chief People Office, Chief Executive of MAG US, Chief of Staff, Managing Directors of the Group's three airports and MAG's Airport Services, and the General Counsel & Company Secretary.

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 appointing voting shareholders hold office for so long as the shareholder wishes them to do so. The remaining non-executive directors are appointed initially for a term of three years, with any renewal of that (and any subsequent) term 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.

Independent Non-Executive Directors

Of the above, Vanda Murray, Catherine (Cath) Schefer, Robert Napier and Jonathan (Jon) Wragg are non-executive directors whom the Board consider to be independent. Vanda Murray has now served on the Board for 10 years as of July 2020. Given the material issues that the business continues to contend with, together with her immense wealth of knowledge of the Company and business acumen, the shareholders and Nomination Committee have concluded against requisite independence criteria that her tenure should continue (as a private company is able to do). Sir Adrian Montague also met the independence criteria set out in the Code, both on his appointment as Chair, and at all times since. Shareholder appointed non-executive directors during the year were Sir Richard Leese and John Blundell (Shareholder representative for the District Councils of Manchester) and Manoj Mehta and Christian Seymour (representing IFM).

Board Effectiveness

To support quality decision-taking, the Board receives, prior to each meeting on a timely basis, a comprehensive suite of executive reports and papers covering, as standing items, 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.

Leadership and governance continued

Board Committees continued

The Group seeks to provide the necessary resources to enable directors to remain abreast of developments relevant to the Group's businesses 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

As a Board we have always taken decisions for the long term, and this is part of the substance of MAG; our annual business plan cycle reminds us to consider the impact of any strategy decisions on the long-term strategy.

The Company Secretary plays an important role in reminding the Board of the s172 requirements by setting out the substance of s172 Companies Act 2006 when the Board meet and including this on the agenda to prompt meaningful discussion and to ensure that the Board:

- considers the likely consequences of any decision in the long term;
- considers the interests of MAG's employees;
- fosters MAG's business relationships with its suppliers, customers and others;
- assesses the impact of MAG's operation on the community and the environment (as further explored on page 34 in the CSR Report);
- considers the desirability of MAG maintaining a reputation for high standards of business conduct; and
- acts fairly as between members of MAG.

The summary on page 23 to 24 illustrates how the Board and management have taken account of these matters in its assessments, day to day business conduct and assessments throughout the year. We appreciate that our business can only grow and prosper over the long term if we understand and respect the views and needs of our customers, colleagues and the communities in which we operate and also take in to account the impact on our suppliers, the environment and the shareholders that we are accountable. The impact of our business on the community and environment (including climate change) is also addressed in the strategic report. The relevant arrangements have been made for Board meetings since the outbreak of the COVID-19 pandemic. These have taken place via video conference to ensure the Board has been able to function effectively whilst safeguarding the wellbeing of Board members.

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 2021 the Committee met three times. All of the members of the Committee attended the meetings, at which the following was considered:

- Operating model and organization during COVID-19's service leadership exits; and
- assessment of senior management objectives and appointment of Jan Bramall as Chief Financial Officer.

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 FY22 financial year.

Leadership and governance continued

Audit Committee

Chair: Robert Napier (CBE DL FRCS (Hon))

Alongside myself, membership of the Audit Committee at 31st March 2021 included Vanda Murray, Jon Wragg 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, IT strategy implementation and move to an in-house Security Operations Centre;
- 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;
- evaluated the external audit activity, specifically in relation to the key risks (impairment of non-financial assets, going concern, valuation of investment property, and the valuation of goodwill and intangible assets as part of the acquisition accounting process) and key judgemental areas (pensions and tax);
- 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; and
- assessed the sector relevant knowledge and skill sets of the KPMG audit partner who took over in an audit partner rotation.

In the assessment of the draft FY21 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.

As part of the annual inspection of audit firms, the Audit Quality Review ("AQR") team of the Financial Reporting Council ("FRC") reviewed KPMG's audit of the Group accounts for the year ended 31 March 2020. The Committee reviewed the AQR report with KPMG and the Chair of the Audit Committee met with the FRC team to discuss the review. Overall we found the results of the review reassuring with no issues identified which we considered cast doubt on the fundamental quality of our audit or which raised issues about our financial reporting.

The Audit Committee met four times during the year. All the members attended all meetings in FY21. 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)

Shaping a sustainable recovery

This year has shown the strength and resilience of our airports. Amidst challenging circumstances, the importance of wellbeing and the value of the natural environment have increased to communities and colleagues alike. Having last year published its Corporate Social Responsibility Strategy, founded on feedback from a wide range of stakeholders, MAG has been well placed to respond to the pandemic, support its colleagues and build back better as the aviation industry recovers and passenger numbers begin to recover.

Climate change is the defining challenge of our age. As governments respond to the climate challenge, next year will be an important opportunity for the UK government and the aviation industry to lead by example as global leaders gather in Scotland for COP26. MAG has been a climate leader for many years, operating the UK's first carbon neutral airports and – through its CSR Strategy – committing to achieve net zero carbon emissions no later than 2038. Tackling climate change requires a partnership between industry and government and this year I am delighted to see MAG's CEO join the Government's Jet Zero Council and to witness the launch of MAG's zero carbon flight competition – offering free landing fees to the first zero carbon aircraft at one of MAG's airports.

Leadership and governance continued

Shaping a sustainable recovery continued

Recognising stakeholders' growing interest in corporate responsibility, this year MAG has worked with the CSR Committee to enhance its well-established disclosures. As a result, MAG continues to meet the 'comprehensive' standard for disclosures established by the Global Reporting Initiative, including the publication of a new climate data compendium. This report has also been enhanced, responding to recommendations from the Task Force on Climate-Related Financial Disclosures, demonstrating the focus MAG places on the risks posed by climate change and ensuring MAG's strategic and CSR reporting reflect the changes to environmental, social and governance (ESG) needs of investors.

CSR is at the heart of MAG's culture, bringing together the company, its colleagues and communities to deliver a more sustainable business which enriches the regions it serves. As the business recovers from the impacts of COVID-19, the strength of its governance, leadership and approach to CSR position it well to do so sustainably in a way that creates opportunity for its people, minimises impacts on the environment and is sensitive 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;
- Modern slavery; and
- CSR reporting, communications and engagement.

The 'Sustainability at MAG' section of this report, at page 34, 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 2021. 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 that Corporate Social Responsibility (CSR) Committee in areas such as fairness, gender pay and diversity and inclusion.

Leadership and governance continued

Remuneration Committee continued

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.

During FY21 the Committee's approach was materially influenced by COVID-19 as set out below.

What Were The Committee's Responsibilities And Key Activities Undertaken In 2020/21?

The key responsibilities and activities were adjusted to take account of the impact that COVID-19 has had on the Group and to respond accordingly, and comprised:

- considering remuneration decisions in the context of the overall business performance of the Group;
- recommending changes to the total remuneration packages of the Executive Directors (including the Chief Executive) and other senior executives within the Group, including:
 - implementation of a pay cut of 10% for Executive, Non Executive Directors and all employees; and
 - the suspension of the short term incentive plan (STIP) for 2021 and in flight long term incentives (LTIP)
- reviewing performance and determining payments in FY21 for the STIP and LTIP awards to 31 March 2020;
- review of and appointment of new Remuneration Committee advisors;
- consideration of market trends and corporate governance and considering incentive structures for future years; and
- oversight of the pay and conditions of the wider workforce, including review of Group remuneration policies.

Leadership and governance continued

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). 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>
<p>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>	<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>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>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>The decision was taken to suspend participation in the Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP) for MAG Executive Directors in FY21.</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. Additional emoluments of £0.3m were paid post year end.

Leadership and governance 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 page 34. 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.

Corporate social responsibility

Our corporate social responsibility journey

This has been a challenging year for us all: MAG, our colleagues, our communities, and the wider aviation industry. However, we remain confident that our 2020 Corporate Social Responsibility (CSR) Strategy '*Working together for a brighter future*⁴', remains appropriate and achievable. This year we have focused on guiding the business through unprecedented times whilst building the foundation for a sustainable recovery, and we are in a good position to prepare for a safe and successful return of air travel.

To understand changes since 2018, including the effects of the COVID-19 pandemic, we commissioned an independent review of our materiality assessment, which considers the needs and expectations of our stakeholders. Climate change has become the most material issue for our business. Issues associated with local air quality, fair and decent work, and diversity and inclusion are increasingly pressing areas of importance for our stakeholders. Reflecting reduced levels of air traffic in 2020, stakeholders reported that noise has reduced in importance. However, noise remains a key priority for us and we recognise that this will continue to be important to our local communities. In anticipation of an increased stakeholder interest in economic transparency, we have decided to include further disclosures on the economic and tax performance metrics when we publish our CSR Report later this year.

We are immensely proud of our airport colleagues who have engaged in over 23,000 hours of volunteering since last spring, supporting our local communities in response to the effects of the COVID-19 pandemic. Our Community Funds have awarded over £253,000, helping more than 130 local organisations to build back better. Our Airport Academies continue to play an important role this year, adapting to provide outplacement support for over 1,200 people.

Pressures on the business, because of the COVID-19 pandemic, are expected to continue throughout the next year. In response to this, we have worked with the CSR Committee to agree a focused CSR Programme which is aligned with our long-term Strategy and prioritises work on the most material issues. This approach will ensure that we respond to the full range of challenges the business faces and put in place the foundations that will enable us to build back better once conditions improve. Our focus for the next year will be to:

- Meet our regulatory obligations and public commitments.
- Enhance our approach to Modern Slavery.
- Introduce sustainability league tables that will encourage quieter, more fuel-efficient aircraft operations at our airports.
- Offer high-quality inclusive customer experience, maintaining a Civil Aviation Authority rating of at least 'Good' at all airports.
- Support local suppliers through our highly regarded Meet the Buyer events.
- Maintain our existing environmental, energy-related, and occupational health and safety management certifications (ISO14001, ISO50001 & ISO45001).

Zero carbon airports

For over 15 years, MAG has been dedicated to reducing the carbon intensity of our own operations. Our sustainability initiatives extend beyond managing our direct impacts and include widespread collaboration to decarbonise our value chain, including with industry partners to minimise emissions from aircraft. Last year MAG established its target to achieve net zero carbon operations by 2038 or before. This year, to enhance our understanding of the financial risks associated with climate change, we have aligned our Annual Report with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (see page 46). By evaluating risks and exposures over the short, medium, and long term, this change will inform decision making and support our CSR Strategy.

As we head towards the United Nations Climate Change Conference (COP26), this year is an important moment for the UK and its world-leading aviation industry to demonstrate leadership in its journey to net zero carbon. In that regard, we support the Government's accounting change to include emissions from international aviation and shipping in the UK's sixth carbon budget and its ambition to establish international commitment to net zero aviation at next year's International Civil Aviation Organization (ICAO) General Assembly.

This year our Chief Executive Officer, Charlie Cornish, was appointed to Government's new Jet Zero Council. The Council, which is a partnership between the Government and UK aviation industry, is working to deliver net zero carbon aviation by 2050. Our work with Government and industry partners, particularly through Sustainable Aviation, ensures MAG is playing its full part in implementing the Sustainable Aviation Decarbonisation Roadmap. In November 2020, we launched a competition offering five years free landing fees for the first zero-emission commercial aircraft to be based at one of our airports. Although impacted by the COVID-19 pandemic, we were pleased to secure Government funding to progress airspace modernisation programmes which are expected to improve efficiencies and reduce emissions at all three MAG airports.

⁴ Our CSR Strategy is available [online](https://www.magairports.com/responsible-business/our-responsibility-plans/) at: www.magairports.com/responsible-business/our-responsibility-plans/

Corporate social responsibility continued

Zero carbon airports continued

With lower activity levels this year, our gross market-based carbon emissions reduced by 8%. However, the need to maintain core services and the additional ventilation required to maintain COVID-19-safe operations have increased our emission intensity from 0.232/TU to 1.190/TU. With residual emissions compensated for through Gold Standard carbon offsets, the carbon neutral status of our airports is recognised through Level 3+ Airport Carbon Accreditation.

Whilst our airports have remained open throughout the pandemic, continuing to provide important connectivity, we have taken action to minimise energy consumption and emissions as far as possible. These actions include the closure of airport facilities, including Terminals 2 and 3 at Manchester Airport, as well as satellite areas at Stansted Airport, reducing energy use by 25% at both sites. Reduced traffic levels have also enabled us to accelerate the installation of low energy lighting, avoiding the operational disruption that these activities would normally cause.

As a result of lower passenger numbers, the volume of waste generated at our airports has fallen by 77% this year. Despite an overall reduction, the pandemic has increased use of personal protective equipment (PPE) and single-use packaging. Food waste from terminal retailers has also increased, with commercial partners responding to dynamic passenger numbers. Following the UK's departure from the European Union, aircraft cabin waste originating from Europe was reclassified, reducing our ability to recycle it. We are working closely with regulators to identify how we can address this.

We understand that we have a responsibility to monitor and mitigate our environmental impact, and we are continuing to explore ways to protect the environment and promote biodiversity. Our approach to environmental management is aligned with the international standard ISO14001, with each airport having maintained certification throughout the last year. Stansted Airport has also retained certification to the energy management standard ISO50001.

Opportunity for all

We believe that our airports should be inclusive places which represent the diversity of the regions they serve; develop the talent they employ and inspire the next generation of aviation professionals. Whilst this year the aviation industry has been hit hard by the COVID-19 pandemic, and it has been necessary to reduce the number of people we employ, recovery will present sustained growth in the coming years. As such, our CSR Strategy, and the measures we put in place will ensure that our airports continue to provide opportunity for all.

Health, safety and wellbeing are key priorities for MAG. We believe our airports should be safe for our colleagues, business partners and passengers. We understand that MAG has an important role in supporting the wellbeing of our people. This year we have maintained our health and safety ISO 45001 certification, strengthening our management model for health and safety, including through our new organisational structure. Over the last year, the number of reportable incidents has dropped by 83%, with passenger numbers having fallen 90% and working hours by 83%. This year we will publish our new three-year Safety Plan. It will address health and safety, fire safety, and resilience, and will be framed within three measurable pillars of progress: culture, management, and performance.

In response to the COVID-19 pandemic, we have implemented wide ranging health, safety and wellbeing measures, making our airports 'COVID-19 secure' to protect our colleagues and passengers, and supporting the mental and physical wellbeing of our colleagues. Our COVID-19 initiatives focused on surface cleanliness, social distancing, and ventilation, covering the entire passenger journey. This year, we have responded in a timely manner to evolving government guidance and developed our initiatives in partnership with an independent medical panel that has also verified the way in which they were implemented. For passengers, our on-site COVID-19 testing services offer additional peace of mind and meet the requirements of the UK and international government travel policies.

As travel increases, we are fully committed to working with the Department for Transport to ensure a safe and effective recovery.

Through guidance, support, regular communications, and virtual social opportunities, we also supported our colleagues' mental and physical health during the pandemic. As part of our commitment to employee health and wellbeing we have continued to support our mental health first aiders and, this year marked World Mental Health Day and Wellbeing Wednesdays. To improve our ability to respond to the issues impacting colleagues, we have also launched a new pulse survey tool and will be using this during 2021 to investigate employee wellbeing.

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.

Corporate social responsibility continued

Opportunity for all continued

Diversity and inclusivity are important to MAG. Through our Inclusivity Forum colleagues from all parts of the business are able to directly contribute to our work in this area. This year we celebrated National Inclusion Week, hearing from a range of colleagues about their unique experiences and learning about how we can improve. Our online International Women's Day events were well attended, and plans are being made to launch a mentoring scheme later this year that will be open to all. In recognition of our efforts to support people in the workplace with disabilities, MAG was recognised in the 'Getting Started' category of the 2020 Recruitment Industry Disability Initiative Awards. Later this year we will publish a new target-led diversity and inclusion strategy based on the pillars of everyday inclusion, diversity in action, and the retention of employees from Black, Asian and minority ethnic backgrounds. The strategy will also focus on developing talent in our graduates and apprentices.

MAG believes in equal and fair pay and is committed to diversity and inclusion across our organisation. Our mean Gender Pay Gap⁵ increased by 0.6% this year to 10.2%. The median Gender Pay Gap has increased from -0.7% to 4.6%, meaning that the median male salary has become higher than the median female salary. Despite the slight increase this year, the mean Gender Pay Gap remains lower than the national average (15.5%). At a leadership level, the Gender Pay Gap has decreased from 16.3% to 12.6%, which was positively impacted by more females being appointed this year. The appointment of a number of women into senior roles this year should further improve the Pay Gap next year.

We have maintained strong and healthy relationships with Trade Unions during this challenging year. We set out principles on furlough and redundancy (voluntary and compulsory) with Trade Union representatives that included maintaining diversity in the workforce and retaining young talent. These principles were agreed prior to their implementation, and we will continue to maintain an open dialogue.

MAG Connect is our award-winning skills and employment programme, providing early inspiration to school children, skills training to current and prospective airport employees and connecting job seekers with work. This year, our MAG Connect Airport Academies have provided support to over 1,330 individuals, including free upskilling and e-learning accredited programmes, covering more than 33 topics. Courses have included customer service, building a business, health and social care, equality and diversity and mental health. The courses provided important professional development opportunities to colleagues, including those furloughed due to the COVID-19 pandemic. Our MAG Academies also provided extensive outplacement support to over 500 colleagues leaving the business following a restructure as a result of the COVID-19 pandemic. In addition to free skills training, and CV and employability workshops, the Academies provided jobs fairs connecting those leaving MAG to opportunities at other local businesses. This year we look forward to welcoming local schools back to our MAG Connect Aerozones and plan to continue to offer the online learning developed over the last year.

A robust, sustainable, supply chain is crucial to MAG's success. This year, we have focused on the consolidation of our supply chain, improving efficiency, and ensuring that our partners are well placed to support the delivery of our CSR Strategy. In partnership with our trusted suppliers, we have secured the consistent delivery of supplies to our airports throughout the COVID-19 pandemic, including high quality PPE – sourced through a combination of local and multi-national suppliers – to protect our colleagues and passengers from COVID-19. This year we also maintained our focus on prompt payment, which is particularly important for our smaller suppliers. Overall, 79% of invoices were paid within agreed terms.

We adopt the highest professional standards and comply with all laws, regulations, and codes where we operate. No form of modern slavery is acceptable in our operations, at our airports, or within our supply chain. Our longstanding relationship with Slave Free Alliance continues, with a particular focus on reviewing our supply chain. This year, we plan to audit potentially high-risk suppliers to ensure that they meet our standards. We marked Anti-Slavery Day in October 2020, providing our colleagues with information on modern slavery and human trafficking, how to spot someone who might be in trouble, and how to help. More information is available in our Modern Slavery Statement⁶.

Local voices

Our approach to CSR is underpinned by understanding and collaborative relationships with our local communities, ensuring the successes of our airports are shared with the regions they serve.

This year, despite a very significant reduction in air traffic, our commitment to those closest to us is stronger than ever and has proved vital during a particularly difficult period.

Through online meetings, our airport consultative committees have continued to provide important feedback to help shape our response to the COVID-19 pandemic and ensure our airports provide high quality, COVID-19-secure services to those who have travelled through our airports.

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.

⁵ Our Gender Pay Gap Report is available [online](https://www.magairports.com/responsible-business/gender-pay-gap-reporting/) at: <https://www.magairports.com/responsible-business/gender-pay-gap-reporting/>

⁶ Our Modern Slavery Statement is available [online](https://www.magairports.com/responsible-business/modern-slavery-transparency-statements/) at: <https://www.magairports.com/responsible-business/modern-slavery-transparency-statements/>

Corporate social responsibility continued

Local Voices continued

This year our volunteering efforts have focused on supporting local communities as they respond to the impacts of the COVID-19 pandemic. MAG colleagues have worked with the NHS and Royal Voluntary Service to support the construction and operation of local vaccination centres. Colleagues supported elderly community members shielding or living alone and volunteered at local food banks. Providing over 23,000 hours of support, our volunteering programmes not only benefited local communities but also boosted our colleagues' mental health and sense of wellbeing. They also provided opportunities to develop new skills. Additionally, our community funds have supported over 130 organisations through donations totalling more than £253,000, including accelerated funding provided to meet the immediate needs of community organisations at the outset of the COVID-19 pandemic. In December 2020, through our 'Give and Go' campaign, MAG's colleagues donated food and toys to over 1,000 people from local community organisations.

