

Manchester Airport Group Investments Limited (MAGIL)

Annual Report and Accounts

For the year ended 31 March 2022



Contents

Strategic Report	
Business Overview	2
Strategy	4
Key Performance Indicators	6
Financial Review	8
Corporate Social Responsibility	12
Governance Report	
Officers and Professional Advisors	14
Leadership and governance	15
Internal controls and risk management	20
Task Force on Climate-Related Financial Disclosures	26
Task Force on Climate-Related Financial Disclosures (TCFD) reporting index	28
Directors' Report	36
Directors' responsibilities statement	43
Independent auditor's report	44
Group financial statements	
Accounting Policies	49
Consolidated income statement	68
Consolidated statement of comprehensive income	69
Consolidates statement of changes in equity	70
Consolidated statement of financial position	71
Consolidation statement of cash flows	72
Notes to the Group financial statements	73
Company financial statements	
Accounting Policies	117
Statement of financial position	118
Statement of changes in equity	119
Notes to the Company financial statements	120

Business Overview

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

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

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

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

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

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

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

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

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

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

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

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

*As explained in the note 39 to the financial statements 'Alternative Performance Measures' on page 113.

Business Overview continued

Group revenue climbed to £461.2m, up from £176.2m in the prior year. Importantly, MAGIL returned to a positive adjusted EBITDA* of £125.1m, compared to a £148.1m loss in FY21.

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

Despite suppressed passenger volumes, we took the decision to open the extension of Manchester's Terminal Two – the centrepiece of our £1bn Transformation Programme – in July 2021. Feedback from our passengers and colleagues about the new facility has been very positive and, as the year progressed, a growing number of airlines have moved into the terminal. New retailers and food and beverage operators have also opened, adding to the enhanced passenger experience.

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

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

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

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

Throughout this year, we have maintained our focus on building a sustainable future for our business. We remain committed to decarbonising aviation and are on track to achieve our goal of net zero for our operations by 2038. More detail is contained in the relevant section of this report, but it is important to note several key developments including the launch of a partnership with CarbonClick, which gives all MAGIL passengers the chance to offset the emissions of their flights; and the signing of a Memorandum of Understanding with Fulcrum BioEnergy UK to support the development of Sustainable Aviation Fuel (SAF) in the North West.

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

Strategy

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

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

By connecting people and places, air travel supports economic and social development at a global, national and local level. Projections are for the demand for air travel to continue to increase both in the UK and overseas, with more of the world's population able to take advantage of the benefits of international connectivity.

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

From a passenger perspective, technology will create an increasingly seamless air travel experience. Air travel will become even easier and more enjoyable than it is today, so that people can spend more time relaxing and doing the things they enjoy.

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

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

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

Our stakeholders

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

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

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

Our strategic goals

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

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

- **Generate shareholder value**
 - generate shareholder value by developing a strong, growing and sustainable business
 - provide a compelling investment proposition for shareholders by developing profitable and sustainable growth opportunities
- **Enable air travel**
 - serve passengers by offering facilities and travel services that provide a seamless and enjoyable airport experience
 - leverage technology to create products and services that make air travel even easier and more enjoyable
 - deliver value and remain competitive to attract airlines and passengers
- **Operate safely and responsibly**
 - operate airports in a safe and responsible way to protect customers, staff, the environment and local communities
- **Achieve net zero***
 - work with our partners and government to reach net zero emissions for our operations by 2038, and for the wider UK aviation industry by 2050

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

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

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



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

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

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

Key Performance Indicators

We focus on a number of key performance measures to ensure we build value for our shareholders on a consistent basis over the long term				
Measure	Aim	Context	Progress in 2022	Progress in 2022
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	£461.2m 2021: £176.2m	↑ 161.7%
Adjusted EBITDA ¹ (continuing operations)	Generate a level of profit that allows re-investment in our infrastructure	We cover the cost of using our assets with income from our operations	£125.1m 2021: £(148.1)m	↑ N/A
Result from operations (continuing operations) ²	Achieve steady and increasing profit from operations	We expect all our operations to positively contribute to the Group's result. Result presented before impact of adjusted items	£(130.0)m 2021: £(359.5)m	↑ 63.8%
ROCE ¹	Achieve a healthy ROCE which exceeds our cost of capital	We generate profits which cover the cost of investing in our asset base	(2.0)% 2021: (6.6)%	↑ 69.7%
Investment property value ³	Generate growth in capital value of our property portfolio	We manage our property portfolio to realise maximum value from disposals and re-invest in new developments	£191.0m 2021: £168.9m	↑ 13.1%
Capital investment	Provide effective investment in operational assets to improve efficiency and support growth	We invest in opportunities that generate the best shareholder value, and enhance the quality of our airport services	£68.4m 2021: £149.3m	↓ (54.2)%
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	£165.8m 2021: £(186.3)m	↑ N/A
Shareholder return	Generate growth in distributions for shareholders	We provide returns to reward the shareholders' investment	£nil 2021: £nil	- -
Passengers	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	20.5m 2021: 6.3m	↑ 225.4%
Departure punctuality ⁴	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations	85.5% 2021: 93.4%	↓ (8.5)%
Destinations ⁵	Provide access to all major global holiday and business destinations	As a premier airport services company, we aim to provide access to anywhere in the world from our airports	234 2021: 193	↑ 21.2%
Carbon Reduction - CO ₂ emissions ⁶	Minimise the environmental impact of our operations	We closely monitor our CO ₂ emissions and environmental impact.	0.48 2021: 1.02	↓ (52.9)%
Area of noise footprint ⁷	Being good neighbours with our communities	Minimising the impact of our operations on the local community	35.3km ² 2021: 24.9km ²	↑ 41.8%

Measure	Aim	Context	Progress in 2022	Progress in 2022	
Number of education, skills, and employment engagements ⁸	Supporting work in our communities	Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies	10,757 2021: 1,559		589.9%
Health and Safety RIDDOR - reportable accidents ^{7,9}	Maintain robust health and safety standards	The safety of our customers and colleagues is extremely important to us, and we value a safe working and operating environment for all	7 2021: 2		250.0%