Noise remains an important issue for MAG. Whilst the total number of flights at our airports reduced by 70% and the number of people impacted by aircraft noise dropped by 88%, changes to the circumstances and lifestyles of our neighbouring communities have impacted our long-term complaint trends. This year, the total number of noise complaints received by MAG airports fell 65% to 6,821. Whilst Manchester Airport and Stansted Airport have seen a reduction in complaints this year because of fewer passenger flights, freight activity at East Midlands Airport has increased and generated a greater number of complaints than in previous years. Over the coming year we will focus on our Noise Action Plans and airspace modernisation opportunities to minimise the impact of noise from aircraft.

Our sustainability performance

Issue	Objective	Indicator	Status	2020/21	2019/20	Change
Carbon reduction	Minimise the environmental impact of our airports	'SECR' Scope 1, 2 and 3 greenhouse gas emissions (full break-down at page 38, market-based emissions per traffic unit ⁷ (tonnes CO ₂ e)	↑	1.190	0.232	+412.9%
Area of noise footprint	Being good neighbours within our communities	Area of daytime 57dB LAeq noise contour ⁸	↓	24.9	69.7	(64.2)%
Number of training placements provided	Supporting work within our communities	Support provided by MAG Connect Airport Academies ⁹	New KPI	1,559	New KPI	New KPI
Health and safety 'RIDDOR' reportable accidents	Maintain robust health and safety standards	Number of 'RIDDOR' reportable incidents ¹⁰	↓	2	12	(83.3)%

⁴ We measure carbon intensity against traffic units, which are defined by the International Air Transport Organisation as equivalent to 1,000 passengers or 100 tonnes of freight. In 2019-20 we changed the scope of reported emissions to align with government's new Streamlined Energy and Carbon Reporting (SECR) requirements. With lower activity this year we implemented a range of energy efficiency initiatives which reduced our total energy use by 14%. Despite these measures, and an overall gross market-based emission reduction of 8%, the more significant (82)% reduction in traffic units means that the emissions intensity of our operations increased this year. 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 38 of this Report.

⁵ This KPI has been modified this year to ensure we report performance measures which best reflect our performance. We have very limited influence over local planning policy, nearby developments and building occupancy. As such, our noise related KPI is now based on noise emissions, specifically the cumulative area of the 57dB LAeq 16hr noise contour at our airports. As a result of the COVID-19 pandemic, and significantly reduced airport activity, this year the size of our noise contours reduced by 64%. Similarly, the population within these noise contours reduced to 4,600 from a population of 38,200 in 2019-20.

⁶ This KPI has been modified this year to align with our CSR Strategy. Because the measure depends upon data which was not previously recorded it is not possible to report performance for previous years. 'Support' is delivered face to face and virtually and 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.

⁷ The number of RIDDOR reportable incidents has significantly reduced in the reporting period. While the COVID-19 control measures MAG has employed have played a significant part in keeping airports safe, the reduction in incidents correlates with the significant down turn in operations across MAG.

Corporate social responsibility continued

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' (which are defined by the International Air Transport Organisation (IATA) 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, and 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 – 2% of our energy use, 2% of our location-based and 5% of our market-based emissions have been estimated. Reported figures have been independently verified by the Carbon Trust.

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.

	2020/21	2019/20 ¹²	2018/19
Energy consumption used to calculate emissions (kWh)	181,314,564	210,406,900	208,525,600
Emissions from combustion of gas (Scope 1, tCO ₂ e)	11,905	9,806	9,752
Emissions from combustion of fuel for transport purposes (Scope 1, tCO ₂ e)	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)	7	90	98
Emissions from purchased electricity ¹³ (Scope 2, location-based, tCO ₂ e)	25,074	34,624	33,225
Emissions from purchased electricity (Scope 2, market-based, tCO ₂ e)	59	74	5
Total gross emissions based on the above (Location-based, tCO ₂ e)	39,309	50,043	47,739
Total gross emissions based on the above (Market-based, tCO ₂ e)	14,293	15,492	14,520
Intensity measure (Traffic units ¹⁴)	12,013	66,899	69,167
Intensity ratio (Location-based emissions, tCO ₂ e /traffic unit)	3.272	0.748	0.690
Intensity ratio ¹⁵ (Market-based emissions, tCO ₂ e /traffic unit)	1.190	0.232	0.210
Carbon offsets (purchased and retired, tCO ₂ e)	14,288	15,439	14,520
Total net emissions based on the above (Location-based, tCO ₂ e)	20,015	34,551	33,225
Total net emissions based on the above (Market-based, tCO ₂ e)	0	0	0



Our energy and emission performance data has been independently verified by the Carbon Trust. The scope of this assurance includes our SECR disclosures and headline carbon reduction KPI, the assurance also covers other energy and climate-related disclosures which will be included in the CSR Report we publish later this year.

¹² Our energy and emission performance for 2019-20 has been restated 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 2019-20 has increased by 1.2%, total [comment on impact on footprint]. Accordingly, MAG has retired an additional XXX tonnes of carbon offsets in relation to 2019-20.

¹³ 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.

¹⁴ We measure carbon intensity against traffic units, which are defined by the International Air Transport Organisation as equivalent to 1,000 passengers or 100 tonnes of freight.

¹⁵ Although our total energy use reduced by 14% this year, the emission intensity of our operations increased as although we saw an 82% reduction in movements (due to the pandemic) our baseline energy use was between fewer movements. All residual emissions have been offset, and our CSR Strategy includes a commitment to transition to zero carbon operations. All residual emissions have been offset, and our CSR Strategy includes a commitment to transition to zero carbon operations.

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 responsibilities;
- 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 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, which the Company has already adopted. MAG continues to apply the Chartered Institute of Internal Auditors Standards to its Internal Audit methodology, processes and procedures.

An annual risk-based Internal Audit Plan is developed which provides coverage of the Group's risk profile over a rolling five-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 dynamic and has been reviewed and refreshed on a quarterly basis during the year to ensure ongoing alignment of assurance activity to the Group's evolving risk profile. Over the course of the year, the Internal Audit team has carried out circa 18 reviews across a broad range of areas including: passenger security screening; adequacy and effectiveness of 2nd line operational team processes; the design and operation of core financial controls; and preparation for implementation of the revised ISA (UK) Going Concern Standard. The technology audit plan for the year has included a risk-based review of MAG's website compliance with GDPR and PECR requirements and targeted support for MAG's cyber security team in complying with The Security of Networks and Information Systems Regulations (NIS Regulations). Internal Audit have also undertaken independent reviews of MAG's response to COVID-19 Testing Facilities. 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.

Internal controls and risk management continued

Internal controls continued

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 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. All such, recommendations made in the prior financial year have been implemented, together with 98% of those made in this financial year that are currently actionable. 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 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. In the last quarter of 2019-20, COVID-19 has tested MAG's business resilience, continuity and risk management systems. Key to the success of this is the uniformity of approach taken across the whole Group. In 2020-21 MAG has undertaken a full re-evaluation of all strategic and corporate risks to reflect the impact of the pandemic on new, existing and emerging risks. This comprehensive exercise allows MAG to differentiate key risks, ensure that there are robust controls and plans in place to mitigate them and also report them to the appropriate governance forums.

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.

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.

Internal controls and risk management continued

Risk management continued

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 Business Partners 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. 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.

MAG supported the implementation of the Risk Management Framework in 2019-20 through the introduction of a risk system. The use of risk software provides better access for MAG officers to the risks that they manage. This facilitates the process of adding new risks and updating existing risks. It also provides a suite of management information to allow business units to discuss their risk profile at a local level. This enhances the ownership and accountability of risks and ensure they are integrated into business operations. In 2020-21 the risk system has played a key role in facilitating MAG's governance through the COVID-19 recovery process. The system provides a tangible link between our strategic and corporate risks as updates have focused on the uncertainties our functions face in their ability to contribute to Group recovery.

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 5-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.

Internal controls and risk management continued

Principal risks

The table below summarises the key strategic, corporate and operational 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
COVID-19	<p>At the outset of COVID-19 MAG activated our Group-wide business resilience and business continuity processes. We established a bronze, silver and gold command structure representing operational, Group and Executive functions.</p> <p>This ensured a consistent approach across the organisation which brought together colleagues from all functions in a joined-up response.</p> <p>Recognising the pervasive nature of the pandemic, we established top down and bottom up risk management processes. We compiled a COVID-19 strategic risk based on the organisational recovery strategy. The register highlights the risks to the achievement of a successful recovery and the mitigating actions we need to take to ensure we reduce the likelihood and / or impact of associated risks. It also provides a mechanism to facilitate and enhance governance processes through review and update of the risks and monitoring of the implementation of agreed actions.</p> <p>COVID-19 policies and risk are regularly reviewed in line with the timing and restart of international traffic so that mitigation measures are appropriately aligned and within business appetite. We have supplemented this via a series of bottom up risk registers focusing on MAG's successful recovery and the uncertainties faced across the business. In doing so we have taken into account guidance material and its application across our airports that has been published by UK Government, EASA and ICAO.</p>	<p>The pandemic represents an uncertainty of unprecedented global impact and duration. As such it has provided a unique opportunity to test MAG's business resilience and continuity plans. Learning lessons from this event will ensure that MAG's already resilient structure is made even more robust to face future crises.</p> <p>The proactive measures we have taken demonstrate to our stakeholders the importance to MAG of being able to deliver high quality, safe and secure service as we seek to recover from the impact of the pandemic.</p>
'Brexit'	<p>The 2016 'Brexit' referendum decision and the continuing uncertainty concerning the outcome for the United Kingdom's future relationship with the EU and international trading options more generally, after the end of the transitory period presents a significant macroeconomic risk to the business, and the aviation industry faces uncertainty over the short and longer term impacts of the UK's exit from the EU.</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. This, coupled with resilient foundations built during a successful period of growth, provides a positive long-term outlook.</p> <p>MAG will work closely with the aviation industry to ensure that the UK continues to enjoy liberal access to the EU aviation market.</p>	<p>Whilst carefully monitoring and managing exposure to the risks, we will seek to ensure that the business is well positioned to take the opportunities Brexit 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>

Internal controls and risk management continued

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>

Internal controls and risk management continued

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 criterion 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>

Internal controls and risk management continued

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 ISO27001:2017, 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>

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 2021.

Task Force on Climate-Related Financial Disclosures

For over a decade, MAG has calculated and disclosed its carbon emissions, set ambitious targets and reported on progress in transitioning to a low carbon economy. In 2012 East Midlands Airport became the first in the UK to achieve carbon neutrality. All MAG airports are now independently certified carbon neutral through Level 3+ Airport Carbon Accreditation. Additionally, we have published two rounds of climate change adaptation risk assessments and reports, identifying risks to our airports from the physical impacts of climate change to inform our decision making.

In 2017, the Financial Stability Board released its report on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We recognise the importance of these disclosures and are committed to implementing the recommendations in full. This year we are enhancing our annual reporting by reporting against recommendations made by the TCFD. By evaluating risks and exposures over the short, medium, and long term, this change will inform decision making and support our CSR Strategy. We will continue to develop our approach to meet the recommendations in full, in line with forthcoming mandatory reporting.

Our Report includes detailed coverage of climate-related issues embedded within relevant sections of the report which explain how we are managing our climate impacts and how our business is evolving in response to the risks and opportunities arising from climate change. Our TCFD reporting index table provides an overview of where our disclosures against recommendations of the TCFD can be found.

In Autumn 2021 we will be publishing our annual Corporate Social Responsibility (CSR) Report, which will include more detailed coverage of progress against our climate change commitments. Later this year we will also be submitting our third Climate Change Adaptation Report to Government, including the results of our latest adaptation risk assessment.

TCFD disclosure recommendation	Location in this report (section & page reference)
Governance	
Describe the Board's oversight of climate-related risks and opportunities	2020/21 Annual Report – Leadership and Governance (Page 22)
Describe management's role in assessing and managing climate-related risks and opportunities	2020/21 Annual Report – TCFD section (this section)
Strategy	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	2020/21 Annual Report - TCFD section (this section)
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	2020/21 Annual Report - TCFD section (this section)
Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario	2020/21 Annual Report - TCFD section (this section)
Risk	
Describe the organisation's processes for identifying and assessing climate-related risks	2020/21 Annual Report – Internal Controls and Risk Management (Page 39)
Describe the organisation's processes for managing climate-related risks	2020/21 Annual Report – Internal Controls and Risk Management (Page 39)
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	2020/21 Annual Report – Internal Controls and Risk Management (Page 39)
Metrics	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities	2020/21 Annual Report - TCFD section (this section)
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks	Scope 1 & 2: 2020/21 Annual Report – Corporate Social Responsibility (Page 34) Scope 1, 2 and 3: Annual CSR Report, to be published later in 2020 ¹⁶ .
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	2020/21 Annual Report – Corporate Social Responsibility (Page 34)

¹⁶ Our 2019/20 CSR Report and dedicated Greenhouse Gas Emission Report are available online: <https://www.magairports.com/responsible-business/csr-reports/>

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

Governance

Board

Climate Change is regarded a key risk for MAG and forms part of the strategic risk register. This is considered by the Audit Committee twice a year. Details reported include any changes to the risk description as well as scoring and key mitigating actions.

Recognising the material financial risk that climate change presents the business, 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 an important part of the programme and performance report provided to each meeting of the CSR Committee. This year the CSR Committee discussed a range of climate-related issues, spanning national and international climate policy as well as progress against, and plans to achieve, MAG's net zero carbon commitment.

Management

Our Chief Executive Officer, Charlie Cornish, is accountable overall for the development and delivery of the company'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 2020 CSR Strategy 'Working together for a brighter future'¹³. Neil Robinson reports to Chief of Staff, Tim Hawkins. MAG has a centralised team of experts to manage and monitor the delivery of the climate strategy across all three airports and the wider business. This includes responsibility for driving the reduction of the company's carbon emissions, guiding the approach to carbon offsetting and assessing the physical impacts of climate change to the business.

A fundamental element of our climate strategy is to play our full part in enabling the decarbonisation of the wider aviation industry. We do this through direct stakeholder engagement and collaboration with the wider industry. MAG was a founding member of the UK aviation industry coalition Sustainable Aviation and remains a member of the managing council. MAG is one of two airport members of the Government's Jet Zero Council and is an active member of the environmental committees of our European and World trade association Airports Council International.

Strategy

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.

Climate change presents a significant set of strategic risks for the aviation sector. Transitioning to a low-carbon economy poses a higher risk in the short term, as the UK works towards its goal of achieving a net-zero carbon economy by 2050. Physical risks from climate change are likely to manifest over the medium to longer term.

The risks of transitioning to a low-carbon economy are significant for MAG. We have already made significant progress reducing the carbon intensity of our own operations and are confident that we have practical solutions to remove our remaining emissions. However, the aviation industry is one of the harder industries to decarbonise. We have identified key transition risks to our business, and over the next two years we will undertake further detailed scenario analysis to quantify our financial risks.

- Policy and legal – to reach international, regional and national net-zero targets, policies to price carbon through taxation or carbon trading schemes will be introduced and could reduce the demand for flying. If international policies do not adequately address aviation emissions, there may be a need for Government to consider demand management measures, which might include measures to limit airport expansion. We are mitigating these risks by: setting a net-zero carbon target of 2038 or before for our own emissions, which is ahead of the UK's national target; continuing to offset our residual emissions; working with our stakeholders directly and through our involvement in Sustainable Aviation, the Government's Jet Zero Council and Airports Council International to ensure that the aviation industry has a comprehensive plan to achieve net zero emissions by 2050 and thereby playing a full part in meeting the climate challenge.
- Market – the Government, investors and lenders are increasingly looking to move towards funding decarbonisation strategies. Businesses in high-carbon sectors are potentially at risk of attracting higher rates on lending or an increase in resources to secure funding. We are engaging with our investors and lenders via our Investor Relations team to understand their priorities and share our decarbonisation plans. We also remain committed to robust and transparent external disclosures on our climate-related financial risks, our developing decarbonisation strategy and our progress with delivering the strategy.
- Technology – the transformational change from traditional aviation fuels to alternatively fuelled aircraft is likely to require significant changes to airport infrastructure. The intermediate step to replace traditional aviation fuels with low carbon Sustainable Aviation Fuels (SAFs) can be made using the existing fuel supply, storage and distribution systems and therefore will require lower investment in asset upgrades. Through our involvement in the Jet Zero Council, we are working with our partners to develop and trial innovations in low carbon aviation technologies, and we remain abreast of future developments that may require significant changes to our assets.

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

- Reputation – consumers may increasingly choose to change their travel behaviours to reduce their individual carbon footprints, involving flying less frequently, choosing short haul over long haul, as well as choosing alternative travel modes for shorter distances. Reduced passenger numbers travelling through our airports would directly impact our revenue. We are mitigating this by reducing our direct carbon emissions, maintaining our airports' carbon neutral status and developing a performance league table to show the environmental performance of airlines flying from our airports.

As operators of critical national infrastructure assets, we already have a detailed understanding of the physical risks that climate change poses to our airports. To support the Government's National Adaptation Programme, in 2011 and 2015/16 we submitted Climate Change Adaptation Reports¹⁴ which included an overview of physical climate risks. We are in the process of preparing our third report which we will submit by the end of 2021.

Through this process we assess the risks from physical climate projections for three different emission scenarios over the three time periods set out above. Acute and chronic physical risks are assessed, and mitigation actions identified for the following categories: airport operations; airport assets and property; interdependencies with other service providers and infrastructure assets; the aviation network; and destination airports. We will provide a summary of these risks in our next Annual Report.

As well as posing significant risk to our business, we also recognise that climate change can provide new opportunities. For example, the recent announcement that Fulcrum Bioenergy will be developing their first UK sustainable aviation fuel production facility in the North West of England presents an opportunity that emissions from flights at Manchester Airport reduce as it becomes the first in the world to be directly connected by pipeline to a SAF production site. Throughout our sustainability programmes, we are positioning ourselves to lead the decarbonisation of the airport sector and work collaboratively all of our aviation partners.

Risk Management

Climate change has been identified as a principal risk to MAG and forms part of the organisational strategic risk register which is reported to the Audit Committee twice a year. Climate change adaptation is considered at the CSR Committee, who will receive an update this year following our third-round risk assessment. Our risk framework also allows management to identify and evaluate potential business opportunities emerging as a result of climate change.

Each airport has their own climate change adaptation risk assessment, which forms a fundamental part of five-yearly reporting to Government. This year, we will be reviewing and updating these risk assessments in line with the company's Risk Management Framework methodology. The actions identified from the risk assessments will be integrated into the risk action plans which are monitored by our Risk team, with progress regularly reported to senior management and, where appropriate, the Audit Committee and the Board.

Metrics and Targets

Transitioning to a low-carbon economy is a material risk for MAG. We are playing our part by targeting the reduction of our greenhouse gas emissions.

We measure, monitor and disclose our scope 1, 2 and 3 greenhouse gas emissions each year in line with the Greenhouse Gas Protocol Corporate Standard. As an airport operator, we also report against the sector-specific requirements of Airport Carbon Accreditation. 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).

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. We publish our annual carbon footprint, along with the previous year's performance, in the following reports:

In the Annual Report, we publish our performance with reducing MAG's energy use and emissions, as required by the Streamlined Energy and Carbon Reporting (SECR) regime.