1. As explained in the note 39 to the financial statements 'Alternative Performance Measures' on page 113.
2. Results from operations is revenue net of employee and operating costs including depreciation and adjusted items
3. Investment property related to the Group's core property and actively marketed investment property assets expected to be sold within the next 12 months, classified as assets held for sale.
4. Departure punctuality is measured as a percentage of departures within 15 minutes of scheduled departure time. The decrease on the prior year is driven largely by external factors and ground handling protocol and contractual changes. We continue to work closely with all our airline partners and service agents to minimise the level of disruption and delays.
5. Destinations relate to individual airports with greater than 2000 passengers per annum (excludes cargo airports).
6. Our energy and emission performance have been restated for previous years to make use of the most recent and complete dataset. We measure carbon intensity against traffic units, which are defined by the International Civil Aviation Organization (ICAO) as equivalent to 1,000 passengers or 100 tonnes of freight. Over the last four years, the emission intensity of our operations have increased by 97%. Last year, as commercial air traffic increased across our airports, our energy use increased by 3%. With passenger numbers significantly below pre-pandemic levels, our energy use during 2022/23 remains 11% lower than 2019/20. As such, our emission intensity last year was 53% lower than in 2020/21 but above pre-pandemic levels. All residual emissions have been offset, and our CSR Strategy includes a commitment to transition to zero carbon operations. More information about our carbon footprint is provided at page 12 of this Report.
7. The removal of travel restrictions and return of air traffic has impacted our performance this year, leading to increased education, skills and employment activity, the return of air traffic and associated noise footprints and increased working time with associated RIDDOR incidents. Our Health & Safety management remains a key priority, when compared to pre-pandemic levels, there are no significant findings, issues or trends that have been identified. For full details of what is called as a reportable incident, see <https://www.hse.gov.uk/riddor/reportable-incidents.htm>.
8. Education, skills, and employment engagements include a range of skills and education services such as formal training, employment inductions, CV guidance, job referrals, assisting with job applications, mock interviews, providing information on access to traineeships and apprenticeships, career talks to schools and colleges, outplacement support, and signposting to external agencies and charity/community groups.
9. MAGIL's health and safety performance remains strong with a consistently low accident frequency rate. The number of RIDDOR reportable incidents has slightly increased in the reporting period which correlates to the with the significant increase in operations across MAGIL.

Financial Review

Introduction

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

Headline financials

The sustained but gradual recovery from the severe impact of the COVID-19 pandemic in FY22 saw MAGIL deliver a relatively strong performance maximising the upticks in demand as restrictions were eased. This resulted in a 225.4% increase in passenger levels to 20.5m (33% of pre-COVID-19 levels) and an uplift in revenue of £285.0m in comparison to FY21. MAGIL has also benefited from the carry forward of cost mitigation measures it initiated in its strategic finance response to the pandemic. Consequently, £273.2m of the benefit from increased activity levels has flowed through to adjusted EBITDA* which delivered a profit of £125.1m (in comparison to a loss in FY21 of £148.1m).

MAGIL has also exercised strong cash management throughout FY22 to maintain liquidity despite the residual impacts of the pandemic and ensure the long-term viability of the business. Additionally, full draw down of the available banking facilities have enabled MAGIL, despite the passenger led trading shortfall, to maintain a strong cash position of £451.4m (FY21: £518.1m).

	Year ended 31 Mar 2022 (£m)	Year ended 31 Mar 2021 (£m)	Change (£m)	Change (%)
Passenger numbers	20.5	6.3	14.2	225.4%
Revenue – continuing operations	461.2	176.2	285.0	161.7%
Revenue – discontinued operations	-	8.5	(8.5)	(100.0)%
Adjusted EBITDA* – continuing operations	125.1	(148.1)	273.2	N/A
Adjusted EBITDA* – discontinued operations	-	7.9	(7.9)	(100.0)%
Result from operations* – continuing operations	(130.0)	(359.5)	229.5	63.8%
Result from operations* – discontinued operations	-	7.9	(7.9)	(100.0)%
Result before taxation – continuing operations	(185.9)	(418.4)	232.5	55.6%
Result before taxation – discontinued operations	(1.7)	4.3	(6.0)	N/A
Result after taxation – continuing operations	(188.0)	(359.3)	171.3	47.7%
Result after taxation – discontinued operations	(1.7)	41.9	(43.6)	N/A
Adjusted cash generated from operations*	165.8	(186.3)	352.1	N/A
Capital investment	68.4	149.3	(80.9)	(54.2)%
Dividends paid in period	-	-	-	-
Net Cash and Cash Equivalents	451.4	518.1	(66.7)	(12.9)%
Net Debt – including IFRS 16	(1,905.6)	(1,839.0)	(66.6)	3.6%
Net Debt – excluding IFRS 16	(1,469.8)	(1,402.7)	(67.1)	4.8%
Equity shareholders' funds	2,393.1	2,534.5	(141.4)	(5.6)%

* As explained in the note 39 to the financial statements 'Alternative Performance Measures' on page 113.

Measures used to assess performance

The Group uses a number of measures to assess financial performance that are not defined within IFRS and are widely referred to as 'Alternative Performance Measures' ("APMs"). The Group's accounting policies related to APMs are detailed at page 65. Additionally, note 39 to the Annual Report at page 113 details a full description of all of the Group's APMs, their purpose and definition along with a reconciliation to the nearest IFRS measurement.

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

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

Reconciliation of APMs

The reconciliation of APMs used within these statements are accompanied by a reference to the relevant IFRS measure and the adjustments made and is provided at page 113 in note 39 to the financial statements.

Adjusted EBITDA

The directors use these measures to review the performance of the Group, most notably the Group's performance targets being significantly based on adjusted EBITDA*.

Continuing operations	2022			2021		
	Before adjusting items £m	Adjusted items £m	After adjusted items £m	Before adjusted items £m	Adjusted items £m	After adjusted items £m
Adjusted EBITDA*	125.1	(6.1)	119.0	(148.1)	(37.9)	(186.0)
Depreciation and amortisation	(238.0)	(11.0)	(249.0)	(173.5)	-	(173.5)
Adjusted Result from Operations*	(112.9)	(17.1)	(130.0)	(321.6)	(37.9)	(359.5)

*As explained in the note 39 to the financial statements 'Alternative Performance Measures' on page 113.

COVID-19 and recovery from the pandemic

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

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

Whilst FY22 has seen us experiencing a modest recovery from the pandemic, MAGIL has also considered the risks of future variants of COVID-19 and macroeconomic considerations, such as the cost of living crisis and the Ukraine war, on the Group as a going concern (covered in the Basis of Preparation at page 49), and the carrying value of both its non-financial and financial assets. COVID-19 remains an impairment trigger that has resulted in the Group reviewing the carrying value of its significant assets. Management acknowledge the challenges of estimating the recoverable amounts of its assets given their dependency on future cashflows, which depend upon potential future variants of the virus, macroeconomic factors in the short-term and climate change in the mid to long term. As a result, the accounting policies section on page 58 provides more detail of the impairment testing process undertaken and the assumptions used in arriving at the impairment assessment.

Additionally, the pandemic has also given rise to the modification of MAGIL's contractual agreements where there have been negotiations with both customers and suppliers to reflect the impact of the pandemic on trading.

Business outlook

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

- Careful cost management leveraging off the strategic finance responses in 2020 and 2021, coupled with the strong recovery that MAGIL is experiencing enables the directors to confirm that the going concern assumption can be applied in the preparation of these financial statements. Management's assessment of going concern, including the material uncertainty that the combined residual impact of COVID-19 along with current macroeconomic concerns, is detailed in the Basis of Preparation on page 49;
- To support the Group's growth into FY23 and beyond, MAGIL will be working with its partners to recruit and train staff to enable us to grow back quickly and stronger;
- MAGIL can now look forward to a period of growth, rebuilding our financial strength and:
 - returning investment to our airports; and
 - looking at exciting new opportunities, such as the launch of CAVU;
- Now, as we exit the pandemic, we are committed to ensuring our recovery is through sustainable growth adhering to the four pillars of our CSR strategy leading the sector to meeting net zero targets.

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



Jan Bramall

Group Chief Financial Officer

6 July 2022

Corporate Social Responsibility

Our sustainability performance

Issue	Objective	Indicator	Status	2021/22	2020/21	Change
Carbon reduction	Minimise the environmental impact of our airports	'SECR' Scope 1, 2 and 3 greenhouse gas emissions*, market based emissions per traffic unit (tonnes CO ₂ e)	↑	0.48	1.02	(52.9)%
Area of noise footprint ²	Being good neighbours within our communities	Area of daytime 57dB LAeq noise contour	↑	35.3	24.9	41.8%
Number of education, skills, and employment engagements ^{1,2}	Supporting work within our communities	Number of people supported by MAGIL Connect Airport Academies	↑	10,757	1,599	572.7%
Health and safety 'RIDDOR' reportable accidents ²	Maintain robust health and safety standards	Number of 'RIDDOR' reportable incidents	↑	7	2	250.0%

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

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

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

Our energy and emission performance

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

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

Our energy and emission performance continued

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 MAGIL's activities and other emissions indirectly associated with our business.

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

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

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

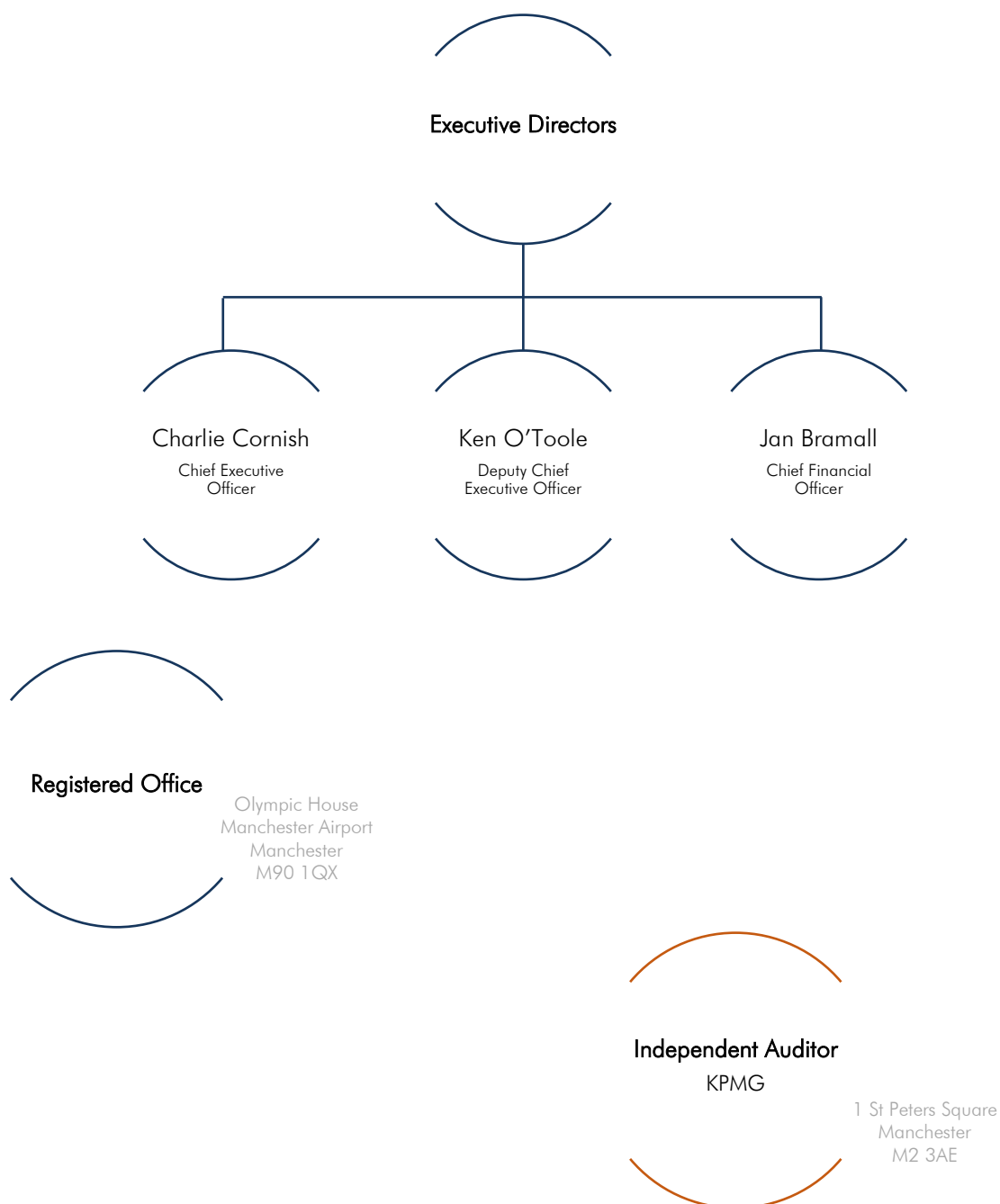
³ Location-based emissions are based on the average emission intensity of the UK electricity grid. MAGIL proactively chooses to purchase renewable electricity which is backed by Renewable Energy Guarantees of Origin. To demonstrate the carbon saving of our procurement decision we 'dual report' our location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

⁴ Over the last four years, the emission intensity of our operations has increased by 97%. Last year, as commercial air traffic increased across our airports, our energy use increased by 3%. With passenger numbers significantly below pre-pandemic levels, our energy use during 2021/22 remains 11% lower than 2019/20. As such, our emission intensity last year was 53% lower than in 2020/21 but above pre-pandemic levels. All residual emissions have been offset, and our CSR Strategy includes a commitment to transition to zero carbon operations.

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

Officers and Professional Advisors

Directors as 31 March 2022 comprised the following individuals:



Leadership and governance

The Group is committed to maintaining high standards of corporate governance and uses the UK Corporate Governance Code (the 'Code') as a guide to best practice. The responsibility for MAGIL's compliance with the Code is delegated to the Board of directors of Manchester Airports Holdings Limited ('MAHL'), and further details can be found on pages 56 to 66 of the annual report and accounts for Manchester Airports Holdings Limited.

The risk profile of the MAGIL Group is consistent with that of the MAHL Group, as outlined on pages 22 to 25. MAGIL's internal controls and risk management are set out below.

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

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

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

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

Furthermore, MAGIL 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 MAHL Nomination Committee section on page 59 of the MAHL accounts.