- In our annual CSR Report¹⁵, we publish an overview of our carbon footprint, and an insight into our progress against our climate-related commitments and targets. Our CSR report is prepared in accordance with the Global Reporting Initiative (GRI) Standards Comprehensive Option, and we report specifically against GRI 302: Energy (2016) and GRI 305: Emissions (2016).
- In the financial year 2019/20, we introduced a detailed, technical Greenhouse Gas Emissions Report¹⁶ for the first time. This report provides information about how we measure our greenhouse gas emissions, our indirect emissions and our carbon neutrality. The content of this report includes GHG emission inventories for each airport, along with verification statements provided by The Carbon Trust.

¹⁴ MAG CSR Strategy 'Working together for a brighter future' <https://www.magaairports.com/media/1653/csr-strategy-document-2020-2025-online.pdf> p.pdf" https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/488080/climate-adrep-manchester-airport-group.pdf; Climate change adaptation progress report for London Stansted Airport: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/566149/climate-adrep-stansted.pdf

¹⁵ MAG Corporate Social Responsibility Report, 2019/20: https://www.magaairports.com/media/1690/mag_csr_report_2019_20_final_spreads_v2-002.pdf

¹⁶ MAG Greenhouse Gas Emission Report, 2019/20: https://www.magaairports.com/media/1688/mag-emissions-report_2019-20_final.pdf

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

MAG has published its approach to reducing direct carbon emissions since 2007, and all three airports have been carbon neutral for several years. In 2020, we published our new Corporate Social Responsibility Strategy 'Working together for a brighter future'. A core element of our new Strategy is a commitment to achieving net-zero carbon emissions from our airport operations by 2038 at the latest, ahead of the UK's 2050 national target. To achieve our goal, we published details of the actions we will take to reduce our residual emissions. The CSR Committee regularly discuss the progress we have made towards our goal and the plans we are developing to implement our Strategy.

This headline target is accompanied by a range of other commitments, which will ensure that we play our full part in addressing airport-related emissions, including from aircraft and surface access transport. MAG allocates significant resources to climate change risk management. This includes:

- The launch of a competition to offer five years of free landing fees to the first electric aircraft to operate at one of our airports, valued up to £1.3 million;
- The introduction of Sustainable Transport Funds at each of our airports, funded by a levy on car park and 'drop off' charges, improve public transport, cycling and walking options;
- Publishing information about emissions from aircraft operating at our airports and introducing a league table ranking the environmental performance of our airlines;
- New emission-based landing charges to encourage airlines to operate their most efficient aircraft at MAG's airports;
- Investment of £10.0m to improve public transport, cycling and walking facilities across our airports;
- Investment in ultra-low emission vehicles, transitioning to an ultra-low emission fleet by 2030.

When assessing business cases, our considerations include climate-related costs. These include costs associated with utilities, carbon offsets and Emission Trading Scheme compliance. Over time, we will develop metrics that measure our financial risk against the transitional and physical climate-related risks to our business.

Going forward

This year, we will be reviewing our climate change risks assessments and submitting a progress report to Government. We will also undertake further scenario analysis, developing a robust view of the financial risks to our business from future climate change projections. Progress against these actions will be reported to the CSR Committee and included in our next annual report.

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 69. 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. During the current COVID-19 pandemic the Group's focus is: to keep its assets and its people safe; to prudently manage our expenditure profiles to match demand levels, and maintain sufficient funding to enable MAG to take advantage of demand levels as they return. 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 £393.4m (2020: loss of £172.3m) after dividends paid of £nil (2020: £199.3m) will be transferred from reserves. In addition the retained loss reserves were also included: a loss of £7.9m relating to revision of actuarial assumptions relating to the Group's defined benefit pension schemes net of tax; a £2.4m hedging gain on the Group's US acquisition and a foreign exchange loss of £5.1m on MAG's US investments.

Board of Directors

The company directors during the year are detailed on page 1.

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 The Council of the City of Manchester 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 42 to 45.

Streamlined energy and carbon reporting (SECR)

As detailed on page 38.

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 on cash headroom and financial covenants associated with the Group's financing arrangements.

In assessing going concern the directors have considered: the Group's base case forecasts (including the planned mitigating actions that are within management's control); the successful securing of waivers for its covenant testing in September 2021 and March 2022 and a number of downside and severe, but plausible, downside scenarios.

- A delayed recovery with continuing travel restrictions through Summer 2021 (downside scenario); and
- A scenario of no lifting of UK travel restrictions resulting in negligible passenger volumes until March 2022 with a gradual recovery through Summer 2022 (severe but plausible downside scenario).

Going concern continued

In the downside scenario the Group is expected to maintain positive cash headroom in excess of £245.0m for the 12-month period beyond the signing date of these financial statements. This headroom reduces to £100.0m in the severe but plausible downside scenario.

The Directors have concluded that the Group can maintain sufficient liquidity over the next 12 months. This, coupled with the financial covenant waivers obtained for September 2021 and March 2022 testing periods, have resulted in the Directors concluding that it is appropriate to continue to account for the Group as a going concern.

However, there remains significant uncertainty and it is plausible that there could be an extended impact on the aviation industry that would impact on liquidity, the Group's refinancing of its RCF and bond which mature in 2023 and 2024 respectively and the Group's covenant ratios. In the event that the UK travel restrictions continue beyond March 2022 into FY22, with a gradual recovery through Summer 2022, then whilst the severe, but plausible, downside scenario does not impact covenant compliance testing in September 2021 and March 2022 given the aforementioned successful consent obtained from bank and bondholders, there would be uncertainty as to whether the Group would breach its covenants when next tested in September 2022.

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 58.

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 40 to 45. These risks include the ongoing impact of COVID-19 pandemic (and the Group's business resilience and business continuity mitigation strategies), the impact of Brexit and climate change. For the viability period the directors have concluded that COVID-19 and the aviation sector's recovery is the fundamental 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 Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2024.

The directors have determined that a three-year period to 31 March 2024 constitutes an appropriate period over which to provide its viability statement. This is the period focused on by the Board during the strategic planning process and is aligned to our detailed passenger projections. 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.

In making this assessment the directors confirm that they have a reasonable expectation that the company can continue in operation and meet its liabilities throughout the period. The directors have considered the potential impact of 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 both the £500.0m Revolving Credit Facility ('RCF') which matures in June 2023 and a £360.0m bond which matures in April 2024.

The Group is subject to financial covenants on its Bond and Bank facilities, 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 2020 MAG had secured waivers for the covenant tests as at 30 September 2020 and 31 March 2021.

The economic conditions resulting from the COVID-19 pandemic have continued to have a significant impact on the Group's activity levels throughout FY21. The additional travel restrictions in the second half of FY21 have significantly reduced passenger volumes by 89.5% in comparison to FY20 levels. The impact of this downturn has been severe reducing the businesses profitability which when measured at the EBITDA level has transformed a £382.1m profit into a £149.4m loss, with a resultant impact upon operating cashflow.

During the year ended 31 March 2021, as part of its COVID-19 finance strategy for 2020, the Group issued £300.0m in shareholder loans, with a maturity date of 30 September 2058. Additionally, the business secured in excess of £400.0m in funding through the sale of its non-core property portfolio and successfully undertook a range of cost and cash reduction measures to mitigate the immediate impact of the pandemic so that by 31 March 2021 the Group had increased its liquidity headroom.

The Group's committed facilities at 31 March 2021 comprise: borrowings of £1,460.0m of bonds and £900.0m of shareholder loans, a £500.0m Secured Revolving Credit Facility (which was fully drawn at the year-end) with the Group holding £530.2m in net cash balances. The Group's Secured Revolving Credit Facility will mature in June 2023 and £360.0m of the Group's bonds will mature in 2024. The remaining £1,100.0m of Group bonds will mature between 2034 and 2044.

Viability statement continued

Despite the prompt action and improved liquidity position, as a consequence of the varying rate and timing of recovery from the pandemic and the subsequent expected impact on EBITDA over the next 12 months, has resulted in there being a strong probability that MAG would breach its covenants when next tested at 30 September 2021. Once again MAG has acted promptly to implement a strategic finance response to secure waivers for the financial covenant tests as at 30 September 2021 and 31 March 2022 and set out a mitigating management action plan to address liquidity headroom during the going concern assessment period. This is set out in more detail at the Basis of Preparation in the accounting policies on page 58. Further details of the actions the Group has taken are included in the "our response to COVID-19" section of the Chief Executive Officers statement and the "Business Outlook" section of the Financial Review.

As part of the viability assessment process management have considered the industry expectations of returning passenger levels beyond FY22. Current expectation are PAX levels will return to 84% to 93% of pre-COVID-19 levels in FY23 and 98% of pre-COVID-19 levels in FY24. The Basis of Preparation on page 58 sets out that the material uncertainty in relation to the Group's going concern conclusion is the potential that the impact of COVID-19 extends beyond FY22. Consequently, this is also regarded as a key risk in the Group's viability assessment.

In addition, the Group also recognised the risk that is associated with needing to refinance the £500.0m RCF and £360.0m bond within the viability period. 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 the recent successful bond issue by London Gatwick.

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 waivers 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 2024.

Employees

Employment policies

The Group's employment policies are regularly reviewed, refreshed where applicable and updated in agreement with the Board. 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 or discrimination of any kind. If an employee becomes disabled, every effort is made 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 has meant that recruitment into apprentice programmes has paused but as the business recovers this will recommence with the view to building diverse talent pipelines as part of strategic workforce planning. The new and compulsory National Living Wage for workers aged 25 and over became effective on 1 April 2016 and MAG fully complies with all of its obligations.

Consultation and communication

Consultation with employees or their representatives has been critical through this period of uncertainty 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.

It has been critical to ensure colleagues and leaders are kept updated through this period of change and there have been 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.

Policy and practice on payment of creditors continued

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 2021 was 20 days (2020: 41 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 are committed to maintaining, and continuously improving, our practices to combat slavery and human trafficking. We are totally opposed to such abuses in our direct operations, our indirect operations and our supply chain as a whole, and understand that we have a responsibility to be alert to these risks in our business. All employees are expected to report concerns and management are expected to act upon them.

Charitable and Political Donations

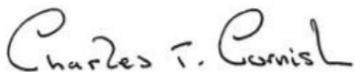
Charitable donations made by the Group during the year totalled £0.3m (2020: £0.6m). The donations were all made to recognised local and national charities for a variety of purposes. It is the Group's policy not to make contributions to political parties.

Auditor

Written resolutions relating to the reappointment of KPMG LLP as auditor, and to the authority of the directors to fix the auditor's remuneration, are to be put before the Company's voting shareholders for execution in the short term (and in the case of the former resolution, within the relevant period prescribed by statute). The most recent audit tender process was undertaken in 2017.

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.

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
8th July 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006 ;
- 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 2021 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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. 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 describes the inherently uncertain trading environment caused by Covid-19 which is impacting the lifting of travel restrictions, and specifically the potential breach of financial covenants at 30 September 2022. This, along with the other matters explained in the accounting policies, constitutes 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.

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, impairment of non financial assets, investment property valuation, pension liability assumptions, recognition of goodwill on acquisition and modification of shareholder loans. On this audit we do not believe there is a fraud risk related to revenue recognition because there is a reduced incentive for management to make inappropriate accounting entries as the Remuneration Committee have taken the decision to suspend the STIP and LTIP plans in 2021 whilst the Group responds to the challenges posed by the COVID-19 pandemic.

We did not identify any additional fraud risks.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORTS HOLDINGS LIMITED CONTINUED

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 at the request of senior 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.

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, health and safety, anti bribery, employment law, and certain aspects of company legislation recognizing the nature of the Group's activities and its legal form. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORTS HOLDINGS LIMITED CONTINUED

Directors' responsibilities

As explained more fully in their statement set out on page 54, 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
8 July 2021

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 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 8th July 2021.

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 financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 102; these are presented on pages 118 to 125.

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 on cash headroom and financial covenants associated with the Group's financing arrangements.

The Group is subject to financial covenants on its Bonds and Bank facilities, 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. Following the Group's strategic financial response in 2020 MAG obtained waivers on its covenant testing at 30 September 2020 and 31 March 2021.

At the year ended 31 March 2021, the Group had significant financial liquidity available of £540.2m comprising net cash in hand of £530.2m together with £10.0m in undrawn committed overdraft facilities. The Group also has access to a committed £90.0m Liquidity Facility (available until June 2023) 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. Of the Group's current borrowings, the £500.0m Revolving Credit Facility ("RCF") matures in June 2023 and a £360.0m bond matures in April 2024.

The actual impact of COVID-19 upon the aviation sector has continued to evolve throughout the year ended 31 March 2021 ("FY21"). The re-introduction of travel restrictions during September and October 2020 followed by the suspension of all travel corridors in January 2021 coupled with revisions to quarantine requirements has significantly impacted demand levels at our airports in the second half of the year. The timing of the recovery in passenger numbers in FY22 will be heavily dependent upon: the country keeping to the UK Government's roadmap out of lockdown; the success of the ongoing vaccination programme; the impact of new variants of the virus; and the respective success of our travel destinations in successfully lifting COVID-19 containment measures.

MAG has continued to take further decisive and proportionate mitigating actions to reduce costs and protect the business during this unprecedented impact upon the economy and the aviation sector. Since the issue of the 2020 Annual Report, MAG has implemented further actions to support the long-term viability of the Group by: securing over £400.0m of funds from the disposal of the non-core investment properties; claiming over £75.0m of available Government funding under the Job Retention Scheme and the Airport and Ground Operations Support Scheme; streamlining of the leadership and back office population by circa 33%; the reduction of up to 2,100 roles from the wider organisation; and additional pay reduction measures. These actions, coupled with the planned reductions in forecast non-employment costs and capital expenditure, are expected to deliver operational savings of £185m for FY21 and FY22 and capital savings in excess of £435.0m over a two year period, in comparison to the pre-COVID-19 plan. Further details of the actions the Group has taken are included in the Chief Executive Officer's statement and the Financial Review.

The Group's most recent base case forecasts include passenger number projections of 40% of pre-COVID-19 levels for FY22 and the planned mitigating actions where they are in management's control. The gradual increase in passengers, as a result of the rollout of vaccine programmes in the UK and overseas, are expected to deliver passenger levels for FY22 in a range of 25% to 50% compared to pre COVID-19 levels. These Group forecasts anticipated that there was a risk that the Group would breach its financial covenants when next tested in September 2021. Consequently, the Group promptly engaged with its bank and bondholders to obtain waivers for the covenant testing in September 2021 and March 2022 and a modification to the covenant test to be performed in September 2022. The Group successfully obtained consent to these proposals from its bank and bondholders on 3 June 2021.

Accounting Policies continued

BASIS OF PREPARATION continued

In addition to the Group's base case forecasts the Directors have also considered a number of downside and severe, but plausible, downside scenarios including:

- A delayed recovery with continuing travel restrictions through Summer 2021 (downside scenario); and
- A scenario of no lifting of UK travel restrictions resulting in negligible passenger volumes until March 2022 with a gradual recovery through Summer 2022 (severe but plausible downside scenario).

In the downside scenario the Group is expected to maintain positive cash headroom in excess of £245.0m for the 12 month period beyond the signing date of these financial statements. This headroom reduces to £100.0m in the severe but plausible downside scenario.

The impact of COVID-19 continues to exert significant uncertainty over the aviation industry. However, based upon their assessments detailed above the Directors have concluded that the Group can maintain sufficient liquidity over the next 12 months. This, coupled with the loan waivers obtained for September 2021 and March 2022 testing periods, have resulted in the Directors concluding that it is appropriate to continue to account for the Group as a going concern. However, there remains significant uncertainty and it is plausible that there could be an extended impact on the aviation industry that would impact on liquidity, the Group's refinancing of its RCF and bond which mature in 2023 and 2024 respectively and the Group's covenant ratios. In the event that the UK travel restrictions continue beyond March 2022 into FY22, with a gradual recovery through Summer 2022, then whilst the severe, but plausible, downside scenario does not impact covenant compliance testing in September 2021 and March 2022 given the aforementioned successful consent obtained from bank and bondholders, there would be uncertainty as to whether the Group would breach its covenants when next tested in September 2022.

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.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

There are no new adopted IFRS's, interpretations and amendments, 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.

Updates to accounting policies

The Group has consistently applied its accounting policies for the current and prior year. However, the Group has experienced new transaction types during the year ended 31 March 2021, in part due to the impact of COVID-19. As a result, the Group has expanded the detail within the relevant accounting policies to explain its treatment of

- Government grants related to income; and
- Financial Instruments:
 - The treatment of modification of financial instruments; and
 - The application of hedge accounting in the financial statements

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 equity accounted investees

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 equity accounted investee 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 equity accounted investee since the acquisition date.

Accounting Policies continued

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.

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 IFRS16 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:

- car parking income is recognised at the point of exit for turn-up, short and long-stay parking.
- 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.
- 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, Looking4parking.com and skyparksecure are accounted for on a net basis, as the Group are acting as the agent in this relationship.

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 MAG US, 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 MAG US.

Accounting Policies continued

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. In determining the amount of revenue and profits to record, and related balance sheet items (such as trade receivables, accrued income and deferred income) to recognise in the period, management are required to form a number of judgements and assumptions.

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 may be 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 satisfied within the financial year and there are no judgements 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 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 2020, 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 (see critical accounting judgements).

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 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.

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

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

If there are indications of impairment in the carrying value then the recoverable amount is estimated and compared to the carrying amount.

Accounting Policies continued

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:	
<i>Runways, taxiways and apron</i>	5 – 75
<i>Mains services</i>	7 – 100
Plant, fixtures and equipment:	
<i>Plant and machinery</i>	5 – 30
<i>Motor vehicles</i>	3 – 7
<i>Fixtures, fittings, tools and equipment</i>	5 – 10

*No depreciation is charged on freehold land.

Useful economic lives are reviewed on an annual basis, to ensure they remain relevant and appropriate. No depreciation is provided on 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").

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.

Accounting Policies continued

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.

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.

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.

Accounting Policies continued

LEASES continued

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.

Following the claiming of government income grants during the year the Group has expanded this grants policy description to government grants related to income.

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.

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.

Following the acquisition of the three US businesses during the year (see note 18) and the Group's strategic finance response to the COVID-19 pandemic the Group has expanded this financial instruments policy to include: hedge accounting; and modification of instruments.

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.

Accounting Policies continued

FINANCIAL INSTRUMENTS continued

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.

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 operations 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.

Accounting Policies continued

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 credit 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. Deferred tax assets and liabilities have been offset in the disclosure note (note 30). 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 2020 (2019: 19%).

EMPLOYEE BENEFIT COSTS

The Group participates in four defined benefit schemes, which are contracted out of the state scheme, as well as two defined contribution schemes. The costs of defined contribution schemes 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. The asset or liability reflects the present value of defined benefit obligations, less the fair value of plan assets. 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). To the extent that the right is contingent, no asset would be recognised.

SIGNIFICANT ITEMS

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 to allow an understanding of the Group's underlying financial performance. Such items include impairment of assets, major reorganisation of businesses and integration costs associated with significant acquisitions. They also include the costs associated with the modification of financial instruments or close out of previous financing arrangements upon refinancing.

Accounting Policies continued

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these Consolidated Financial Statements the Group has made estimates and judgements 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, and management believe that the investment properties, leases, discontinued operations, going concern, pensions and goodwill categories contain the more significant judgements impacting these financial statements.

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

A. JUDGEMENTS

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

i. GOING CONCERN

The impact of COVID-19 has resulted in the Group obtaining waivers from the requirements to perform loan covenant testing and obtain additional shareholder funding to ensure that the Group has adequate headroom going forward.