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

Stakeholder Introduction

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

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

Stakeholder introduction continued

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

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

Stakeholder introduction continued

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

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

As set out on page 21, the Board oversees a risk management process, including a dedicated Risk Committee. The regular review and assessment of risk that is shared with the board protects the long-term interests of MAGIL. This year key risks identified include the recruitment of relatively large numbers of staff as the business recovers from the impact of the pandemic, the uncertainty associated with the UK's exit from the European Union, climate change, safety, security and the regulatory environment.

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

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

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

This year the Board has received several reports on the issue of climate change, considering the developing policy framework, including the Government's Jet Zero Strategy, the measures being taken to achieve net zero operations and the assessment and reporting of climate risks consistent with the Taskforce on Climate Related Financial Disclosures (TCFD). The Board also received an updated assessment of the risks posed by the need to adapt to inevitable climate change. As set out on page 13, the reporting of emissions and climate risk have been further improved in this year's report.

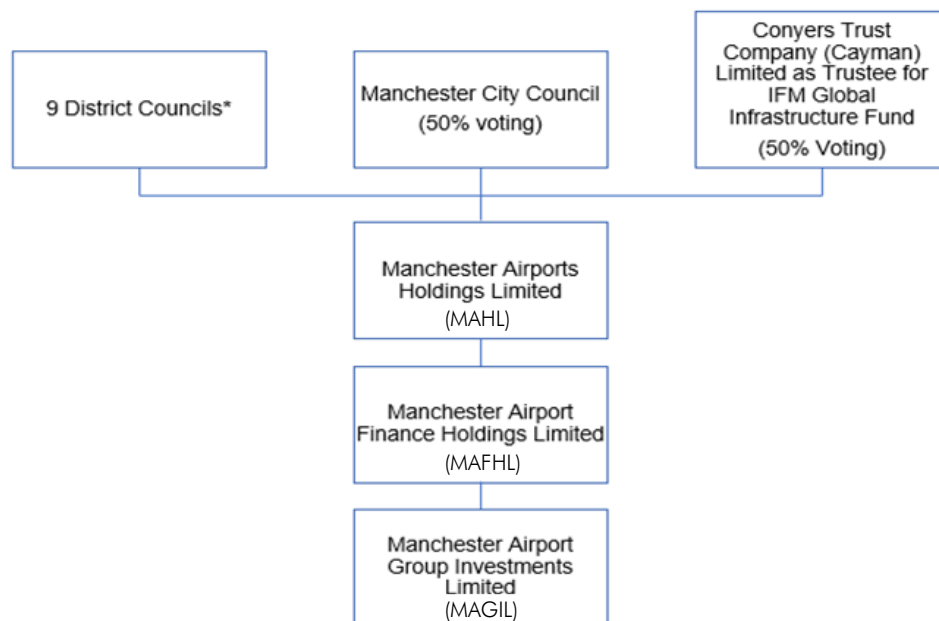
Having regard to the desirability of the company maintaining a reputation for high standards of business conduct

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

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

MAGIL 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, MAGIL's ownership structure is unique and comprises an effective blend of public and private shareholders, including Manchester City Council (35.5)%, IFM GIF (35.5)% and the nine other Greater Manchester local authorities (29.0)%. Amongst those owners, Manchester City Council and IFM GIF hold (in equal shares) the voting rights in board meetings of Manchester Airports Holdings Limited (the holding company of the Group), have certain matters reserved for their exclusive decision as shareholders, and make two appointments each to the Board.



* (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)

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. Manchester Airports Holdings Limited (MAHL) is the ultimate parent company of Manchester Airport Group Investments Limited.

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

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

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

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

Internal controls continued

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

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

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

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

Risk management

The management of risks rests ultimately with the MAGIL Board, notwithstanding that the MAHL Audit Committee performs a significant role, relative to risk oversight. The most significant strategic, corporate and operational risks and uncertainties identified during the year, and the prevailing approach to management of these, appear on pages 22 to 25. The Risk and Internal Audit Department, covering Risk Management, Internal Audit and Security Assurance, reports directly to the Company Secretary, who habitually attends every MAHL Audit Committee meeting. Risk Registers are managed by individual risk owners, are updated on a regular basis, and are discussed regularly between risk owners, their teams and the Risk Team. The holding of regular business risk workshops at a divisional level, and formal biannual review of the Group's strategic risk register by the executive directors, support this process. The MAGIL Board can confirm that it, and the MAHL Audit Committee, regularly review the process for the identification, evaluation and management of the strategic and significant corporate risks faced by the MAGIL Group. In the judgement of the MAGIL Board, progressively enhanced risk management procedures have continued to promote greater business-wide awareness of the potential sources and mitigants of risk within the MAGIL Group.

Principal risks

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

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

Principal risks continued

Risk	Mitigation strategy	Opportunities
Cyber Security	<p>Manchester Airports Group is part of the UK Critical National Infrastructure (CNI) and under the Security of Network & Information Systems Regulations (NIS Regulations) its airports are considered to be an essential service and MAGIL 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 MAGIL has to comply with this regulatory requirement that sees cyber security associated with aviation safety.</p> <p>MAGIL is committed to providing a world-class cyber security posture and will continue to take its cyber security responsibilities with the utmost seriousness. MAGIL 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 MAGIL's operations, customers, employees and stakeholders safe from cyber threats.</p>	<p>MAGIL operates an Information Security Management System (ISMS) based on the recommendations of ISO 27001:2017, including risk management, business continuity, incident management, physical security, security awareness training and much more.</p> <p>The MAGIL 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 MAGIL's exposure to cyber threats and risks is reduced.</p>
Long Term Implications of Brexit and Wider Macroeconomic Risks	<p>The 2016 'Brexit' referendum decision continues to bring challenges regarding the United Kingdom's relationship with the EU and in respect of international trading options more generally moving forward. This, combined with a number of other macroeconomic risks that are currently on the horizon such as potential loss of trade and the rate of economic growth, means that MAGIL, and the aviation industry more widely, continues to face ongoing uncertainty moving forward.</p> <p>We monitor the economic environment closely and have ensured that our business plans are resilient to economic shocks through prudent scenario planning and sensitivity analysis.</p> <p>MAG will work closely with the aviation industry to ensure that the longer term implications of current macroeconomic risk factors are well understood and mitigated where possible.</p>	<p>Whilst carefully monitoring and managing exposure to the risks, we will seek to ensure that the business is well positioned to take opportunities that changes to relationships, policy or legislation may present.</p> <p>MAGIL is focused on ensuring our airports have the capacity and quality of facilities our customers expect in the medium and longer term in response to the issues created by the COVID-19 global pandemic.</p> <p>The uncertainty around Brexit and other potential economic shocks has provided the opportunity to review our operating model, processes, and geographical/product diversification.</p>