The directors have evaluated whether these actions, 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 50 the directors have concluded to regard MAG as a going concern for the purpose of these financial statements.

ii. PENSIONS

The Group's decision to close the defined benefit pensions schemes for future service accruals required the directors to determine whether, at the reporting date, there was the degree of control over the closure process as required by IAS 19 in order to account for the scheme closure at the reporting date. This assessment by the directors is detailed in note 30 to the accounts.

iii. US ACQUISITION – IDENTIFICATION OF INTANGIBLE ASSETS

The Group's acquisition of three US based business during the year required the directors to assess the nature of those business and the existing assets and relationships to identify intangible assets arising upon acquisition as detailed in note 18 to the accounts.

B. ASSUMPTIONS AND ESTIMATION UNCERTAINTY

Information about assumptions and estimation uncertainty at the reporting date is detailed below:

i. CARRYING VALUE OF NON-FINANCIAL ASSETS (INCLUDING GOODWILL)

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

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

The Group has considered future traffic levels projections issued by other industry participants in arriving at its own projections which were used for both the impairment review and the Group's going concern assessment. These projections considered the timing and rate of recovery to pre-COVID-19 activity levels. For impairment purposes long-term projections beyond the 5-year business plan time horizon were based upon long-term growth rates. Downside scenarios included low-growth assumptions in considering risks around recoverability of the assets carrying value and the reduction in terminal value growth rate/ increase in discount rate that would be required in order to bring a CGU into impairment. Further details of these scenarios are detailed at note 16.

Accounting Policies continued**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued****ii. MODIFICATION OF SHAREHOLDER LOANS**

The carrying value of the Group's shareholder loans are subsequently measured at amortised cost based upon the estimated cashflows relating to the loans. The impact of the pandemic has resulted in MAG deferring interest payments on its shareholder loans until trading performance enables the payment of the interest to commence under the Group's banking agreements. As the interest rate on the deferred interest is at a lower rate than the effective interest rate on the loan, deferral of interest payments gives rise to a modification gain. The quantification of the gain is dependent on MAG's anticipated timings set out in its business plan which reflects the Group's projections of recovery from the impact of the pandemic. Further detail of this estimation is detailed at note 7.

iii. INVESTMENT PROPERTIES

Investment properties were valued at fair value at 31 March 2021 by Savills, and Fisher German. 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.

iv. 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.

v. US ACQUISITION – VALUATION OF CONSIDERATION AND INTANGIBLE ASSETS AND GOODWILL

Certain assumptions and valuation methodologies have been applied by the Group for the accounting for the acquisition of the three US based businesses during the year. The Group assessed the future business trading projections and the relevant discount rate to estimate the valuation of the consideration of the acquisition, including a contingent consideration element, and the valuation of the intangible assets arising upon acquisition. Further details are provided in note 18.

Consolidated income statement

for the year ended 31 March 2021

		2021 £m	2021 £m	2021 £m	2020 £m	2020 £m	2020 £m
	Note	Total before significant items	Significant items	Total after significant items	Total before significant items	Significant items	Total after significant items
Continuing Operations							
Revenue	1	178.6	-	178.6	893.4	-	893.4
Result from operations before significant items	4	(326.3)	-	(326.3)	201.3	-	201.3
Significant items							
Exceptional costs	3	-	(38.3)	(38.3)	-	(18.6)	(18.6)
					-		
Result from operations		(326.3)	(38.3)	(364.6)	201.3	(18.6)	182.7
Share of result in associate	17	(7.4)	-	(7.4)	-	-	-
Gains and losses on sale and valuation of investment properties	15	1.2	-	1.2	2.2	-	2.2
Finance costs	7	(161.0)	54.2	(106.8)	(109.5)	-	(109.5)
Result before taxation		(493.5)	15.9	(477.6)	94.0	(18.6)	75.4
Taxation	9	47.2	(4.8)	42.4	(57.1)	(3.0)	(60.1)
Result from continuing operations		(446.3)	11.1	(435.2)	36.9	(21.6)	15.3
Discontinued operations							
Result from discontinued operations (net of tax)	10	2.6	39.3	41.9	17.9	(6.2)	11.7
Result for the year		(443.7)	50.4	(393.3)	54.8	(27.8)	27.0
Earnings per share expressed in pence per share*							
Continuing operations				(137.4)			4.8
Discontinued operations	12			13.2			3.7

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

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

Consolidated statement of comprehensive income

for the year ended 31 March 2021

	Note	2021 £m	2020 £m
Result for the year		(393.3)	27.0
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit liabilities	30	(9.7)	31.0
Deferred tax on remeasurement of retirement benefit liabilities	9	1.8	(7.1)
Effect of change in rate of corporation tax on deferred tax	9	-	1.7
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange movement		(5.5)	(0.3)
Taxation on foreign exchange movement	9	0.4	
Hedging gain	18	2.4	-
Other comprehensive (loss)/income for the year		(10.6)	25.3
Total comprehensive (loss)/income for the year		(403.9)	52.3

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

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		316.7	687.2	-	0.2	341.6	1,345.7
Total comprehensive loss for the year							
Result for the year		-	-	-	-	(393.3)	(393.3)
Foreign exchange movement, net of tax		-	-	-	(5.1)	-	(5.1)
Hedging gain	18	-	-	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	34	-	56.1	-	-	-	56.1
Balance at 31 March 2021		316.7	743.3	1.0	(3.5)	(59.6)	997.9

Consolidated statement of changes in equity

for the year ended 31 March 2020

	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 2019		316.7	687.2	-	0.5	488.3	1,492.7
Total comprehensive income for the year							
Result for the year		-	-	-	-	27.0	27.0
Foreign exchange movement, net of tax		-	-	-	(0.3)	-	(0.3)
Remeasurement of defined benefit liabilities, net of tax	9,30	-	-	-	-	23.9	23.9
Effect of change in rate of corporation tax on deferred tax		-	-	-	-	1.7	1.7
		-	-	-	(0.3)	52.6	52.3
Transactions with owners recorded directly in equity							
Dividends paid to equity holders	11	-	-	-	-	(199.3)	(199.3)
Balance at 31 March 2020		316.7	687.2	-	0.2	341.6	1,345.7

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.

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.

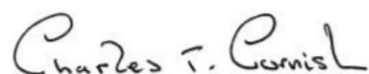
Consolidated statement of financial position

as at 31 March 2021

	Note	2021 £m	2020 £m
Non-current assets			
Goodwill	16	206.2	170.8
Intangible assets	16	99.9	45.4
Property, plant and equipment	13	3,296.5	3,350.9
Right-of-use assets	14	419.5	414.8
Long-term lease receivables	14	11.2	-
Investment properties	15	166.9	137.5
Investment in associate	17	10.1	7.0
Other long term asset	39	7.1	-
Deferred tax assets	32	-	88.0
		4,217.4	4,214.4
Current Assets			
Assets held for sale	19	2.0	461.4
Inventories	20	3.5	5.2
Trade and other receivables	21	65.2	103.3
Cash and cash equivalents	22	542.1	271.3
		612.8	841.2
Current Liabilities			
Bank overdraft	24	(11.9)	-
Liabilities directly associated with assets held for sale	19	(0.4)	(73.7)
Trade and other payables	28	(185.5)	(332.7)
Deferred income		(16.6)	(21.3)
Provisions	29	(12.6)	-
Current lease liabilities	31	(7.9)	(6.0)
Current tax liabilities		(10.1)	(2.5)
		(245.0)	(436.2)
Net current assets		367.8	405.0
Non-current liabilities			
Borrowings	23-27	(2,888.3)	(2,524.8)
Retirement benefit liabilities	30	(54.9)	(46.2)
Non-current lease liabilities	31	(428.4)	(411.0)
Deferred tax liabilities	32	(190.6)	(266.4)
Provisions	29	(3.0)	-
Other non-current liabilities	33	(22.1)	(25.3)
		(3,587.3)	(3,273.7)
Net Assets		997.9	1,345.7
Shareholders' equity			
Share capital	34	316.7	316.7
Share premium	34	743.3	687.2
Hedging reserve	35	1.0	-
Foreign currency reserve	35	(3.5)	0.2
Retained earnings	35	(59.6)	341.6
Total equity		997.9	1,345.7

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

The financial statements on pages 50 to 106 were approved by the Board of Directors on 8 July 2021 and signed on its behalf by:



Charlie Cornish, Group Chief Executive, MAG

Consolidated statement of cash flows

for the year ended 31 March 2021

	Note	2021 £m Before significant items	2021 £m Significant items	2021 £m After significant items	2020 £m Before significant items	2020 £m Significant items	2020 £m After significant items
Cash flows from operating activities							
Result from continuing operations		(446.3)	11.1	(435.2)	36.9	(21.6)	15.3
Taxation		(47.2)	4.8	(42.4)	57.1	3.0	60.1
Gains and losses on sales and valuations of investment properties		(1.2)	-	(1.2)	(2.2)	-	(2.2)
Net finance costs		161.0	(54.2)	106.8	109.5	-	109.5
Share of result in associate		7.4	-	7.4	-	-	-
Depreciation and amortisation		176.9	-	176.9	180.8	-	180.8
Increase in trade and other receivables and inventories		34.3	-	34.3	12.2	-	12.2
(Decrease)/Increase in trade and other payables		(69.6)	(2.7)	(72.3)	12.3	-	12.3
Increase in grants		-	-	-	6.7	-	6.7
Decrease in retirement benefits provision		(4.0)	1.9	(2.1)	(10.8)	10.5	(0.3)
Cash generated from continuing operations		(188.7)	(39.1)	(227.8)	402.5	(8.1)	394.4
Result before taxation – discontinued operations				4.3			13.5
Finance costs - discontinued operations				(3.6)			14.7
Non-cash movements – discontinued operations				-			(9.0)
Interest paid				(80.0)			(111.1)
Tax refund/paid				42.1			(58.8)
Net cash from operating activities				(265.0)			243.7
Cash flows from investing activities							
Purchase of property, plant and equipment				(187.4)			(510.6)
Investment in associate				(4.3)			(1.2)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				-			0.7
Proceeds from sale of assets held for sale				-			2.0
Increase of grants				1.3			-
US Acquisition				(24.3)			-
Proceeds from sale of shareholding in Airport City				13.3			-
Net cash used in investing activities				(201.4)			(509.1)
Proceeds from sale of discontinued operation, net of fees				400.1			-
Net cash from investing activities - discontinued				400.1			-
Cash flows from financing activities							
Increase in bank loan borrowings, net of debt issue costs	24			-			349.0
Proceeds from the issue of share capital				37.4			18.7
Fees in relation to refinancing				(4.4)			-
Issue of shareholder loans	26			300.0			-
Bond issued in the year, net of issue costs				-			341.9
Payment of principal on lease liabilities				(7.8)			(6.1)
Dividends paid to shareholders	11			-			(199.3)
Net cash from financing activities				325.2			504.2
Net increase in net cash and cash equivalents	38			258.9			238.8
Net cash and cash equivalents at the beginning of the year				271.3			32.5
Net cash and cash equivalents at the end of the year	24			530.2			271.3

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 reduced by £0.5m as a result of foreign exchange rate changes upon translation of the Group's US operations into GBP.

Notes to the financial statements continued

for the year ended 31 March 2021

1 Revenue

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

	2021 £m	2020 £m
Aviation Income	74.3	361.2
Commercial income		
Retail concessions	16.2	200.0
Car parking	39.5	234.8
Property and property related income	20.5	18.7
Other	28.1	78.7
Total commercial income	104.3	532.2
Total income - continuing operations	178.6	893.4
Income - discontinued operations (note 10) ¹	8.5	28.9
Total income	187.1	922.3

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

Aviation income includes passenger facility charges, runway charges, passenger security charges and aircraft parking charges, all of which are recognised at the point of departure.

Retail concessions includes duty free income, food and beverage income and airport lounge income.

Other income includes utility cost recharges, fees for airline services and aviation fuel sales.

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 2021 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.

Notes to the financial statements continued

for the year ended 31 March 2021

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. Most of the Group's core investment property portfolio are included in the results of the airport at which they are located.

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.

Total significant items recorded in result from operations

	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	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 (loss)/profit before significant items	(177.3)	(128.1)	(8.8)	(6.3)	(5.8)	(326.3)	7.9
Significant items - operating costs	(11.9)	(15.7)	(0.9)	(0.5)	(9.3)	(38.3)	-
Segment operating (loss)/profit after significant 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 sales and valuation of investment properties						1.2	-
Finance costs						(161.0)	(3.6)
Significant items - Finance costs						54.2	-
Result before taxation						(477.6)	4.3
Other information							
Segment assets	2,102.6	1,218.7	274.8	48.7	1,185.4	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	-
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 (loss)/profit before significant items	(177.3)	(128.1)	(8.8)	(6.3)	(5.8)	(326.3)	7.9

Notes to the financial statements continued

for the year ended 31 March 2021

2. Business and geographical segments continued

Year ended 31 March 2020

	Restated						
	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	437.7	365.2	71.1	15.4	14.0	903.4	28.9
Inter-segment sales ³	(3.3)	-	-	-	(6.7)	(10.0)	-
External Revenue	434.4	365.2	71.1	15.4	7.3	893.4	28.9
Result							
Segment operating profit/(loss) before significant items	107.8	101.1	12.2	(1.7)	(18.1)	201.3	25.2
Significant items - operating costs	(1.5)	7.3	(0.4)	(0.3)	(23.7)	(18.6)	(6.2)
Segment operating profit/(loss) after significant items	106.3	108.4	11.8	(2.0)	(41.8)	182.7	19.0
Share of result in equity accounted investees						-	-
Gains and losses on sales and valuation of investment properties						2.2	9.2
Finance costs						(109.5)	(14.7)
Result before taxation						75.4	13.5
Other information							
Segment assets	2,067.0	1,187.4	285.7	30.7	1,023.5	4,594.3	461.4
Segment liabilities	(545.3)	(399.0)	(52.7)	(13.4)	(2,625.8)	(3,636.2)	(73.7)
Capital expenditure	391.4	93.2	15.4	-	32.8	532.8	7.9
Depreciation	91.3	69.3	12.7	2.7	1.3	177.3	0.2
Amortisation	2.5	-	-	-	1.0	3.5	-
Taxation	(38.5)	(33.2)	(7.3)	-	18.9	(60.1)	(1.8)
Result - geographical location²							
Segment operating profit/(loss) before significant items	107.8	101.1	12.2	(1.7)	(18.1)	201.3	25.2

¹ MAG's non-core property has been disclosed separately as discontinued operations. As at 31 March 2021 the non-core property portfolio had been disposed of by the Group.

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 23 Borrowings.

³ Sales between segments are at arm's length.

⁴ As part of the Group's review of the operating and reportable segmentals, given the disposal during the period of the non-core property and significant investment in the MAG US division, the Group has disclosed MAG US as a reportable segment, with MAG Property being disclosed within the Group consolidation and other category. Prior year comparatives have been restated in line with IFRS 8.

Notes to the financial statements continued

for the year ended 31 March 2021

3. Significant items

	Note	2021 £m	2020 £m
Recorded in result from continuing operations			
Significant items - operating costs ¹		38.3	18.6
Total significant items recorded in result from operations		38.3	18.6
Significant items - finance costs ²	7	(54.2)	-
Total significant items recorded in finance costs		(54.2)	-
Total significant items recorded in result from continuing operations		(15.9)	18.6
Recorded in result from discontinued operations			
Significant items incurred by discontinued operations ³	10	-	6.2
Profit on sale of discontinued operation ³	39	(39.3)	-
Total significant items recorded in result from discontinued operations		(39.3)	6.2
Total significant items		(55.2)	24.8

¹ Significant items from continuing operations - operating costs

Significant items of £38.3m (2020: £18.6m) include: restructuring costs of £33.4m across Group as the business aligns its cost base to demand levels, M&A activity of £1.2m, the additional pensions and associated costs of £2.7m relating to the proposed closure of the defined benefit schemes, The Greater Manchester Pension Fund (GMPF), MAG (STAL) pension scheme and E.M.I.A Pension Scheme (EMIA) (£0.8m), and a curtailment loss (£1.9m) in respect of redundancies during the year.

² Significant items from continuing operations - finance costs

A gain of £54.2m 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).

³ Significant items from discontinued operations

In FY20 significant items of £6.2m related directly to the sale of the Group's non-core property portfolio, including advisory fees and additional works not part of the normal course of business. The disposal costs incurred by the business in FY21 are included in the calculation of £39.3m profit on disposal of the discontinued operation.

Taxation on significant items are disclosed in note 9 to the financial statements.

Notes to the financial statements continued

for the year ended 31 March 2021

4. Result from operations before significant items

	Note	2021 £m	2020 £m
Turnover	1	178.6	893.4
Wages and salaries		(170.2)	(221.2)
Social security costs		(16.2)	(21.5)
Pension costs		(17.5)	(22.7)
Coronavirus Job Retention Scheme		58.9	-
Employee benefit costs		(145.0)	(265.4)
Depreciation and amortisation		(176.9)	(180.8)
Profit on disposal of property, plant and equipment		(0.1)	-
Other operating charges ¹		(202.4)	(245.9)
Airport groundworker and operators support scheme		19.5	-
Result from continuing operations before significant items		(326.3)	201.3
Result from discontinued operations before significant items	10	7.9	25.2
Result from operations before significant items - total business		(318.4)	226.5

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

The reduction in employee benefit costs 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, a 10% pay reduction for 12 months to 1 April 2021 for all MAG employees and an organisational restructure, with the restructuring costs being disclosed within significant items, see note 3.

Additionally, the Group utilised the Government's Coronavirus Job Retention Scheme through furloughing a significant proportion of the Group's employees throughout the year. As such, the reimbursement under the scheme of £58.9m has been netted off against the underlying expenditure to which it relates. Additionally the Group utilised £19.5m from the Government's Airport groundworker and operators 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:

	2021 Number	2020 Number
By location		
Manchester Airport	3,266	3,797
London Stansted Airport	1,655	1,872
East Midlands Airport	529	593
MAG US	45	137
	5,495	6,399

Manchester Airport includes Group, Head Office, Looking4Parking and SkyParkSecure as well as operational employees. The calculation for the average number of employees has been calculated for both 2021 and 2020 to reflect full-time equivalent (FTEs) employees.

Notes to the financial statements continued

for the year ended 31 March 2021

6. Directors' emoluments

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 27 to 29 in the remuneration report.

	2021 £m	2020 £m
Directors' emoluments		
Aggregate emoluments	7.3	5.9

An amount of £nil (2020: £0.1m) was paid into money purchase schemes in respect of two directors (2020: two). Consistent with the treatment in prior years the amounts above include STIP payments during the year of £1.6m paid relating to prior periods. The LTIP amounts included in the current year are amounts accrued in the financial statements driven by the Group's notational FY21 - FY24 LTIP scheme, and amount to £2.0m. The Group have proposed a revised LTIP scheme to the Remuneration Committee following the cancellation of the FY18 - FY21 LTIP. The proposed scheme is designed and developed to reflect the Group's recovery from COVID-19 over the next 3-4 years. Directors emoluments for 2021 include £1.2m of termination payments. A further £0.3m of emoluments were paid post year end.

	2021 £m	2020 £m
Key management compensation		
Aggregate emoluments	12.2	9.4

Key management for the Group are the Board of Directors and members of the Executive Committee (EXCO) who control and direct the Group's operational activities and resources. For FY21 the Group have included the Managing Directors of the UK airports in the key management compensation figures. Consistent with the treatment in prior years the amounts above include STIP payments during the year of £2.4m paid relating to prior periods. The LTIP amounts included in the current year are amounts accrued in the financial statements driven by the Group's proposed FY21- FY24 LTIP scheme, and amount to £3.4m. The Group have proposed a revised LTIP scheme to the Remuneration Committee following the cancellation of the FY18-FY21 LTIP. The proposed scheme is designed and developed to reflect the Group's recovery from COVID-19 over the next 3-4 years.

The key management compensation for the current year comprises: Short term employee benefits £6.6m; Post-employment benefits £0.4m; Other long-term benefits £3.4m; and termination payments £1.8m.