Principal risks continued

Risk	Mitigation strategy	Opportunities
Climate Change	<p>MAGIL 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 MAGIL'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. MAGIL 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 MAGIL airports.</p> <p>MAGIL has also undertaken two climate change adaptation assessments, considering the physical climate risks to MAGIL'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 MAGIL by climate change and publish the findings in future reports.</p>	<p>MAGIL is well positioned as a climate-leader in the aviation industry. MAGIL 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 MAGIL 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 MAGIL well as economies more generally decarbonise.</p>
Security Breach	<p>We continue to invest heavily year on year in ensuring our customers, employees and stakeholders remain safe and secure at all of our sites in the context of the current threat environment.</p> <p>We work closely with the Police and Government security agencies to ensure that our security facilities and processes meet the high standards required to respond to new and existing security threats.</p> <p>Our security facilities and processes are subject to extensive internal and external inspections and audits by regulators, external specialists and internal teams who regularly test the effectiveness of our security processes and identify opportunities for improvement.</p>	<p>Whilst security is paramount, we also want our customers to continue to enjoy a positive experience at our airports.</p> <p>We look for opportunities to enhance the customer experience whilst maintaining the high standards of security our stakeholders expect, in particular working to minimise security queuing times through continuous improvement and innovative approaches to our security processes and facilities.</p>

Principal risks continued

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

Task Force on Climate-Related Financial Disclosures

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

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

In 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published recommendations against which MAGIL will be required to report from 2024. Recognising the importance of climate change and the need to understand and mitigate climate risk, we began reporting against TCFD recommendations in our last annual report. This year, we are further enhancing our disclosures by developing our approach to further assessing climate-related risks and opportunities, with a particular focus on transition risks. By evaluating these risks over the short, medium, and long term, we are equipping the business with the tools and knowledge to inform decision making. We are also preparing for full reporting against TCFD in line with regulatory requirements and for our 2023/24 Annual Report and going forward, we will report against the disclosures in full.

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

TCFD disclosure recommendation table

Disclosure recommendation	Section reference
Governance	
a) Describe the Board's oversight of climate-related risks and opportunities	2021/22 Annual Report – Leadership and Governance (Page 16) 2021/22 Annual Report – TCFD section (this section)
b) Describe management's role in assessing and managing climate-related risks and opportunities	2021/22 Annual Report – TCFD section (this section)
Strategy	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	2021/22 Annual Report – TCFD section (this section)
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	2021/22 Annual Report – TCFD section (this section)
c) Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario	2021/22 Annual Report – TCFD section (this section)
Risk management	
a) Describe the organisation's processes for identifying and assessing climate-related risks	2021/22 Annual Report – Internal Controls and Risk Management (Page 21)
b) Describe the organisation's processes for managing climate-related risks	2021/22 Annual Report – Internal Controls and Risk Management (Page 21)
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	2021/22 Annual Report – Internal Controls and Risk Management (Page 21)
Metrics and targets	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities	2021/22 Annual Report – TCFD section (Page 28)
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3* greenhouse gas emissions and the related risks	Scope 1 & 2: 2021/22 Annual Report – Corporate Social Responsibility (Page 40 of MAHL Accounts) Scope 1, 2 and 3: Annual CSR Report, to be published later in 2021/22
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	2021/22 Annual Report – Corporate Social Responsibility (Page 40 of MAHL Accounts)

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

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

Governance

Governance Board

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

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

Management

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

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

Strategy

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

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

Strategy continued

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

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

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

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

Risk management

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

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

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

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

Risk management continued

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

Climate-related physical risks and opportunities

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

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

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

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

Climate-related physical risks and opportunities continued

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

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

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

Climate-related transition risks and opportunities

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

Climate-related transition risks and opportunities continued

TCFD categorises transition risks within four distinct categories:

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

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

Policy and legal

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

Technology

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

Market

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

Reputation

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

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

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

Metrics and targets

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

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

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

Metrics and targets continued

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

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

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

Transitioning to a low-carbon and climate-resilient future

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

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

Directors' Report

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

Principal activity

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

Review of business and future developments

The consolidated results for the year under review commence on page 68. The Company intends to continue its development of the Group as an operator of high-quality airports and airport facilities both within the UK and overseas. As the Group enters a sustained recovery phase after the COVID-19 pandemic our short-term focus changed to preparing the business to accept higher levels of demand aligned with appropriate levels of service. A more detailed review of the Group's principal activities, results and future developments is provided in the business overview, management review and finance review sections of the strategic report.

Dividends and transfers to reserves

The retained loss for the year of £189.7m (2021: loss of £317.4m) after dividends paid of £nil (2021: £nil) will be transferred from reserves. In addition, the retained loss reserves also included: a gain of £48.4m relating to revision of actuarial assumptions relating to the Group's defined benefit pension schemes net of tax; £1.3m loss relating to the effect of change in rate of corporation tax on deferred tax, and a foreign exchange gain of £1.2m on MAG's US investments, net of tax.

Board of Directors

The company directors during the year are detailed on page 14.

Compliance with Corporate Governance Principles

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

Conflicts of interest

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

Indemnity and Insurance

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

Statement of disclosure of information to the auditor

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

Contracts of significance

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

Risk management

The Board as a whole, including the MAHL 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 MAHL 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 22 to 25.

Streamlined energy and carbon reporting (SECR)

As detailed on page 13.

Going concern

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

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

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

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

In the downside scenario the Group is expected to maintain positive cash headroom in excess of £272m for the 12-month period beyond the signing date of these financial statements. This headroom reduces to £232m in the severe but plausible downside scenario.

In the high, base and downside scenario forecasts the Group would comply with the default provisions of the covenant testing at each reporting date for the 12 months beyond the date of signing the accounts. Under the severe but plausible downside scenario, the Group would breach its leverage covenant at 31 March 2023 and as a result would need to seek covenant testing waivers or amendments from its bank and bondholders.

Going concern continued

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

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

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

Further detail of the directors' assessment of going concern is detailed in the Basis of Preparation note in the accounting policies on page 49.

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 22 to 25. These risks include the ongoing impact of COVID-19 pandemic (and the Group's business resilience and business continuity mitigation strategies) and climate change. For the viability period the directors have concluded that COVID-19 and the aviation sector's recovery remains the key risk that needs to be considered for the purpose of assessing viability. Based on this assessment, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2025.

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

Viability statement continued

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

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

The economic impact of the COVID-19 pandemic has progressively eased throughout FY22 with passenger numbers increasing overall from 10.5% of pre-COVID-19 levels experienced in FY21 to 33% in FY22. The impact of this gradual recovery has been to see a return to businesses profitability, which when measured at the adjusted EBITDA* level, has transformed a £148.1m loss into a profit of £125.1m, with a resultant impact upon operating cashflow. The trend of passenger numbers leading into FY23 is positive. The UK Government's traffic light scheme in summer 2021 and the impact of the Omicron variant in December 2021 impacted passenger numbers adversely earlier in the year. However, the relaxing of all international travel restrictions in March 2022 has seen passenger volumes increase to 70% of pre-COVID-19 levels by the year end. MAGIL's ability to grow back its operating capacity through recruitment and training is now key to service the increased level of demand whilst providing customer service in FY23 and beyond.

The Group's committed facilities at 31 March 2022 comprise: borrowings of £1,460.0m of bonds, a £500.0m Secured Revolving Credit Facility ('RCF'), which was fully drawn at the year-end. In addition, the Group also has access to a committed £90.0m Liquidity Facility. On 27 May 2022, the Group renegotiated the RCF and the Liquidity Facilities with their maturity date being in May 2027. For the Group's bonds the nearest maturing date relates to a £360.0m bond which matures in April 2024. The remaining £1,100.0m of Group bonds will mature between 2034 and 2044. The improving passenger profile in FY22 has built on the Group's key work to improve its liquidity as a result of its strategic finance responses in 2020 and 2021. As a result, at 31 March 2022 the Group has liquidity headroom of £471.4m comprising £461.4m net cash in hand and a £10m undrawn available overdraft facility.

As part of the viability assessment process the directors have considered the industry expectations of returning passenger levels in FY23 and beyond. Current expectation are passenger levels will return to 76% to 90% of pre-COVID-19 levels in FY23 and to pre-COVID-19 levels in FY24 and FY25. The forecasts estimate covenant compliance throughout the viability period and a liquidity headroom in excess of the £100m Treasury Policy throughout. The Basis of Preparation on page 49 sets out that there is a material uncertainty in relation to the Group's going concern conclusion. This results from the potential that there is a case of a more virulent COVID-19 variant in the future that necessitates travel restrictions similar to those experienced with the delta variant in FY21. Consequently, this is also regarded as a key risk in the Group's viability assessment.

*As explained in the note 39 to the financial statements 'Alternative Performance Measures' on page 113.

Viability statement continued

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

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

Employees

Employment policies

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

Apprentices and the National Living Wage

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

Consultation and communication

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

Consultation and communication continued

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

Policy and practice on payment of creditors

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

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

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

Modern slavery act 2015

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

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

Further detailed information can be found using the link below:

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

Charitable and political donations

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

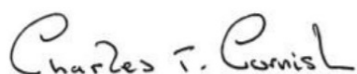
Auditor

A written resolutions relating to the authority of the directors to fix the auditor's remuneration, are to be put before the Company's voting shareholders for execution in the short term.

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

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

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



Charlie Cornish

Chief Executive MAGIL

For and on behalf of the Board of Directors of the Company 6 July 2022

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

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law. They have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law 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 Airport Group Investments Limited

Opinion

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to the Going concern section of the accounting policies of the financial statements which explains that the Group is forecasting a potential breach of a financial covenant at 31 March 2023 under a severe but plausible scenario. The ability of the Group and Parent company to continue as a going concern is therefore dependent on the lender not calling in the amount owing to it should the covenant be breached. These events and conditions, along with the other matters explained in the accounting policies, constitute a material uncertainty that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

We performed procedures including:

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

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

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

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

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

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. 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.

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

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

Strategic report and directors' report

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

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 43, 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

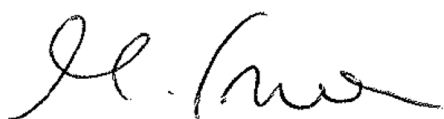
Auditor's responsibilities

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.

A handwritten signature in black ink, appearing to read 'M. Froom', is positioned above the printed name and title.

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

6 July 2022

Accounting Policies

General information

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

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

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

Basis of preparation

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

The Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). The Company has elected to prepare its parent company financial statements in accordance with FRS 102; these are presented on pages 117 to 123.

Going concern

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

The Group is subject to financial covenants on its secured funding arrangements, being leverage (Net Senior Debt / adjusted EBITDA* on a frozen GAAP basis) and interest cover (adjusted EBITDA* on a frozen GAAP basis less tax paid/ net finance charges on net senior debt). The terms used in the covenant calculations, including "frozen GAAP basis", have been defined and reconciled to GAAP measures in the Alternative Performance Measures note on page 113. The covenants are tested half yearly on 31 March and 30 September. Following the Group's further strategic financial response in 2021 MAGIL obtained waivers on its covenant testing at 30 September 2021 and 31 March 2022 and a modified basis of calculation as at 30 September 2022. The modified basis calculating annualised adjusted EBITDA* as 1.54 times the adjusted EBITDA* for the six months ending 30 September 2022.

* As explained in the note 39 to the financial statements 'Alternative Performance Measures' on page 113.

Basis of preparation continued

Going concern continued

At the year ended 31 March 2022, the Group had significant financial liquidity available of £471.4m comprising net cash in hand of £461.4m together with £10.0m in undrawn available overdraft facilities. The Group also has access to a committed £90.0m Liquidity Facility to ensure interest payment obligations can be complied with for over 12 months from the date of approval of these financial statements. The Group does not currently expect to utilise the Liquidity Facility.

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

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

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

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

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

Basis of preparation continued

Going concern continued

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

Downside scenario:

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

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

Severe but plausible downside scenario:

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis of consolidation

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

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

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 IFRS applies to retail income but have determined that MAGIL controls the retail unit space and as a result applies IFRS 15.
- income from airport lounges is recognised at the point of usage.

Car park income:

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

Property income:

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

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

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

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

Revenue continued

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

Business combinations and goodwill

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

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

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

Contingent consideration

The Group evaluates any contingent consideration payable and applies 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. There are no software as a service related assets included. Where the software is integral to the hardware the software will be recognised within Property, Plant and Equipment. Customisation/configuration costs of software are recognised as an intangible asset only where the Group can demonstrate control of the asset.

Useful economic lives

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

	Years
Metrolink	20
Customer and operator relationships	5-10
Brands	4-10
Software & intellectual property	5-10

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

Property, plant and equipment

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

Property, plant and equipment continued

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>Utilities infrastructure and drainage</i>	7-75
<i>Steelwork, civils and earthworks</i>	30-50
Plant, fixtures and equipment:	
<i>Plant and machinery</i>	5-30
<i>Motor vehicles</i>	4-7
<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 the carrying amount remains relevant and appropriate. Depreciation is charged on a straight line basis over the asset's useful economic life. No depreciation is provided on freehold land. Repairs and maintenance costs are written off as incurred. Assets under construction, which principally relate to airport infrastructure, are not depreciated until such time as they are available for use and any relevant regulatory approvals relating to their bringing into use have been obtained. If there are indications of impairment in the carrying value, then the recoverable amount is estimated and compared to the carrying amount. The recoverable amount is determined as the value that will ultimately be capitalised as an asset, based upon IAS 16 recognition and capitalisation criteria. Where indication of impairment occurs, the recoverable amount is determined based upon IAS 16 recognition and capitalisation criteria. This carrying amount is assessed for impairment as part of the carrying value of the assets at each cash generating unit ("CGU") by comparison with the value in use generated by the CGU from its net cashflows.

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

Investment properties

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

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

Impairment

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

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

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

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

Leases

Review of contracts for leases

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

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

Leases continued

Initial measurement

MAGIL 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

MAGIL 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

MAGIL 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 30 to the financial statements where this is discussed in further detail.