	2021 £m	2020 £m
Highest paid director		
Aggregate emoluments	2.5	2.0

The £2.5m (2020: £2.0m) includes salary, benefits, STIP payment of £0.7m 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 2021

7. Finance costs

	Note	2021 £m	2020 £m
Interest payable on bank loans and overdrafts		7.8	3.4
Interest payable on bonds		56.2	54.9
Interest payable on other borrowings		87.2	65.2
Interest cost on defined benefit pension schemes	30	1.1	2.2
Interest expense on lease liabilities	31	22.4	21.9
Capitalisation of borrowing costs	13	(10.4)	(23.4)
Unwind of deferred consideration		0.3	-
Finance charge to discontinued items	10	(3.6)	(14.7)
Total finance costs before significant items		161.0	109.5
Significant items	3	(54.2)	-
Total finance costs after significant items		106.8	109.5

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 has resulted in a modification gain of the estimated cashflows of shareholder loans, however this is not deemed a substantial modification. As such, the change in timing of the estimated future gain has been adjusted in the period of charge, with the corresponding income being recognised in the income statement. The modification of £54.2m has been reflected in significant items.

The modification gain is calculated by the change in amortised cost of the shareholder loans as a result of the revision in their estimated cashflows which are discounted at the effective interest rate of the loan. The directors currently estimate that the deferred interest will be repaid between 31 March 2024 and 30 September 2025. Deferred interest incurs an interest rate of 3% over the bank deposit rate which is lower than the effective interest rate on the loans and this gives rise to the modification gain. The key inputs into the calculation of the gain are:

- the estimated cashflows 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, estimated cashflows 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

The sensitivities of these key inputs are:

- if the differential between the effective interest rate and the rate chargeable on deferred interest payments was 1% lower then the loan modification gain would be £6.4m lower; and
- if the deferred interest payments were paid 6 months earlier then the modification gain would decrease by £11.8m.

The Group has calculated a modification gain of £54.2m at the reporting date based upon the projected repayment profile of the shareholder loan interest in the FY22 business plan. This differs from the £21.8m modification gain recognised in the Interim Report to 30 September 2020 which was based upon the FY21 business plan. As a result of the significance of the gain, management have decided to present the modification gain within significant items, whereas in the Interim Report the gain was presented as part of overall finance costs.

MAG capitalises borrowing costs in accordance with IAS 23. Following the COVID-19 pandemic the Group has refocused its capital expenditure to completing components of the transformation projects which were in progress whilst deferring the commencement of new phases. As a result the quantum of capitalised interest has reduced to £10.4m (2020: £23.4m). Further details are provided at note 13.

Notes to the financial statements continued

for the year ended 31 March 2021

8. Result before taxation

	Note	2021 Continuing operations £m	2021 Discontinued operations £m	2020 Continuing operations £m	2020 Discontinued operations £m
Result before taxation has been arrived at after charging/(crediting):					
Release of capital based grants		(1.3)	-	(0.7)	-
Depreciation of property, plant and equipment:¹					
Owned Assets - continuing operations	13	157.9	-	168.7	-
Depreciation of right-of-use assets	14	10.1	-	8.6	0.2
Amortisation of intangible assets	16	9.9	-	3.5	-
Profit on disposal of property, plant and equipment		0.1	-	-	-
Significant items ²	3	15.9	39.3	18.6	6.2
Gains and losses on sales and valuation of investment properties	2, 15	(1.2)	-	(2.2)	(9.2)
Interest charged on lease liabilities	31	22.4	-	21.7	0.2
Employee benefit costs	4	145.0	-	265.4	1.2
Auditor's remuneration¹					
Audit of these financial statements		0.3	-	0.2	-
Amounts receivable by the Company's Auditor and its associates in respect of:					
Audit of subsidiaries' financial statements		0.3	-	0.3	-
Other services relating to taxation & other consultancy		-	-	0.1	-
Total auditor's remuneration		0.6	-	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 £1.0m higher than the depreciation charge of £176.9m in the income statement, due to £1.0m of release of capital grants being offset against depreciation in the year. The remaining release of £0.3m of capital grants is deemed to be revenue in nature.

² Significant items have been separately disclosed on the face of the consolidated income statement. Further details of these items are shown in note 3 Significant 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 2021

9. Taxation

Analysis of charge in the year

	2021 £m	2021 £m	2021 £m	2020 £m	2020 £m	2020 £m
	Total before significant items	Significant items	Total after significant items	Total before significant items	Significant items	Total after significant items
Total significant items recorded in result from operations						
Current taxation						
UK corporation tax on profits for the year	(38.7)	4.8	(33.9)	33.4	3.0	36.4
Adjustment in respect of prior year	0.1	-	0.1	0.5	-	0.5
Total current taxation	(38.6)	4.8	(33.8)	33.9	3.0	36.9
Deferred taxation						
Temporary differences arising in the year	(18.3)	-	(18.3)	3.9	-	3.9
Adjustment in respect of prior year	11.4	-	11.4	(4.8)	-	(4.8)
Effect of change in rate of corporation tax	-	-	-	25.9	-	25.9
Total ordinary deferred taxation	(6.9)	-	(6.9)	25.0	-	25.0
Total taxation (credit)/charge	(45.5)	4.8	(40.7)	58.9	3.0	61.9

The increase in non-deductible/(non-taxable) items relates to the non-deductible interest due to the current trading conditions. Which comprises a credit from continuing operations of £42.4m (2020: charge of £60.1m) and a charge for discontinued operations of £1.7m (2020: £1.8m). See note 10.

Taxation on items charged/(credited) to equity

	2021 £m	2020 £m
Deferred taxation on remeasurement of retirement benefit liabilities	(1.8)	7.1
Effect of change in rate of corporation tax	-	(1.7)
Deferred tax on foreign exchange movement	(0.4)	-
Total taxation charge	(2.2)	5.4

Factors affecting the taxation charge for the year

The total taxation charge for the year ended 31 March 2021 is lower (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below.

	2021 £m	2021 £m	2021 £m	2020 £m	2020 £m	2020 £m
	Total before significant items	Significant items	Total after significant items	Total before significant items	Significant items	Total after significant items
Result before taxation	(493.5)	15.9	(477.6)	113.7	(24.8)	88.9
Result before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%):	(92.9)	3.0	(89.9)	21.6	(4.7)	16.9
Effect of:						
Non-taxable items	36.0	1.8	37.8	15.7	7.7	23.4
Adjustments to prior year taxation charge	11.4	-	11.4	(4.3)	-	(4.3)
Effect of change in rate of corporation tax	-	-	-	25.9	-	25.9
Total taxation (credit)/charge	(45.5)	4.8	(40.7)	58.9	3.0	61.9

Notes to the financial statements continued

for the year ended 31 March 2021

9. Taxation continued

The deferred tax assets and liability amounts at 31 March 2021 have been calculated at 19% (2020: 19%). The prior year deferred tax debit primarily relates to an increase in assets qualifying for capital allowances. In the 3 March 2021 budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the net deferred tax liability would have increased by £60.5m.

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 2021 £m	Year ended 31 March 2020 £m
Revenue	8.5	28.9
Operating costs	(0.6)	(3.7)
Result from operations before significant items	7.9	25.2
Significant items	-	(6.2)
Gains and losses on sale and valuation of investment properties	-	9.2
Finance costs	(3.6)	(14.7)
Attributable tax expense	(1.7)	(1.8)
Result from discontinued operations (net of tax)	2.6	11.7
Profit on sale of discontinued operation	39.3	-
Net profit attributable to discontinued operation (attributable to owners of the Group)	41.9	11.7

The Group commenced a sales process for its non-core property portfolio during the year ended 31 March 2020 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. Details of the disposal are given in note 39 to the financial statements.

11. Dividends

	2021 £m	2020 £m
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 March 2020 of nil pence (2019: 40.42 pence) per share	-	128.0
Interim dividend for the year ended 31 March 2021 of nil pence (2020: 22.51 pence) per share	-	71.3
Amounts recognised as distributions to equity holders in the year	-	199.3
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 2021 (2020: nil) pence per share.	-	-

Notes to the financial statements continued

for the year ended 31 March 2021

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.

2021					2020				
Earnings		Weighted average number of shares	Per share amount		Earnings		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 significant items

(446.3)	2.6	316.7	(140.9)	0.8	36.9	17.9	316.7	10.7	5.7
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EPS attributable to ordinary shareholders - after significant items

(435.2)	41.9	316.7	(137.4)	13.2	15.3	11.7	316.7	4.8	3.7
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Basic and fully diluted earnings as calculated above equate to the same amount for: A shares; B shares; and non-voting ordinary shares. C shares, issued for the funding of a new car park during the period, have a nil EPS.

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
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

Notes to the financial statements continued

for the year ended 31 March 2021

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
2020						
Cost						
At 1 April 2019	209.9	481.6	2,173.1	739.0	768.0	4,371.6
Additions	-	5.7	1.0	2.4	531.6	540.7
Reclassification from assets in the course of construction	-	127.4	160.8	73.9	(362.1)	-
Other reclassifications	(30.5)	30.5	-	-	-	-
Reclassification from/(to) investment properties (note 15)	-	1.5	(0.2)	(0.2)	-	1.1
Reclassification to intangible assets (note 16)	-	-	-	-	(0.5)	(0.5)
Disposals	(0.4)	(0.3)	(4.9)	(0.4)	-	(6.0)
At 31 March 2020	179.0	646.4	2,329.8	814.7	937.0	4,906.9
Depreciation						
At 1 April 2019	64.5	198.2	587.2	542.9	-	1,392.8
Charge for the period	-	18.4	88.7	61.6	-	168.7
Depreciation on disposals	-	(0.3)	(4.8)	(0.4)	-	(5.5)
At 31 March 2020	64.5	216.3	671.1	604.1	-	1,556.0
Carrying amount						
At 31 March 2020	114.5	430.1	1,658.7	210.6	937.0	3,350.9
Carrying amount						
At 31 March 2019	145.4	283.4	1,585.9	196.1	768.0	2,978.8

The carrying amount of land not depreciated as at 31 March 2021 is £213.6m (31 March 2020: £235.4m). 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 £1.5m as a result of foreign exchange rate changes upon translation of the Group's US operations into GBP.

Capitalised borrowing costs

During the year ended 31 March 2021, borrowing costs of £10.4m were capitalised (31 March 2020: £23.4m), relating to borrowing costs incurred in FY21. 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 2021 was 5.56% (2020: 5.84%).

These borrowing costs were capitalised due to the transformational capital investment projects being undertaken at Manchester and London Stansted Airports.

The value of costs capitalised during the year has reduced substantially in comparison to prior year due to:

- reducing the effective interest charge
- the impact of a £54.2m finance cost modification gain (refer note 7) as a result of deferral of shareholder loan interest reducing the effective interest charge;
- MAG refocus of capital expenditure to complete current phases of transformation work in progress and deferral of future phases as part of the response to the COVID-19 pandemic; and
- management ceasing interest capitalisation on the current phases of the MAN-TP programme as the main contractor hands over the work performed (October - December 2020).

Impairment Review

During the year ended 31 March 2021, management have carried out an impairment review of the fixed assets, including the useful economic lives of assets. A write-off of £1.3m has been recognised in the discontinued operations in the year, to eliminate the carrying value of assets disposed of as a result of the Group's sale of its non-core property portfolio. Details of the full impairment review performed during the year are provided at note 16.

Notes to the financial statements continued

for the year ended 31 March 2021

13. Property, plant and equipment continued

Assets in the course of construction

Assets in the course of construction is £900.5m in the year ended 31 March 2021 (2020: £937.0m), a substantial portion of which will be brought into use as a key stage of the Manchester transformation programme concludes during the next financial year.

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.

14. Right-of-use assets

	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 ¹	(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
	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
2020				
Cost				
At 1 April 2019	222.1	198.1	0.7	420.9
Additions	1.9	-	3.2	5.1
Reclassification to assets held for sale	(2.8)	-	-	(2.8)
Remeasurements	0.1	0.3	-	0.4
At 31 March 2020	221.3	198.4	3.9	423.6
Depreciation				
At 1 April 2019	-	-	-	-
Charge for the period	5.5	3.0	0.3	8.8
At 31 March 2020	5.5	3.0	0.3	8.8
Carrying amount				
At 31 March 2020	215.8	195.4	3.6	414.8
At 31 March 2019	-	-	-	-

Notes to the financial statements continued

for the year ended 31 March 2021

14. Right-of-use assets continued

¹ Disposals

Disposal of lease asset associated with the sale of the non-core property portfolio.

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 the 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 2021, the income generated from subleasing right-of-use assets was £0.7m (2020: £1.9m), generated solely from sublets of land and buildings.

Gains or losses generated from sale and leaseback transactions

During the year to 31 March 2021, the Group incurred a £0.7m loss (2020: nil) 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 31.

The £0.6m per annum rental charge is to be passed on to the purchasers of the non-core property portfolio under identical terms to the arrangement with MCC. As this represents an effective sale of the right of use asset, which arose as a result of the rent review, management have derecognised the right of use asset and replaced it with a long-term lease receivable. The present value of amounts receivable as at 31 March 2021 is £11.2m. The discount rate used is 5.48%. The closing liability if the discount were to increase by 1% would be £9.5m and would be £13.7m if the discount rate decreased by 1%.

The amounts receivable under this agreement are as follows:

	£'m	£'m
	Undiscounted	Discounted
Within 1 year	0.6	0.6
1 to 2 years	0.6	0.5
2 to 5 years	1.8	1.5
Over 5 years	151.3	8.6
	154.3	11.2

15. Investment Properties

	Investment properties £m
2021	
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
2020	£m
Valuation	
At 1 April 2019	552.6
Additions	7.4
Reclassification to property, plant and equipment (note 13)	(1.1)
Disposals	(0.7)
Revaluation	10.1
Reclassification to assets held for sale (note 19)	(430.8)
At 31 March 2020	137.5

Notes to the financial statements continued

for the year ended 31 March 2021

15. Investment Properties continued

The fair value of the Group's commercial investment property at 31 March 2021 has been arrived at on the basis of a valuation carried out at that date by Savills Plc. Fisher German carried out the valuation of the Group's residential property portfolio at 31 March 2021.

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 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

- Investment property
 - 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

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 £17.9m (2020: £38.8m), of which £8.5m was attributable to discontinued operations (2020: £28.9m). Direct operating expenses arising on the investment property in the year amounted to £2.6m (2020: £4.4m), which includes £nil (2020: £nil) of operating costs where no income was derived.

Gains and losses on sales and valuation of investment properties reported in the consolidated income statement of £1.2m in the year (2020: £11.4m) includes £1.2m of valuation gains on investment property (2020: £10.1m), of which £nil was attributable to discontinued operations (2020: £9.2m attributable).

16. Intangible assets

	Goodwill £m	Software costs £m	Other intangible assets £m	Total £m
Cost				
At 1 April 2020	170.8	-	60.4	231.2
Additions in relation to acquisition in the year	39.0	-	18.5	57.5
Reclassification from property, plant and equipment	-	59.0	-	59.0
Foreign exchange	(3.6)	-	(1.7)	(5.3)
Additions	-	-	0.7	0.7
At 31 March 2021	206.2	59.0	77.9	343.1
Amortisation				
At 1 April 2020	-	-	15.0	15.0
Reclassification from property, plant and equipment	-	12.1	-	12.1
Charge for the year	-	4.4	5.5	9.9
At 31 March 2021	-	16.5	20.5	37.0
Carrying amount				
At 31 March 2021	206.2	42.5	57.4	306.1
At 31 March 2020	170.8	-	45.4	216.2

Notes to the financial statements continued

for the year ended 31 March 2021

16. Intangible assets continued

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 newly acquired US based online car-parking aggregator businesses (see note 18).

Of the goodwill total of £206.2m 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 £35.4m attributable to additions to goodwill in the period from the acquisitions of airportparkingreservations.com LLC (£18.8m) and ParkSleepFly.com (£16.3m) and its subsidiary shuttlefinder.net (£0.2m). The goodwill relating to the acquisitions of the three US based entities in the period (see note 18) 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 reduced from £39.0m to £35.4m.

Intangibles

The intangible assets total of £57.4m is attributable to Metrolink (£34.5m), airspace redesign (£2.5m), the acquisition of the UK distribution companies (£6.0m) and the remaining £14.4m relates to the acquisitions of airportparkingreservations.com LLC (APR), ParkSleepFly.com (PSF) and shuttlefinder.net (SF), which comprises £18.5m of additions and £2.4m of amortisation for the period, and a reduction in carrying value of £1.7m arising due to the change in USD:GBP exchange rate at 31 March 2021.

Software costs

£42.5m of capitalised computer software costs principally relate to operating and financial software.

Impairment

The principal CGUs used in the Group's impairment assessment consisted of:

- Manchester Airport where the recoverable amount provided a £574.9m headroom over the assets carrying value of £1,981.1m;
- London Stansted Airport where the recoverable amount provided £282.7m of headroom over the assets carrying value of £1,645.7m;
- East Midlands International Airport where the recoverable amount provided £130.6m of headroom over the assets carrying value of £228.8m; Management have identified that a reasonable possible change in one key assumption that would cause the carrying amount to exceed the recoverable amount. When applying a 1.5% growth rate in yield and PAX, there is an impairment of £56.1m on an asset base of £229.6m.

	Change required for recoverable amount to equal carrying value
Yield growth reduces by	(2.50)%
Passenger and Yield growth reduce to	1.50%

- MAG US, where each lounge constitutes a CGU, the overall recoverable amount exceeded the carrying value of £12.0m by £8.9m. However, for two of the smaller lounges the recoverable amount assessment showed a combined impairment £0.7m which has been booked to the accounts;
- MAG's UK Distribution Companies (where the CGU's are the Looking4Parking and SkyParkSecure businesses) where the recoverable amount amounts for each business is more than £8.0m in excess of the asset carrying values (combined carrying value for both businesses £10.0m); and
- Each of the newly acquired online US based car parking aggregator companies (see note 18) constitute a separate CGU. The recoverable amount assessment is based upon the approved budget from April 2021 but management have also considered a downside scenario that excludes post-acquisition operating improvements and limited growth in operator relationship base. The impairment assessment for each CGU:
 - Airportparkingreservations.com - where the recoverable amount provided a £5.9m headroom over the asset carrying value of £25.6m (Downside scenarios analysed would not give rise to impairment);
 - Parksleefly.com - where the recoverable amount provided a £3.2m headroom over the asset carrying value of £22.7m (Downside scenarios analysed would not give rise to impairment); Management have identified that a reasonable possible change in one key assumption that would cause the carrying amount to exceed the recoverable amount.

	Change required for recoverable amount to equal carrying value
Passenger growth	(30.00)%

- Shuttlefinder.net - where the recoverable amount provided a £0.3m headroom over the asset carrying value of £0.4m (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 2021 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 25% of pre-COVID-19 levels, which is in line with the lower end of industry expectations. The budget estimates UK passenger levels in FY22 at 40% of pre-COVID-19 levels which is in line with the mid-point of both management and industry estimates. No additional impairments arose as a result of considering this downside. The budget also estimates US passenger levels for FY22 at 65% of pre-COVID-19 levels, which is a prudent assumption given the activity levels being experienced in the US in the first months of FY22.

Notes to the financial statements continued

for the year ended 31 March 2021

16. Intangible assets continued

Impairment continued

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%. This rate has been arrived at after taking into account climate change considerations. The business has used a budget of 5 years as recommended under IAS38 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 post-tax rate used to discount the forecast cash flows was calculated as:

- UK Airport CGUs: 6.89%;
- Looking4Parking and SkyParkSecure: 12.04%; and
- US CGUs (both legacy lounge & car parking business and recently acquired online car parking aggregator businesses): 13.0%

Other intangible assets

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. The 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.

During the period the Group reclassified software costs, including internal development costs, with a book value of £18.8m into intangible assets. The remaining useful economic life on these assets being 5 years.