Leases continued

Lease as lessor

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

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

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

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

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

Inventories

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

Grants

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

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

Financial instruments

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

The Group's treatment of financial assets and liabilities:

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

Financial instruments continued

Expected credit loss

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

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

Derivative Financial Instruments and hedge accounting

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

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

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

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

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

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

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

Financial instruments continued

Modification of Instruments

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

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

Finance income and expenses

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

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

Contingent assets

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

Assets held for sale and discontinued operations

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

Non current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. The assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet.

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

Cash and cash equivalents

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

Borrowings

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

Borrowing costs

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

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

Provisions

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

Taxation

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

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

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

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

Employee benefit costs

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

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

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

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

Employee benefit costs continued

To the extent that the right is contingent, no asset would be recognised. The specific circumstances for GMPF (as discussed further in note 29 retirement benefits), lead to the surplus on the scheme (£25.0m) not being recognised. In addition, a liability of £1.6m, reflecting 1 year of contractual minimum future contributions is recognised in accordance with IFRIC14.

Dividends

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

Alternative Performance Measures (APMs)

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

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

Many of MAGIL's APMs are defined as 'adjusted' (such as adjusted EBITDA) signifying that they are calculated before transactions that are deemed to be adjusted items. The definition of adjusted items in MAGIL's accounting policies is also detailed below. Note 39 on page 113 provides a definition of all APMs; the purpose for which it is used; and a reconciliation to the nearest IFRS equivalent.

Adjusted items

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

- **Impairment of assets**

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

Adjusted items continued

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

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

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

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

- **Legal and other items**

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

Critical accounting estimates and judgements

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

A. Judgements

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

i. Going concern

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

The directors have evaluated whether the expected activity levels, coupled with further mitigating actions that the Group can undertake are sufficient to ensure that MAGIL 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 49 the directors have concluded to regard MAGIL as a going concern for the purpose of these financial statements.

Critical accounting estimates and judgements continued

B. Assumptions and estimation uncertainty

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

i. Investment properties

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

ii. Pensions

Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at year end, future returns on pension scheme assets and charges to the income statement. The factors have been determined in consultation with the Group's independent actuary taking into account market and economic conditions.

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in note 29.

Consolidated income statement

for the year ended 31 March 2022

		2022 £m	2022 £m	2022 £m	2021 £m	2021 £m	2021 £m
	Note	Total before adjusted items	Adjusted items ¹	Total after adjusted items	Total before adjusted items	Adjusted items	Total after adjusted items
Revenue	1	461.2	-	461.2	176.2	-	176.2
Result from operations before adjusted items	4	(112.9)	-	(112.9)	(321.6)	-	(321.6)
Adjusted items							
Adjusted items	3	-	(17.1)	(17.1)	-	(37.9)	(37.9)
Result from operations		(112.9)	(17.1)	(130.0)	(321.6)	(37.9)	(359.5)
Gains and losses on sales and valuation of investment properties	15	22.6	-	22.6	1.2	-	1.2
Finance income	7	8.6	-	8.6	18.5	-	18.5
Finance costs	8	(87.1)	-	(87.1)	(78.6)	-	(78.6)
Result before taxation		(168.8)	(17.1)	(185.9)	(380.5)	(37.9)	(418.4)
Taxation - result from operations	10	(2.4)	0.3	(2.1)	53.6	5.5	59.1
Result from continuing operations		(171.2)	(16.8)	(188.0)	(326.9)	(32.4)	(359.3)
Discontinued operations							
Result from discontinued operations (net of tax)	11	-	(1.7)	(1.7)	2.6	39.3	41.9
Result for the year		(171.2)	(18.5)	(189.7)	(324.3)	6.9	(317.4)
Earnings per share expressed in pence per share							
Continuing operations	12			(107.2)			(205.0)
Discontinued operations	12			(1.0)			23.9

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

¹ Previously significant items

Consolidated statement of comprehensive income

for the year ended 31 March 2022

	Note	2022 £m	2021 £m
Result for the year		(189.7)	(317.4)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Transfer in of MAG US and UK Distribution business		-	11.7
Remeasurement of retirement benefit liabilities	29	63.0	(9.7)
Deferred tax on remeasurement of retirement benefit liabilities	10	(14.6)	1.8
Effect of change in rate of corporation tax on deferred tax	10	(1.3)	-
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange movement		1.3	(4.9)
Tax on foreign exchange movement		(0.1)	0.4
Hedging gain		-	2.4
Other comprehensive income/(loss) for the year		48.3	1.7
Total comprehensive loss for the year		(141.4)	(315.7)

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

Consolidated statement of changes in equity

for the year ended 31 March 2022

		Attributable to equity holders of the Group						
	Note	Share capital £m	Share premium £m	Hedging reserve ¹ £m	Foreign currency reserves ² £m	Other reserve ³ £m	Retained earnings £m	Total £m
Balance at 1 April 2021		175.3	3,059.4	1.0	(3.9)	(1,249.6)	552.3	2,534.5
Total comprehensive income for the year								
Result for the year		-	-	-	-	-	(189.7)	(189.7)
Foreign exchange movement, net of tax		-	-	-	1.2	-	-	1.2
Hedging gain		-	-	(1.0)	1.0	-	-	-
Remeasurement of retirement benefit liabilities, net of tax	29, 10	-	-	-	-	-	48.4	48.4
Effect of change in rate of corporation tax on deferred tax	10	-	-	-	-	-	(1.3)	(1.3)
		-	-	(1.0)	2.2	-	(142.6)	(141.4)
Balance at 31 March 2022		175.3	3,059.4	-	(1.7)	(1,249.6)	409.7	2,393.1

Consolidated statement of changes in equity

for the year ended 31 March 2021

		Attributable to equity holders of the Group						
		Share capital	Share premium	Hedging reserve	Foreign currency reserves	Other reserve	Retained earnings	Total
	Note	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2020		175.3	2,668.9	-	-	(1,249.6)	899.5	2,494.1
Total comprehensive income for the year								
Result for the year		-	-	-	-	-	(317.4)	(317.4)
Transfer in of MAG US and UK Distribution business*		-	34.4	-	(0.8)	-	(21.9)	11.7
Foreign exchange movement		-	-	-	(4.5)	-	-	(4.5)
Hedging gain		-	-	1.0	1.4	-	-	2.4
Remeasurement of defined benefit liabilities, net of tax	29, 10	-	-	-	-	-	(7.9)	(7.9)
		-	34.4	1.0	(3.9)	-	(347.2)	(315.7)

Transactions with owners recorded directly in equity

Issue of C shares		-	356.1	-	-	-	-	356.1
Balance at 31 March 2021		175.3	3,059.4	1.0	(3.9)	(1,249.6)	552.3	2,534.5

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. The hedging reserve has been transferred to Forex following the completion of the Forex hedge during the year, and the group has no further open positions.