Additional intangible assets relate to software, intellectual property, customer lists and brands as part of the acquisition of Looking4Parking and SkyParkSecure.

17. Investment in associate

2021	£m
Cost and carrying value	
At 1 April 2020	7.0
Investment in associate	2.5
Group's share of equity accounted investee's result	0.6
At 31 March 2021	10.1

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 2020: £2.5m) 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.

Notes to the financial statements continued

for the year ended 31 March 2021

17. Investment in associate continued

	2021 £m	2020 £m
Current assets	48.9	34.7
Current liabilities	(4.2)	(3.2)
Net assets	44.7	31.5
Group's share of associate's net assets	9.4	22.1
Revenue	19.1	-
Result for the period	2.3	-
Group's share of associate's result for the period	0.6	-

During the year to 31 March 2021, MAG initially held a 70% shareholding in the partnership and, as a result of a sale, held 20% for the period from 7 August 2020 to 31 March 2021. The weighted average shareholding across the year was therefore approximately 37%.

On 7 August 2020, the Group disposed of a 50% shareholding in the Airport City Limited Partnership. Overall the Group recognised a loss on its investment in associate of £7.4m in the year reflecting a £0.6m share of the associate's profit and a loss of £8.0m on disposal. Further details of the disposal can be found in note 39 to the financial statements. As a result of the disposal, the Group now holds a 20% shareholding in the Airport City Limited Partnership. The directors have determined that MAG still have a significant influence and so will continue to equity account for the investment.

As in previous years, MAG does not have control over the partnership due to decisions on all key matters requiring a 79.9% majority to proceed. Since MAG still do not have control as a result of the sale, there has been no change in the accounting treatment of the Airport City investment as a result of the disposal in the period. However, given the shareholding is now between 20% and 50% the holding is classified as an associate, rather than an equity accounted investee.

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 £6.1m was drawn down at 31 March 2021. 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 (2020: none).

18. Acquisitions

On 22 June 2020, the Group acquired 100% of the membership interests of AirportParkingReservations.com LLC, ParkSleepFly.com LLC and Shuttlefinder.net LLC, for initial cash consideration of \$31.3m. An additional amount of \$25.0m payable on 2 April 2021, and a further contingent amount of up to \$12.5m is payable in April 2022 dependent upon post-pandemic aviation market recovery, linked to aggregated US passenger enplanements. As at the half year, the Group regard the consideration as equating to £52.3m based on fair valuation work performed on the contingent consideration and the underlying criteria for the additional payment being met.

The three businesses are online aggregators and distributors of airport parking and associated travel booking options in North America, holding a combined list of over 1,000 operator relationships with coverage of all major North American airports. Together, they represent the largest airport parking distributor in the US market. The acquisition enables the Group to build on its expanding base of operations in the US whilst also leveraging on its existing expertise with online aggregators and distributor businesses in the UK.

The Board believes that the excess of cash consideration paid over net identifiable assets on acquisition of £39.0m is best considered as goodwill on acquisition. The goodwill reflects the directors' view of the synergies that can be achieved between the continuing operations of the acquired entities with Group's existing business operations and areas of expertise. These synergies are anticipated to generate additional post-acquisition growth by increasing the business's operator relationship base and generate digital revenue growth. These synergies do not qualify for separate recognition as intangible assets and have been recognised as goodwill. The goodwill calculation is summarised below:

Notes to the financial statements continued

for the year ended 31 March 2021

18. Acquisitions continued

	Book value	Measurement adjustments	Fair value at 22 June 2020
	£m	£m	£m
Acquiree's net assets at acquisition date:			
Intangible assets (net of amortisation) ¹	-	18.5	18.5
Cash	0.7	-	0.7
Trade and other payables	(1.1)	-	(1.1)
Deferred tax liability	-	(4.8)	(4.8)
Net identifiable assets	(0.4)	13.7	13.3
Goodwill identifiable on acquisition	-	39.0	39.0
Total consideration	(0.4)	52.7	52.3
Total consideration split:			£m
Initial cash payment			23.8
Deferred consideration ²			18.8
Contingent consideration ²			7.3
Effective portion of hedging instrument ³			2.4
			52.3

¹ Intangible assets were subject to a fair valuation exercise at the acquisition date. The intangible assets and the basis of estimating their fair value were:

- Operator relationships £14.7m - was valued on a cost to re-create basis
- Technology £1.5m - was valued on a replacement cost basis
- Trade names £2.3m - was valued on a relief from royalty basis

Operator relationships are the most significant intangible asset identified as part of the acquisition and the key inputs for their valuation was: the number of operator relationships; the attrition rate of those relationships; and the length of time to create the relationship.

² As at the year end, the Group regard the consideration as amounting to £26.1m based on fair valuation work performed by PricewaterhouseCoopers on the contingent consideration and the underlying criteria for the additional payment being met. Since the contingent consideration is due after 12 months, this amount has been discounted to present value with reference to prevailing market rates (1.41% to 1.61%). Contingent consideration of up to \$12.5m is payable based upon US enplanement levels in FY22 as a percentage of pre-COVID levels. The directors have estimated enplanements to be 75% of pre-COVID levels in their determination of fair value.

³ The net assets acquired as part of the purchase have been translated at the prevailing spot rate as at 31 March 2021, and the £2.4m gain on the effective hedge resulting from purchasing a forward at a more beneficial rate has been recorded in other comprehensive income in the period.

Impact on income statement resulting from the acquisition

Included in the twelve month period ended 31 March 2021 is revenue of £4.3m and loss before tax of £1.9m in respect of the three entities.

Had the acquisition of AirportParkingReservations.com Inc, ParkSleepFly.com Inc and Shuttlefinder.net LLC been effected at 31 March 2020, the revenue and loss before tax of the Group for the 52 week period to 31 March 2021 would have been £4.5m and £2.7m respectively.

Year end impact of acquisitions

In the year end accounts the carrying value of the principal assets acquired in the acquisition were:

- Goodwill - which reduced from £39.0m arising upon acquisition to £35.4m at 31 March 2021 as a result of the movement in the USD: GBP exchange rate from 1.2448:1 at the date of acquisition to 1.3712:1 at the 31 March 2021; and
- Intangible assets - which reduced from £18.5m arising upon acquisition to £14.5m at 31 March 2021 as a result of amortisation of £2.4m and the balance of the movement reflecting the movement in the USD: GBP exchange rate.

These movements are detailed in the roll-forward of goodwill and intangible assets as detailed at note 16. The £4.1m reduction in the GBP value of the acquired entities assets arising as a result of foreign exchange movements has been reflected in reserves in accordance with IAS 21.

Acquisition costs

Acquisition related costs amounting to £1.2m have been excluded from the consideration transferred and have been recognised as an expense in the year, within significant items in the consolidated income statement.

Notes to the financial statements continued

for the year ended 31 March 2021

18. Acquisitions continued

Forward contract for up front payment and deferred consideration

MAG entered into two forward contracts to purchase:

- \$30.0m at a closing rate of 1.1324 USD to GBP at the date of acquisition; and

- \$25.0m at a closing rate of 1.3139 USD to GBP at 2 April 2021, in order to satisfy the up front deferred consideration element detailed above.

This is in line with the Group's risk management strategy and enabled the Group to fix the sterling amount of relating to USD payments where both the timing and the amounts were contractually fixed. Consequently, there is no risk to future GBP cashflows arising from the entry into these forward contracts. Management have chosen to apply hedge accounting to the transaction.

As a result of applying hedge accounting to the acquisition a hedging gain of £2.4m arising upon acquisition has been recognised directly in reserves. Without applying hedge accounting to the two forward contracts the Group would have recognised a net derivative gain of £0.5m in the income statement (with a gain on the upfront payment more than offsetting a loss on the deferred payment) along with a liability of £0.8m at the reporting date.

19. Assets held for sale and associated liabilities

	31 March 2021 £m	31 March 2020 £m
Assets held for sale		
Current assets		
Right-of-use assets	-	2.8
Investment properties	2.0	432.8
Investment in associate	-	17.6
Trade and other receivables	-	8.2
Total	2.0	461.4
	31 March 2021 £m	31 March 2020 £m
Associated liabilities		
Current liabilities		
Non-current lease liabilities	-	(2.7)
Deferred tax liabilities	(0.4)	(62.8)
Trade and other payables	-	(3.8)
Current lease liabilities	-	(0.2)
Deferred income	-	(4.2)
Total	(0.4)	(73.7)

In the year MAG sold the majority of its non-core property portfolio which was classified as held for sale at 31 March 2020. Assets held for sale as at 31 March 2021 represent the retained investment property at Bournemouth Airport.

The basis of fair value measurement and valuation of the Group's commercial investment property, including assets held for sale, at 31 March 2021 has been disclosed in note 15 to the financial statements.

20. Inventories

	2021 £m	2020 £m
Consumables	3.5	5.2
	3.5	5.2

Amount of inventory charged to cost of sales in the period amounted to £2.1m.

Notes to the financial statements continued

for the year ended 31 March 2021

21. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	22.6	67.4
Other receivables	30.6	7.0
Prepayments and accrued income	12.0	28.9
Total	65.2	103.3

Other receivables primarily relates to £19.5m for Airport and Ground Operations Support Scheme, £4.2m for the Coronavirus Job Retention Scheme and £1.8m for funding for the SESAR (Single European Sky ATM Research) which relates to costs that are recovered from the European Union in respect of research activities into air traffic management over European skies.

The average credit period taken on sales is 46 days (2020: 22 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £8.0m (2020: £2.6m). This includes reserves against specific debts estimated as irrecoverable and additional amounts included comprising of £5.8m (2020: £0.2m) additional reserve relating to estimated credit losses.

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:

	2021 £m	2020 £m
Debt due over 90 days	17.9	3.4
Total	17.9	3.4

Movement in the expected credit loss of trade receivables is as follows:

	£m
Balance at 1 April 2020	2.6
Increase in allowance for impaired receivables	0.6
Additional provision during the year	5.1
Provision utilised during the year	(0.3)
Balance at 31 March 2021	8.0

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:

	2021 £m	2020 £m
Less than 60 days	1.2	-
60 to 90 days	0.3	-
Over 90 days	6.5	2.6
Total	8.0	2.6

The Group has limited exposure to foreign currency exchange risk with trade and other receivables including £(1.1m) 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 27.

22. Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	542.1	271.3
Total	542.1	271.3

The directors consider that the carrying value of net cash and cash equivalents are at amortised cost.

Notes to the financial statements continued

for the year ended 31 March 2021

23. Borrowings

	Note	2021 £m	2020 £m
Overdraft	24	11.9	-
Current borrowings		11.9	-
Bank loans	24	482.6	481.9
Bonds	25	1,438.2	1,441.4
Other borrowings	26	967.5	601.5
Non-current borrowings		2,888.3	2,524.8
Borrowings are repayable as follows:			
In one year or less, or on demand			
Overdraft	24	11.9	-
Bank loans	24	-	-
		11.9	-
In more than one year, but no more than two years			
Bank loans	24	-	-
		-	-
In more than two years, but no more than five years			
Bank loans	24	482.6	481.9
Bonds	25	357.7	358.1
		840.3	840.0
In more than five years – due other than by instalments			
Bonds	25	1,080.5	1,083.3
Other borrowings	26	967.5	601.5
		2,048.0	1,684.8
Non-current borrowings		2,888.3	2,524.8
Total borrowings		2,900.2	2,524.8

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 has revolving credit and liquidity facilities, comprising a £500.0m revolving credit facility and £90.0m (increasing from £60.0m on 1 April 2019) in standby liquidity facilities, each with a five year term, maturing in 2023. The Amended and Restated LF Agreement has total facilities of £90.0m and is sized to cover 12 months interest on secured debt. The LF Agreement is a 364-day revolving facility with a five year term on each annual renewal.

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 2044. 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 of shareholder loans 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 58, the range of projected passenger levels in FY22 is highly dependent upon the timing of release of travel restrictions and success of the UK and overseas vaccination programmes. The expected impact on EBITDA over the next 12 months, would have placed MAG at risk of breaching its covenants when next tested at 30 September 2021. MAG has acted swiftly and has obtained comprehensive bank and bondholder support for its response, including obtaining waivers on its next two six-monthly financial covenant tests at 30 September 2021 and 31 March 2022, and a modified basis for covenant testing at 30 September 2022, removing any risk on financial covenants during the next financial year.

Notes to the financial statements continued

for the year ended 31 March 2021

24. Bank loans

	2021 £m	2020 £m
Overdraft	11.9	-
Bank loans - current	11.9	-
Secured revolving credit facility	484.0	484.0
Less: unamortised debt issue costs ¹	(1.4)	(2.1)
Bank loans - non-current	482.6	481.9

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 2021 the Group had £nil (31 March 2020: £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 2021), less certain carve-outs in respect of ancillary facilities of £16.0m. The Group also had access to £10.0m of overdraft facilities.

Interest on the Secured Revolving Credit Facility is linked to LIBOR plus a margin. See note 23 for further information on financial liabilities, including maturity analysis.

25. Bonds

	2021 £m	2020 £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 2044	350.0	350.0
Less: discount on issue	(10.3)	(10.7)
Less: unamortised debt issue costs	(11.6)	(7.9)
	1,438.1	1,441.4

See note 23 for further information on financial liabilities, including maturity analysis.

26. Other borrowings

	2021 £m	2020 £m
Repayable other than by instalments		
Shareholders' loan at an interest rate of 12% expiring on 9 February 2055	278.6	251.9
Shareholders' loan at an interest rate of 10% expiring on 30 September 2056	189.5	175.0
Shareholders' loan at an interest rate of 10% expiring on 30 September 2057	189.5	175.0
Shareholders' loan at an interest rate of 10% expiring on 30 September 2058	310.3	-
Less: unamortised debt issue costs	(0.4)	(0.4)
	967.5	601.5

The shareholders' loans are unsecured.

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 2025. 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 £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.

In the Annual Report for the year ended 31 March 2020 accrued interest of £33.0m was classified within accruals. For the year ended 31 March 2021 accrued interest on shareholder loans has been classified within borrowings.

27. Financial instruments

Risk management

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

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

Notes to the financial statements continued

for the year ended 31 March 2021

27. Financial instruments continued

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 90% 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 2021, MAG had £2,845.9m (2020: £2,545.9m) of committed facilities (excluding the Initial LF Agreement) and a net debt position of £2,358.1m (2020 £2,253.7m). MAG had financial headroom of £540.3m (2020: £281.3m) at the year end, 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 FY22.

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.

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 98.51% of banks and bondholders voted (all in favour) to approve the STID Proposal dated 26 May 2020 which included waiving of the Interest Cover Ratio and Leverage Ratio for calculation periods up to and including 31 March 2021. In 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 2021. 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.

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 nonperformance 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.

Notes to the financial statements continued

for the year ended 31 March 2021

27. Financial instruments continued

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2021 was as follows:

	2021 £m	2020 £m
Fixed rate financial liabilities	2,405.6	2,042.9
Floating rate financial liabilities	494.5	481.9
	2,900.1	2,524.8

The revolving credit facility bears an interest rate based on LIBOR 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 increase/(decrease) income and equity for the year by the following amounts:

	2021 £m	2020 £m
Impact on income statement	0.5	(2.1)
Impact on equity	-	-
	0.5	(2.1)

(b) Fixed rate and non-interest bearing financial liabilities

	2021	2020
Weighted average annual interest rate	6.36%	5.83%
Weighted average period for which interest is fixed	22yr 5m	21yr 2m

The weighted average period for non-interest bearing liabilities as at 31 March 2021 was 86 days (2020: 30 days).

(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 2021 to the contract maturity date.

	2021 £m	2020 £m
In one year or less, or on demand	634.1	604.1
In more than one year, but no more than two years	150.1	120.1
In more than two years, but no more than five years	780.7	705.6
In more than five years – due other than by instalments	5,392.8	4,238.1
	6,957.7	5,667.9

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 2021, the Group had an undrawn committed borrowing facility available amounting to £0.0m (2020: £0.0m)

(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 2021 and 2020. 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.

Notes to the financial statements continued

for the year ended 31 March 2021

27. Financial instruments continued

	Note	2021 Carrying amount £m	2021 Fair value £m	2020 Carrying amount £m	2020 Fair value £m
Financial liabilities:					
Instruments held at amortised cost					
Bank loans and overdrafts	23	(494.5)	(494.5)	(481.9)	(481.9)
Trade payables	28	(33.0)	(33.0)	(74.2)	(74.2)
Deferred consideration	28	(25.8)	(25.8)	-	-
Bonds	24	(1,438.1)	(1,567.9)	(1,441.4)	(1,474.9)
Other borrowings	25	(967.5)	(1,121.6)	(601.5)	(582.2)
Contingent consideration	18	(6.7)	(6.7)	-	-
		(2,965.6)	(3,249.5)	(2,599.0)	(2,613.2)
Financial assets:					
Instruments held at amortised cost					
Cash at bank and in hand	22	542.1	542.1	271.3	271.3
Trade receivables	21	22.6	22.6	67.4	67.4
Contingent consideration	39	7.1	7.1	-	-
		571.8	571.8	338.7	338.7
Net financial liabilities		(2,393.8)	(2,677.7)	(2,260.3)	(2,274.5)

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.

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.
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.
Contingent consideration	3	The fair value of contingent consideration is based upon the directors' estimated final payment of contingent consideration amounts discounted to present value.

* Refer to note 15 for valuation techniques applied.

Notes to the financial statements continued

for the year ended 31 March 2021

27. Financial instruments continued

(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:

	2021 Carrying amount £m	2020 Carrying amount £m
Trade receivables	22.6	67.4
Cash at bank and in hand	542.1	271.3
Credit exposure	564.7	338.7

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in note 21.

(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 have non-contingent deferred payments due in April 2021. In line with Group risk management strategy, management have 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. The timing and amount due under these agreements is fixed, and therefore the forward contract is a perfect hedge.

For more details on the acquisitions, and the valuation of these future obligations, see note 18 to the financial statements.

28. Trade and other payables

	2021 £m	2020 £m
Trade payables	33.0	74.2
Other taxation and social security	0.5	6.1
Other payables	1.7	26.2
Accruals	123.2	225.6
Deferred consideration	25.8	-
Capital-based grants	1.3	0.6
	185.5	332.7

The directors consider that the carrying value of trade and other payables approximates to their fair value.

In the prior year, the Group received £18.7m of funds from MCC and district councils. This funding was part payment for £56.1m equity contribution for C-shares, which were issued by MAHL in FY21 for the purpose of funding the Group's A2/A3 car park (see note 37). As the shares had not been issued at the end of FY20, the balance was held in other payables. These shares have now been issued (see note 34), and this balance has been removed from other payables for the FY21. Deferred consideration relates to deferred and contingent consideration amounts payable to the vendors of the acquired businesses Airportparkingreservations, Parksleepfly and Shuttlefinder. (see note 18).

29. Provisions

	Post sale commitment £m	Other provisions £m	Total £m
1 April 2020	-	-	-
Transfer from accruals	-	4.7	4.7
Charged to income statement	3.0	8.5	11.5
Utilised	-	(0.6)	(0.6)
31 March 2021	3.0	12.6	15.6
Current	-	12.6	12.6
Non-Current	3.0	-	3.0
31 March 2021	3.0	12.6	15.6

Notes to the financial statements continued

for the year ended 31 March 2021

29. Provisions continued

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 £3.0m. 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 8%.

Other provisions

The other provisions balance includes a provision in relation to restructuring, a provision in relation to insurance claims liabilities from incidents which have occurred at either Manchester Airport, Stansted Airport or East Midlands International Airport; a provision relating to potential land and other claims made across the Group including legal fees, and immaterial provisions recognised by the Group.

30. Retirement benefit liabilities

Guaranteed Minimum Pension (GMP) Equalisation

On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This judgment concluded that historic transfer values paid out should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes, including the defined benefit schemes of the group. MAG has calculated that the impact of this ruling is less than £0.1m and consequently no adjustment has been made in the accounts.

Consultation to close Defined Benefit Pension Scheme to Future Accruals

During FY21 MAG has consulted with the members of the defined benefit pension schemes regarding whether the schemes should be closed to future pension accrual. Following the outcome of the consultation MAG's current intention of closing the schemes to future accrual during FY22 was communicated to the members in March 2021. MAG will undertake the process of agreeing the path to closure with the relevant stakeholders in FY'22. As the threshold required by IAS19 has not yet been met, no adjustment has been made in relation to the scheme closures in the accounts for the year ended 31 March 2021.

Curtailment Loss

A number of redundancies occurred during the year ended 31 March 2021. Overall, the curtailment loss relating to the schemes amounts to £1.9m. This charge has been presented within significant items in the financial statements.

RPI Inflation Reform

On 25 November 2020, HM Treasury and UK Statistics Authority confirmed that they planned to align RPI with CPIH with effect from February 2030. Consequently, MAG has adjusted its RPI assumption by increasing the premium included in breakeven inflation from 0.2% as at 31 March 2020 to 0.5% as at 31 March 2021. The estimated impact of this change is a reduction in liabilities of approximately £42m (GMPF £24m, STAL £15m, EMIA £3m, AVPS < £0.1m). The CPI pre-2030 assumption has remained consistent with prior year, but the post 2030 assumption reflects the expected CPI-CPIH gap. The expected impact of the change in RPI-CPI differential is an increase in liabilities of approximately £44m (GMPF £40m, STAL £3m, EMIA £1m, AVPS < £0.5m).

Notes to the financial statements continued

for the year ended 31 March 2021

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 £10.3m (2020: £11.0m) represents contributions payable to the scheme by the Group at rates in the pension scheme's contribution schedule. As at 31 March 2021, there was £nil (2020: £nil) of contributions due in respect of the current reporting period that had not been paid over to the scheme.

Defined benefit scheme

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).

Under the schemes, the employees are entitled to retirement benefits based on their salary and length of service at the time of leaving the schemes, payable on attainment of retirement age (or earlier death). No other post-retirement benefits are provided. All schemes are closed to new entrants but are not closed to future accrual (with the exception of AVPS). The Group operates the schemes under the applicable 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 from the Group. If investment experience is worse than expected, the Group's obligations are increased.

MAG participates in the GMPF scheme, which forms part of the Local Government Pension Scheme.

The nature of the relationship between the Group and the trustees of each scheme is also governed by UK regulations. 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 the scheme's liabilities measured using prudent assumptions (relative to those used to measure accounting liabilities).

The trustees' other duties include managing the investment of scheme assets and administration of scheme and discretionary benefits. The Group works closely with the trustees of each scheme.

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2021 amounted to £11.0m (2020: £13.1m) and there were no one-off contributions during this period (2020: £nil).

Total employees' pension contributions for defined benefit schemes across the Group during the year ended 31 March 2021 amounted to £1.2m (2020: £2.1m) and there were no one-off contributions during this period (2020: £nil).

Actuarial gains or losses are recognised immediately in the statement of comprehensive income, included within remeasurements.

The Greater Manchester Pension Fund (GMPF)

Certain employees of the Group participate in the GMPF, administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £3.7m (2020: £4.1m) related to payments into the GMPF.

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 £23,844m (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

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.

MAG (STAL) pension scheme

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 £153.4m), 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.

Notes to the financial statements continued

for the year ended 31 March 2021

30. Retirement benefit liabilities continued

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
- 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 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	
	2021	2020	2021	2020	2021	2020	2021	2020
Rate of increase in salaries	3.05%	2.65%	3.00%	2.55%	2.00%	2.00%	N/A	N/A
Rate of increase of pensions in payment	2.55%	1.65%	2.00%	1.55%	2.00%	1.55%	2.10%	1.65%
Discount rate	1.95%	2.35%	2.00%	2.35%	2.00%	2.35%	1.95%	2.35%
Inflation assumption	2.55%	1.65%	2.30%	1.55%	2.25%	1.55%	2.45%	1.65%
Life expectancy from 65								
Longevity at age 65 for current pensioners								
Males	20.1 years	20.1 years	21.5 years	21.5 years	22 years	23 years	21.9 years	21.2 years
Females	23.0 years	23.0 years	23.5 years	23.5 years	23.7 years	24.2 years	24.3 years	23.5 years
Longevity at age 45 for current members								
Males	20.9 years	20.9 years	22.5 years	22.5 years	23 years	24.1 years	22.9 years	22.2 years
Females	24.3 years	24.3 years	24.7 years	24.7 years	24.9 years	25.4 years	25.4 years	24.7 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.

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 outturn levels of inflationary increases are in place to protect the benefits against extreme inflation. Inflation will lead to a higher benefit obligation (although in most cases caps on 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 2021

30. Retirement benefit liabilities continued

	Fair value of scheme assets £m	Present value of defined benefit obligations £m	(Deficit)/ surplus in the scheme £m
GMPF¹			
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)
2015	377.7	(432.5)	(54.8)
MAG (STAL)			
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)
2015	130.3	(134.9)	(4.6)
EMIA			
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)
2015	55.1	(69.1)	(14.0)
AVPS²			
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)	-
2015	3.6	(3.6)	-
Total²			
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)
2015	566.7	(640.1)	(73.4)

NOTES:

¹ The figures as shown represent the proportion of the scheme that is attributable to the Group. £5.4m (2020: £5.0m) of the liabilities are unfunded.

² The AVPS has a surplus of £0.5m (2020: £0.7m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

³ The present value of the deficit funding commitments to the three schemes GMPF, MAG (STAL), EMIA, is less than the IAS19 deficit at the balance sheet date and therefore IFRS14 has no effect on the figures disclosed.

Notes to the financial statements continued

for the year ended 31 March 2021

30. Retirement benefit liabilities continued

Plan assets

	GMPF		MAG (STAL)		EMIA		AVPS		TOTAL	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Equities and other growth assets	339.1	243.4	132.7	100.0	41.4	32.0	-	-	513.2	375.4
Corporate and government bonds	69.9	75.6	73.8	74.5	16.8	16.9	3.4	3.4	163.9	170.4
Property	33.0	37.2	-	-	4.9	6.2	-	-	37.9	43.4
Other	43.2	52.7	11.0	10.3	6.6	5.6	0.1	-	60.9	68.6
Fair value of assets	485.2	408.9	217.5	184.8	69.7	60.7	3.5	3.4	775.9	657.8

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.

Movement in net defined benefit liability - all schemes

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Opening position as at 1 April	(704.7)	(800.2)	657.8	716.3	(45.5)*	(83.2)
Included in the income statement					-	-
Current service cost of defined benefit scheme	(5.7)	(10.3)	(1.7)	(1.9)	(7.4)	(12.2)
Past service cost	-	(1.8)	-	-	-	(1.8)
Curtailment	(1.9)	9.4	-	-	(1.9)	9.4
Interest (cost)/income	(16.3)	(17.4)	15.2	15.2	(1.1)	(2.2)
	(23.9)	(20.1)	13.5	13.3	(10.4)	(6.8)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	121.4	(62.9)	121.4	(62.9)
Experience (loss)/gain arising on scheme liabilities	7.6	4.0	-	-	7.6	4.0
Remeasurement (loss)/gain due to financial assumption changes	(142.6)	76.3	-	-	(142.6)	76.3
Remeasurement gain due to demographic assumption changes	3.7	13.6	-	-	3.7	13.6
	(131.3)	93.9	121.4	(62.9)	(9.9)	31.0
Cash flows						
Contributions	(1.2)	(2.1)	12.6	15.6	11.4	13.5
Benefits paid	29.4	24.5	(29.4)	(24.5)	-	-
Impact of asset ceiling	(0.5)	(0.7)	-	-	(0.5)**	(0.7)
Closing position as at 31 March	(832.2)	(704.7)	775.9	657.8	(54.9)	(46.2)

* The opening position excludes the impact of the asset ceiling of £0.7m.

** The movement of £9.9m in addition to a £0.2m change in the asset ceiling results in a total movement of £9.7m through the SOCIE.

Notes to the financial statements continued

for the year ended 31 March 2021

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	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Opening position as at 1 April	(441.3)	(503.9)	408.9	465.7	(32.4)	(38.2)
Included in the income statement						
Current service cost of defined benefit scheme	(2.5)	(4.5)	-	-	(2.5)	(4.5)
Past service cost	-	(1.8)	-	-	-	(1.8)
Curtailment	(0.7)	1.9	-	-	(0.7)	1.9
Interest (cost)/income	(10.2)	(10.9)	9.4	9.8	(0.8)	(1.1)
	(13.4)	(15.3)	9.4	9.8	(4.0)	(5.5)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	81.4	(53.6)	81.4	(53.6)
Experience (loss)/gain arising on scheme liabilities	4.7	8.2	-	-	4.7	8.2
Remeasurement (loss)/gain due to financial assumption changes	(95.1)	44.8	-	-	(95.1)	44.8
Remeasurement gain due to demographic assumption changes	0.2	7.4	-	-	0.2	7.4
	(90.2)	60.4	81.4	(53.6)	(8.8)	6.8
Cash flows						
Contributions	(0.6)	(1.0)	4.7	5.5	4.1	4.5
Benefits paid	19.2	18.5	(19.2)	(18.5)	-	-
Closing position as at 31 March	(526.3)	(441.3)	485.2	408.9	(41.1)	(32.4)

The scheme liabilities have a duration of approximately 16 years.

Movement in net defined benefit liability - MAG (STAL) Scheme

	Defined benefit		Fair value of scheme		Net defined benefit liability	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Opening position as at 1 April	(182.1)	(209.8)	184.8	185.0	2.7	(24.8)
Included in the income statement						
Current service cost of defined benefit scheme	(2.9)	(5.2)	(0.9)	(0.9)	(3.8)	(6.1)
Past service cost	-	-	-	-	-	-
Curtailment	(1.2)	7.8	-	-	(1.2)	7.8
Interest (cost)/income	(4.2)	(4.6)	4.3	4.0	0.1	(0.6)
	(8.3)	(2.0)	3.4	3.1	(4.9)	1.1
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	30.8	(6.1)	30.8	(6.1)
Experience (loss)/gain arising on scheme liabilities	1.4	(4.2)	-	-	1.4	(4.2)
Remeasurement (loss)/gain due to financial assumption changes	(35.9)	24.6	-	-	(35.9)	24.6
Remeasurement gain due to demographic assumption changes	0.2	6.4	-	-	0.2	6.4
	(34.3)	26.8	30.8	(6.1)	(3.5)	20.7
Cash flows						
Contributions	(0.5)	(0.9)	4.9	6.6	4.4	5.7
Benefits paid	6.4	3.8	(6.4)	(3.8)	-	-
Closing position as at 31 March	(218.8)	(182.1)	217.5	184.8	(1.3)	2.7

The scheme liabilities have a duration of approximately 22 years.

Notes to the financial statements continued

for the year ended 31 March 2021

30. Retirement benefit liabilities continued

Movement in net defined benefit liability - EMIA scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2021	2020	2021	2020	2021	2020
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(77.2)	(82.8)	60.7	61.9	(16.5)	(20.9)
Included in the income statement					-	-
Current service cost of defined benefit scheme	(0.3)	(0.6)	(0.8)	(1.0)	(1.1)	(1.6)
Past service cost	-	-	-	-	-	-
Curtailment	-	(0.3)	-	-	-	(0.3)
Interest (cost)/income	(1.8)	(1.8)	1.4	1.3	(0.4)	(0.5)
	(2.1)	(2.7)	0.6	0.3	(1.5)	(2.4)
Amount recognised in the statement of comprehensive income (SOC)						
Actual return less expected return on pension scheme assets	-	-	9.1	(2.9)	9.1	(2.9)
Experience (loss)/gain arising on scheme liabilities	1.3	-	-	-	1.3	-
Remeasurement (loss)/gain due to financial assumption changes	(11.2)	6.6	-	-	(11.2)	6.6
Remeasurement gain due to demographic assumption changes	3.4	(0.2)	-	-	3.4	(0.2)
	(6.5)	6.4	9.1	(2.9)	2.6	3.5
Cash flows						
Contributions	(0.1)	(0.2)	3.0	3.5	2.9	3.3
Benefits paid	3.7	2.1	(3.7)	(2.1)	-	-
Closing position as at 31 March	(82.2)	(77.2)	69.7	60.7	(12.5)	(16.5)

The scheme liabilities have a duration of approximately 18 years.

Movement in net defined benefit liability - AVPS Scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2021	2020	2021	2020	2021	2020
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(2.7)	(3.0)	3.4	3.7	0.7	0.7
Included in the income statement					-	-
Current service cost of defined benefit scheme	-	-	(0.0)	-	(0.0)	-
Interest (cost)/income	(0.1)	(0.1)	0.1	0.1	-	-
	(0.1)	(0.1)	0.1	0.1	(0.0)	-
Amount recognised in the statement of comprehensive income (SOC)						
Actual return less expected return on pension scheme assets	-	-	0.1	(0.3)	0.1	(0.3)
Experience (loss)/gain arising on scheme liabilities	0.2	-	-	-	0.2	-
Remeasurement (loss)/gain due to financial assumption changes	(0.4)	0.3	-	-	(0.4)	0.3
Remeasurement gain 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)	0.0	0.0
Cash flows						
Benefits paid	0.1	0.1	(0.1)	(0.1)	-	-
Closing position as at 31 March	(2.8)	(2.7)	3.5	3.4	0.7	0.7

The scheme liabilities have a duration of approximately 16 years.

The AVPS has a surplus of £0.5m (2020: £0.7m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

Notes to the financial statements continued

for the year ended 31 March 2021

30. Retirement benefit liabilities continued

History of experience gains and losses

	GMPF		MAG (STAL)		EMIA		AVPS		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Difference between actual and expected returns on assets	81.4	(53.6)	30.8	(6.1)	9.1	(2.9)	0.1	(0.3)	121.4	(62.9)
% of scheme assets	16.8%	-13.1%	14.2%	-3.3%	13.1%	-4.8%	3.1%	-8.8%	15.6%	-9.6%
Experience (loss)/gain on liabilities amount	4.7	8.2	1.4	(4.2)	1.3	-	0.2	-	7.6	4.0
% of scheme liabilities	-0.9%	-1.9%	-0.6%	2.3%	-1.6%	-	-7.1%	-	-0.9%	-0.6%
Total amount recognised in SOCI	(8.8)	6.8	(3.5)	20.7	2.6	3.5	0.0	-	(9.7)	31.0
% of scheme liabilities	1.7%	-1.5%	1.6%	-11.4%	-3.2%	-4.5%	0.3%	-	-	-4.4%

Sensitivity analysis

	GMPF	MAG (STAL)	EMIA	AVPS	TOTAL
	2021	2021	2021	2021	2021
	£m	£m	£m	£m	£m
0.5% increase in real discount rate	(39.4)	(22.8)	(7.0)	(0.3)	(69.5)
0.5% decrease in real discount rate	44.6	25.3	6.8	0.3	77.0
0.5% increase in RPI inflation	43.9	21.1	5.1	0.3	70.4
0.5% decrease in RPI inflation	(39.4)	(20.1)	(5.0)	(0.2)	(64.7)
0.5% increase in the salary increase rate	4.2	3.5	-	N/A	7.7
0.5% decrease in the salary increase rate	(4.1)	(3.4)	-	N/A	(7.5)
1 year increase in life expectancy	21.3	6.7	3.5	0.2	31.7
1 year decrease in life expectancy	(21.3)	(6.7)	(3.5)	(0.2)	(31.7)

31. Lease liabilities

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
At 1 April 2020	215.4	198.1	3.5	417.0
Additions	3.8	-	7.8	11.6
Interest charge for the period	12.0	10.2	0.2	22.4
Payments of liabilities	(17.7)	(10.9)	(1.6)	(30.2)
Remeasurements	14.1	2.4	(1.0)	15.5
At 31 March 2021	227.6	199.8	8.9	436.3

Notes to the financial statements continued

for the year ended 31 March 2021

31. Lease liabilities continued

Maturity analysis of lease liabilities - discounted

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Within 1 year	5.7	0.7	1.5	7.9
Within 2 to 5 years	16.2	2.9	6.0	25.1
After 5 years	205.7	196.2	1.4	403.3
Total	227.6	199.8	8.9	436.3

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 2021 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	17.5	10.9	2.1	30.5
In more than one year, but not more than two years	17.0	10.9	2.0	29.9
In more than two years but not more than five years	43.4	32.7	4.8	80.9
In more than five years	743.1	605.5	1.5	1,350.1
Total	821.0	660.0	10.4	1,491.4

The expense relating to variable lease payments not included in the measurement of lease liabilities is £0.7m. Expenses relating to both short-term leases and low-value leases is £nil (2020: £nil).

Key lease arrangements

Manchester City Council (held within land and buildings):

The Group has a commitment in respect of a land lease with The Council of the City of Manchester (MCC), a related party as described in note 37. Ground rent leases are a base fee of £2.8m, and this element of the lease contributed £52.5m 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 £52.9m to the closing lease liability. These payments are variable depending on an index or rate and contribute £86.4m 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 £203.0m 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 £8.6m, and £2.3m for capital investment in the network, contributing £199.8m to the closing lease liability. Remaining amounts of £0.7m are due, relating 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 £14.1m to the closing lease liability.

MAG US Lounges (held within land and buildings):

During the year, the Group agreed waivers of the base rent payable at a number of lounges leased and operated by MAG in the US. The impact of this change was accounted for as a lease modification in the year and the lease liability was reduced by £1.7m as a result of the change.

Notes to the financial statements continued

for the year ended 31 March 2021

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 significant items recorded in result fro	122.5	84.3	(8.8)	-	33.7	9.5	241.2
(Credit)/Charge to income	10.3	(6.0)	-	(8.7)	(2.7)	0.2	(6.9)
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
At 1 April 2019	109.9	77.9	(14.2)	-	32.5	4.8	210.9
Charge to income	12.6	6.4	-	-	1.2	4.7	24.9
Charge to equity	-	-	5.4	-	-	-	5.4
At 31 March 2020	122.5	84.3	(8.8)	-	33.7	9.5	241.2

No deferred tax asset has been recognised in respect of non-deductible interest which may be deductible in future years of £10.1m (2020: £nil) due to the uncertainty on deductibility under Corporate Interest Restriction.

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:

	2021 £m	2020 £m
Deferred tax liabilities	(190.6)	(329.2)
Deferred tax asset	-	88.0
	(190.6)	(241.2)

33. Other non-current liabilities

	2021 £m	2020 £m
Accruals and deferred income	6.6	3.5
Capital-based grants	15.5	21.8
	22.1	25.3

Notes to the financial statements continued

for the year ended 31 March 2021

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				
Issue of C shares in the period	-	-	56.1	56.1
At 31 March 2021	316.7	316.7	743.3	1,060.0
At 31 March 2020	316.7	316.7	687.2	1,003.9

¹ The shares have a nominal value of £1. In addition to 316.6m non-voting ordinary shares, the Company has also issued 10 A and 10 B shares, which carry equal voting rights but do not carry any rights to receive dividends or distributions. Non-voting ordinary shares carry equal rights to receive dividends and distributions.

On 21 May 2020, MAHL issued 30 C-shares have rights to receive specific distributions based upon profit performance of the funded car park but do not carry any rights to receive other dividends or distributions. C-shares for £56.1m for the funding of a car park, which was settled in cash. The £56.1m has been classified to equity on completion of the share issue.

35. Reserves

	Hedging reserve £m	Foreign currency reserve £m	Retained earnings £m	Total £m
At 1 April 2020	-	0.2	341.6	341.8
Remeasurement of retirement benefit liabilities	-	-	(9.7)	(9.7)
Deferred tax on remeasurement of retirement benefit liabilities	-	-	1.8	1.8
Foreign Exchange Movement	-	(5.1)	-	(5.1)
Hedging gain	1.0	1.4	-	2.4
Result for the year	-	-	(393.3)	(393.3)
As at 31 March 2021	1.0	(3.5)	(59.6)	(62.1)
			2021 £m	2020 £m
Reconciliation of movement in shareholders' funds				
Opening shareholders' funds			1,345.7	1,492.7
Total recognised income for the year			(401.2)	52.6
Foreign exchange movement			(5.1)	(0.3)
Hedging gain			2.4	-
Share issue			56.1	-
Dividends paid in the year			-	(199.3)
Equity shareholders' funds as at 31 March			997.9	1,345.7

Notes to the financial statements continued

for the year ended 31 March 2021

36. Capital commitments and contingent liabilities

	2021 £m	2020 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	18.4	100.7

The Group has performance bonds and other items arising in the normal course of business amounting to £2.8m at 31 March 2021 (2020: £3.3m). As part of its investment in Airport City the Group has agreed to pay an 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. Additionally, the interest payable upon those shareholder loans has been deferred until it can be paid and covenant compliance permits payments to be made.

Transactions involving the Council of the City of Manchester and the other council shareholders

The Council of the City of Manchester ('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 2021 the amount of loans outstanding owed to MCC by the Group was £313.9m (2020: £207.5m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2020: £nil) to MCC during the year and paid interest of £nil (2020: £11.2m).

As at 31 March 2021 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 £268.0m (2020: £180.9m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2020: £nil) to the other nine councils during the year and paid interest of £nil (2020: £9.8m).

Interest during the year has been accrued on the shareholder loans to the value of £28.8m (2020: £10.9m) for MCC and £27.5m (2020: £10.4m) for the other nine councils.

Included in external charges are charges for rent and rates amounting to £32.2m (2020: £27.7m) and other sundry charges of £0.3m (2020: £0.2m). 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 £37.4m (2020: £18.7m) were received from MCC and the nine borough councils. In May 2020 MAG issued C-Shares for £56.1m of share capital and share premium for the monies received in FY20 and FY21.

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 2021 the amount of loans outstanding owed to IFM GIF by the Group was £320.1m (2020: £213.7m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2020: £nil) to IFM GIF during the year and paid interest of £nil (2020: £11.6m).

Interest during the year has been accrued on the shareholder loans to the value of £31.0m (2020: £11.7m)

Transactions involving associate

As at 31 March 2021 the amounts owing were £nil (2020: £nil) and amounts owed were £0.1m (2020: £0.2m). Net assets of £nil (2020: £0.4m), comprising freehold land, were sold to the associate by the Group during the year.

During the year, transactions amounting to £0.8m (2020: £1.2m) 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 is detailed in note 30.

Notes to the financial statements continued*for the year ended 31 March 2021***38. Reconciliation of net cash flow to movement in net debt**

	2020 £m	Disposal of subsidiary £m	Foreign exchange movement £m	Other Cashflow Movements £m	Other non-cash movements £m	2021 £m
Cash at bank and in hand	271.3	339.3	(0.5)	(68.0)	-	542.1
Cash on short term deposit	-	-	-	-	-	-
Cash and cash equivalents disclosed in the statement of financial position	271.3	339.3	(0.5)	(68.0)	-	542.1
Overdrafts	-	-	-	(11.9)	-	(11.9)
Total cash and cash equivalents (including overdrafts)	271.3	339.3	(0.5)	(79.9)	-	530.2
Current debt	-	-	-	-	-	-
Non-current debt	(2,524.8)	-	-	(300.0)	(63.5)	(2,888.3)
Net debt	(2,253.5)	339.3	(0.5)	(379.9)	(63.5)	(2,358.1)

IFRS 16

Current debt	(6.0)	-	-	-	(1.9)	(7.9)
Non-current debt	(411.0)	-	-	30.2	(47.6)	(428.4)
	(417.0)	-	-	30.2	(49.5)	(436.3)

Notes to the financial statements continued

for the year ended 31 March 2021

39. Disposal of non-core property portfolio and investment in Airport City

Sale of MAG Investment Assets Limited

As discussed in note 10, on 7 August 2020, the Group disposed of its interest in the entire shareholding of MAG Investment Assets Limited.

The profit on disposal of £39.3m on MAG Investment Assets Limited is calculated as follows:

	7 August 2020 £m
Consideration for the sale:	
Cash and cash equivalents	339.3
Contingent consideration (net of discounting) ¹	7.1
Total Consideration:	346.4
Investment property	(344.4)
Deferred taxation	46.3
Property, plant and equipment	(6.4)
Cash	(2.5)
Other working capital	13.0
Movement in Group net assets as a result of the disposal:	(294.0)
Directly attributable costs of sale ²	(9.8)
Profit on disposal of subsidiary, before provision for future costs	42.6
Provision for future costs in association with the sale (see note 22)	(3.0)
Profit on disposal of subsidiary, net of provision for future costs	39.6

¹ Under the share purchase agreement, there is deferred consideration of up to £20m. The amount of £7.1m represents a rent guarantee which is held on deposit that the purchaser can draw down on in the event of tenant default in the 3 years up to 1 December 2023.

² Directly attributable costs of sale are disclosed in the following table:

	£'m
Fees incurred in year to 31 March 2021	(9.1)
Loss on sale and leaseback triggered by sale	(0.7)
	(9.8)

Cash flows in relation to the discontinued operation are as follows:

	£m
Net cash from operating activities - discontinued operations	0.7
Net cash from investing activities - discontinued operations	339.3
	340.0

Sale of residual non-core property

On the 14th October 2020, MAG sold the residual non core property where the proceeds equated to the book value of the property, generating a loss on disposal of £0.3m.

	14 October 2020 £m
Consideration for the sale:	
Cash and cash equivalents	59.2
Fees incurred	(0.3)
Book value of property sold	(59.2)
Loss on disposal of residual non core property:	(0.3)

The £39.3m profit on sale of discontinued operation in note 10 is comprised of the £39.6m profit on sale of MAG Investment Assets Limited and the £0.3m loss on sale of the residual non-core property disclosed above.

Notes to the financial statements continued

for the year ended 31 March 2021

39. Disposal of non-core property portfolio and investment in Airport City continued

Sale of 50% shareholding of Airport City Limited Partnership

In addition, as discussed in note 17, on 7 August 2020, the Group disposed of a 50% interest in the Airport City Limited Partnership, generating a loss on disposal of £8.0m.

The loss on disposal is as follows:

	7 August 2020 £m
Consideration for the sale:	
Cash and cash equivalents	13.3
Total Consideration:	13.3
Movement in Group net assets as a result of the disposal:	(21.3)
Loss on disposal of 50% of Airport City Limited Partnership	(8.0)

Since the Group still possess a 20% shareholding in the Airport City Limited Partnership, the share of result in associate for the period is part of the result from continuing operations. The loss on disposal is disclosed within significant items under continuing operations.

	£m
Proceeds from sale of shareholding in Airport City	13.3
	13.3

Notes to the financial statements continued

for the year ended 31 March 2021

40. 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 2021

	Continuing operations 2021 as reported £m	Rent and finance costs £m	Depreciation £m	Continuing operations 2021 under IAS 17 £m
Revenue	178.6	-	-	178.6
Operating charges excluding depreciation	(328.0)	(30.2)	-	(358.2)
Adjusted EBITDA*	(149.4)	(30.2)	-	(179.6)
Depreciation	(176.9)	-	10.1	(166.8)
Result from operations before significant items*	(326.3)	(30.2)	10.1	(346.4)
Significant items				
Exceptional costs	(38.3)	-	-	(38.3)
Result from operations	(364.6)	(30.2)	10.1	(384.7)
Share of result in associate	(7.4)	-	-	(7.4)
Gains and losses on sales and valuation of investment properties	1.2	-	-	1.2
Finance costs after significant items	(106.8)	22.4	-	(84.4)
Result before taxation	(477.6)	(7.8)	10.1	(475.3)

Consolidated statement of cashflows for the year ended 31 March 2021

	Continuing operations 2021 as reported £m	Payment recognised as operating charge £m	Interest charge £m	Lease repayment £m	Continuing operations 2021 under IAS 17 £m
Cash generated from continuing operations*	(227.8)	(30.2)	-	-	(258.0)
Result before taxation – discontinued operations	4.3	-	-	-	4.3
Finance expense - discontinued operations	(3.6)	-	-	-	(3.6)
Non cash movements - discontinued operations	-	-	-	-	-
Interest paid	(80.0)	-	22.4	-	(57.6)
Tax refund	42.1	-	-	-	42.1
Net cash used in operating activities	(265.0)	(30.2)	22.4	-	(272.8)
Net cash used in investing activities	198.7	-	-	-	198.7
Net cash from/(used in) financing activities	325.2	-	-	7.8	333.0
Net increase in cash and cash equivalents	258.9	(30.2)	22.4	7.8	258.9

*As explained on page 12.

Notes to the financial statements continued

for the year ended 31 March 2021

40. Impact of IFRS 16 upon primary statements continued

Consolidated statement of financial position as at 31 March 2021

	2021 as reported £m	Rent and finance costs £m	Depreciation £m	Opening balance £m	Additions and remeasurement £m	Disposals £m	2021 under IAS 17 £m
Non-current assets							
Goodwill	206.2	-	-	-	-	-	206.2
Intangible assets	99.9	-	-	-	-	-	99.9
Property, plant and equipment	3,296.5	-	-	-	-	-	3,296.5
Right-of-use assets	419.5	-	10.1	(414.8)	(15.2)	0.4	-
Long term lease receivable	11.2	-	-	-	(11.2)	-	-
Investment properties	166.9	-	-	-	-	-	166.9
Investment in associate	10.1	-	-	-	-	-	10.1
Other long-term asset	7.1	-	-	-	-	-	7.1
Deferred tax assets	-	-	-	-	-	-	-
	4,217.4	-	10.1	(414.8)	(26.4)	0.4	3,786.7
Current Assets							
Assets held for sale	2.0	-	-	-	-	-	2.0
Inventories	3.5	-	-	-	-	-	3.5
Trade and other receivables	65.2	-	-	-	-	-	65.2
Cash and cash equivalents	542.1	-	-	-	-	-	542.1
	612.8	-	-	-	-	-	612.8
Current Liabilities							
Bank overdraft	(11.9)	-	-	-	-	-	(11.9)
Liabilities directly associated with assets held for sale	(0.4)	-	-	-	-	-	(0.4)
Trade and other payables	(185.5)	-	-	-	-	-	(185.5)
Deferred income	(16.6)	-	-	-	-	-	(16.6)
Provisions	(12.6)	-	-	-	-	-	(12.6)
Current lease liabilities	(7.9)	-	-	7.9	-	-	-
Current tax liabilities	(10.1)	-	-	-	-	-	(10.1)
	(245.0)	-	-	7.9	-	-	(237.1)
Net current liabilities	367.8	-	-	7.9	-	-	375.7
Non-current liabilities							
Borrowings	(2,888.3)	-	-	-	-	-	(2,888.3)
Retirement benefit liabilities	(54.9)	-	-	-	-	-	(54.9)
Non-current lease liabilities	(428.4)	(7.8)	-	409.1	27.1	-	-
Deferred tax liabilities	(190.6)	-	-	-	-	-	(190.6)
Provisions	(3.0)	-	-	-	-	-	(3.0)
Other non-current liabilities	(22.1)	-	-	-	-	-	(22.1)
	(3,587.3)	(7.8)	-	409.1	27.1	-	(3,158.9)
Net Assets	997.9	(7.8)	10.1	2.2	0.7	0.4	1,003.5

Notes to the financial statements continued

for the year ended 31 March 2021

41. Post balance sheet events

On 3 June 2021, the Group successfully obtained consent from its banks and bondholders to waive covenant testing in September 2021 and March 2022 and modify the covenant test to be performed in September 2022.

Following the Group's announcement of its decision in March 2021 to close its defined benefit pension schemes, MAG has continued to discuss the path to closure with the relevant parties.

In the 3 March 2021 budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This announcement, when enacted, will have an effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the net deferred tax liability would have increased by £60.5m.

On 26 May 2021 the Planning Inspectorate announced that MAG's 35+ planning appeal at Stansted airport had been successful. This results in the Group receiving permission for the growth of Stansted airport to 43 million passengers per annum. Uttlesford district council have confirmed they will appeal this decision.

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 significant items recorded in result from operations

- statement of cash flows and related notes;
- key management personnel compensation;

Total significant 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.

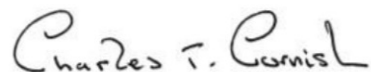
Statement of financial position

as at 31 March 2021

	Note	2021 £m	2020 £m
Non-current assets			
Investments	4	2,352.7	2,253.1
		2,352.7	2,253.1
Current Assets			
Trade and other receivables	5	514.3	580.9
Cash and cash equivalents	6	-	4.7
		514.3	585.6
Liabilities			
Current liabilities	7	(271.3)	(1,062.5)
Net current liabilities		243.0	(476.9)
Total assets less current liabilities		2,595.7	1,776.2
Net assets		2,595.7	1,776.2
Capital and reserves			
Share capital	8	316.6	316.6
Share premium	8	743.3	687.2
Retained earnings	9	1,535.8	772.4
Total equity		2,595.7	1,776.2

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

The financial statements on pages 118 to 125 were approved by the Board of Directors on 8 July 2021 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 2021

	Note	Share capital £m	Share premium £m	Profit and loss account £m	Total £m
Balance at 1 April 2020		316.6	-	772.4	1,776.2
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 year	8	-	56.1	-	56.1
Balance at 31 March 2021		316.6	743.3	1,535.8	2,595.7

Statement of changes in equity

for the year ended 31 March 2020

	Share capital £m	Share premium £m	Profit and loss account £m	Total £m
Balance at 1 April 2019	316.6	687.2	984.1	1,987.9
Total comprehensive income for the year				
Result for the year	-	-	(12.4)	(12.4)
Transactions with owners recorded directly in equity				
Dividends paid to equity holders	-	-	(199.3)	(199.3)
Balance at 31 March 2020	316.6	687.2	772.4	1,776.2

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

Notes to the financial statements

for the year ended 31 March 2021

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 81. 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 79. 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

The result attributable to the Company is a profit of £765.6m (2020: loss of £12.4m) which is due to a dividend received of £775.0m, interest payable (note 3) and taxation.

The average number of employees employed by the Company in the year was nil (2020: nil).

3. Finance Costs

	2021 £m	2020 £m
Intercompany Interest payable	5.8	18.8
Total finance costs	5.8	18.8

Interest payable on intercompany loans was £5.8m (2020: £18.8m), a reduction from prior year as a result of dividends received by MAHL, reducing intercompany balances.

4. Investments

	Subsidiary undertakings £m
Cost and net book value	
At 1 April 2020	2,253.1
Additions - investments in subsidiary	131.4
Impairment	(31.8)
At 31 March 2021	2,352.7

The additions of £131.4m made during the year relate to:

- a capital injection of £41.0m into the Company's subsidiary undertaking, MAG Overseas Investment Limited (MAGOIL).

This increased investment was impaired by £31.8m following the dividend in kind issued by MAGOIL transferring its shareholding in Manchester Airport Group International US Limited (MAGIUSL) to the Company at book value of £29.6m;

- issue of new shares by MAFHL for the funding of a car park £56.1m; and

- capitalisation of a £4.7m loan balance with the Company's subsidiary Airport Services International Limited (ASIL)

During the year the Group transferred its US lounge and car park business and UK distribution businesses into the Manchester Airport Group Investments Limited (MAGIL) group of companies. As a result of this transfer the Company transferred its shareholdings in MAGIUSL & ASIL into the MAGIL group at book value. This transfer was paid for by the issue of share capital and premium by the Company's MAFHL subsidiary. This transfer did not impact the overall carrying value of the Company's investment in subsidiary.

5. Trade and other receivables

	2021 £m	2020 £m
Amounts due from subsidiaries	514.3	580.9
	514.3	580.9

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

6. Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	-	4.7
	-	4.7

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 2021

7. Trade and other payables

	2021 £m	2020 £m
Other payables	-	18.7
Amounts due to subsidiaries	271.3	1,043.8
	271.3	1,062.5

Amounts owed to subsidiary undertakings include a interest-bearing loans of £262.1m (2020: £950.9m) at 31 March 2021, with interest charged at a rate of 1.5% (2020: 1.5%) above base rate per annum. The remainder of the amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

The reduction in amounts due to subsidiary undertakings during the period arose due to the dividend received from the Company's subsidiary undertaking Manchester Airport Finance Holdings Limited (MAFHL), with the dividend being paid by the transfer of the Company's loans to subsidiary undertakings to MAFHL.

8. Called up share capital

	Number of shares m	Share capital £m	Share premium £m	Total £m
Issued, called up and fully paid				
Issue of C shares in the period	-	-	56.1	56.1
At 31 March 2021	316.6	316.6	743.3	1,059.9
At 31 March 2020	316.6	316.6	687.2	1,003.8

In addition to 316.6m non-voting ordinary shares, the Company has also issued 10 A and 10 B shares, which carry equal voting rights but do not carry any rights to receive dividends or distributions. Non-voting ordinary shares carry equal rights to receive dividends and distributions.

On 21 May 2020 Manchester Airports Holding Limited issued 30 C-shares for £56.1m in relation to the funding of a Car Park. The £56.1m has been classified to equity on completion of the share issue.

9. Reserves

	Retained Earnings £m
At 1 April 2020	772.4
Results for the year	765.6
Dividend in kind	29.6
Impairment	(31.8)
At 31 March 2021	1,535.8

	2021 £m	2020 £m
Reconciliation of movement in shareholders' funds		
Opening shareholders' funds	1,776.2	1,987.9
Total recognised income for the year	765.6	(12.4)
Share premium issue	56.1	-
Dividend in kind	29.6	-
Dividends paid in the year	-	(199.3)
Impairment	(31.8)	-
Equity shareholders' funds as at 31 March	2,595.7	1,776.2

Notes to the financial statements continued

for the year ended 31 March 2020

10. 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
Airportparkingreservationc.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
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%		Investment property holding company
East Midlands Airport Property Investments (Industrial) Limited ²	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Offices) Limited ²	Ordinary £1 shares	100%		Investment property holding company
	Ordinary £1 shares	100%		
East Midlands International Airport Limited ⁴	9% cumulative redeemable preference shares	100%		Airport operator
EMIA Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
Internet Airport Parking Holding Company LLC ^{6,*}	N/A	100%		Non trading
Looking4Parking Limited ²	Ordinary £1 shares	100%		Trading company
Manchester Airport Aviation Services Limited ^{3,7}	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Finance Holdings Limited ²	Ordinary £1 shares	100%	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%		Property management company
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	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

Notes to the financial statements continued

for the year ended 31 March 2020

Name of undertaking	Description of shares held	Group	Company	Principal activity
MAG Investments US Limited ²	Ordinary £1 shares	100%		Investment holding company
MAG Overseas Investments Limited ²	Ordinary £1 shares	100%	100%	Investment holding company
MAG US Lounge Management LLC ^{6,*}	N/A	100%		Non trading
MAG US Parking Management LLC ^{6,*}	N/A	100%		Non trading
MAG US Terminal Management LLC ^{6,*}	N/A	100%		Non trading
MAG DC Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
MAG Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
MAG US (Apollo) Limited ²	Ordinary £1 shares	100%		Holding company
MAG US (Apollo) Inc ^{6,*}	N/A	100%		Non trading
MAGO Holdings Limited ²	Ordinary £1 shares	100%		Trading company
Parksleepfly.com LLC ^{6,*}	N/A	100%		Trading company
Ringway Developments Plc ^{2,7}	Ordinary £1 shares	100%		Property holding company
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
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%		

NOTES:

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.

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.