² Foreign currency reserve

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

³ Other reserve

Relates to acquisition of Stansted Airport in February 2013.

*In 2021 the Company was gifted the investment in MAG US and UK distribution businesses for no consideration.

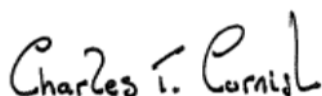
Consolidated statement of financial position

as at 31 March 2022

	Note	2022 £m	2021 £m
Non-current assets			
Goodwill	16	207.7	206.2
Intangible assets	16	88.5	99.9
Property, plant and equipment	13	3,109.0	3,263.9
Right-of-use assets	14	417.7	419.5
Long-term lease receivable	14	11.2	11.2
Investment properties	15	188.9	166.9
Other long-term asset		4.3	7.1
Retirement benefit assets	28	28.3	-
		4,055.6	4,174.7
Current Assets			
Assets held for sale	17	2.1	2.0
Inventories	18	4.0	3.5
Trade and other receivables	19	86.2	65.1
Cash and cash equivalents	21	477.1	530.0
Amounts owed by group undertakings	20	657.1	665.4
		1,226.5	1,266.0
Current Liabilities			
Liabilities directly associated with assets held for sale	17	(0.5)	(0.4)
Bank loans and overdrafts	22	(25.7)	(11.9)
Trade and other payables	26	(189.1)	(185.5)
Deferred income	27	(28.0)	(16.7)
Current lease liabilities	30	(9.8)	(7.9)
Provisions	28	(16.8)	(12.6)
Current tax liabilities	10	(8.9)	(27.2)
Amounts owed to group undertakings		(0.9)	(26.9)
		(279.7)	(289.1)
Net current assets		946.8	976.9
Non-current liabilities			
Borrowings	23-25	(1,921.2)	(1,920.8)
Retirement benefit liabilities	29	(6.2)	(54.9)
Non-current lease liabilities	30	(426.0)	(428.4)
Deferred tax liabilities	31	(233.5)	(187.9)
Provisions	28	(2.1)	(3.0)
Other non-current liabilities	32	(20.3)	(22.1)
		(2,609.3)	(2,617.1)
Net Assets		2,393.1	2,534.5
Shareholders' equity			
Share capital	33	175.3	175.3
Share premium	33	3,059.4	3,059.4
Foreign currency reserve	34	(1.7)	(3.9)
Hedging reserve	34	-	1.0
Other reserve	34	(1,249.6)	(1,249.6)
Retained earnings	34	409.7	552.3
Total equity		2,393.1	2,534.5

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

The financial statements on pages 68 to 123 were approved by the Board of Directors on 6 July 2022 and signed on its behalf by:



Charlie Cornish, Group Chief Executive, MAGIL

Consolidated statement of cash flows

for the year ended 31 March 2022

		2022 £m Before adjusted items	2022 £m Adjusted items	2022 £m After adjusted items	2021 £m Before adjusted items	2021 £m Adjusted items	2021 £m After adjusted items
Cash flows from operating activities							
Result from continuing operations		(171.2)	(16.8)	(188.0)	(326.9)	(32.4)	(359.3)
Taxation	10	2.4	(0.3)	2.1	(53.6)	(5.5)	(59.1)
(Gains) on sales and valuations of investment properties	15	(22.6)	-	(22.6)	(1.2)	-	(1.2)
Net finance (income) and expense	7, 8	78.5	-	78.5	60.1	-	60.1
Depreciation and amortisation	4	238.0	11.0	249.0	173.5	-	173.5
(Increase)/decrease in trade and other receivables and inventories	18, 19	(20.7)	-	(20.7)	24.8	-	24.8
(Increase)/decrease in amounts owed by group companies	20	-	-	-	6.8	-	6.8
Increase/(decrease) in trade and other payables	26	61.6	(6.6)	55.0	(65.8)	(2.7)	(68.5)
Increase in retirement benefits provision	29	(0.2)	(8.1)	(8.3)	(4.0)	1.9	(2.1)
Cash generated from continuing operations		165.8	(20.8)	145.0	(186.3)	(38.7)	(225.0)
Result before taxation - discontinued operation				(1.7)			4.3
Finance expense - discontinued operation				-			(3.6)
Non-cash movements - discontinued operation				1.7			-
Interest paid				(83.7)			(80.0)
Tax (paid)/refund				(0.4)			42.1
Net cash from operating activities				60.9			(262.2)
Cash flows from investing activities							
Purchase of fixed assets				(98.3)			(183.7)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				0.8			-
Release of grants				-			1.3
US Acquisition	26			(19.6)			(24.3)
Receipt of funds from other group companies				-			27.7
Net cash from/(used in) investing activities				(117.1)			(179.0)
Proceeds from sale of discontinued operation, net of fees				-			400.1
Net cash used in investing activities - discontinued operations				-			400.1
Cash flows from financing activities							
Funds received from shareholder				-			300.0
Transaction costs related to loans and borrowings				(2.4)			(4.4)
Proceeds from issue of ordinary shares				-			37.4
Payment of principal on lease liabilities	30			(8.1)			(7.8)
Net cash (used in)/from financing activities				(10.5)			325.2
Net (decrease)/increase in net cash and cash equivalents	37			(66.7)			284.1
Net cash and cash equivalents at the beginning of the period				518.1			234.0
Net cash and cash equivalents at the end of the period¹	21, 23			451.4			518.1

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

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

Notes to the financial statements

for the year ended 31 March 2022

1 Revenue

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

	2022 £m	2021 £m
Aviation income	179.9	74.3
Commercial income		
Retail concessions	81.2	16.2
Car parking	126.7	37.7
Property and property related income	20.2	20.5
Other	53.2	27.5
Total commercial income	281.3	101.9
Total income - continuing operations	461.2	176.2
Income - discontinued operations ¹	-	8.5
Total income	461.2	184.7

¹ All income from discontinued operations relates to property and property related income.

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

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

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

The amount of accrued income at 31 March 2022 was £26.1m (2021: £6.2m) and the amount of deferred income at 31 March 2022 was £28.0m (2021: £16.7m). Both of these balances have increased significantly due to the return in passenger demand, and all balances are expected to settle within the next 12 months.

Significant movements in accrued and deferred income are discussed in notes 19 and 27 respectively.

Further details of the performance obligations of each revenue stream can be found in the accounting policies on page 53.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Business and geographical segments

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

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

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

Year ended 31 March 2022

	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG US	Group, consolidation and other ^{2,4}	Consolidated - continuing operations	Discontinued operations ¹
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Total revenue	192.0	180.8	57.6	31.4	3.8	465.6	-
Inter-segment sales ³	(3.5)	-	-	-	(0.9)	(4.4)	-
External Revenue	188.5	180.8	57.6	31.4	2.9	461.2	-
Result							
Segment result from operations before adjusted items	(71.6)	(32.2)	10.8	4.1	(24.0)	(112.9)	-
Adjusted items - operating costs	(15.2)	4.4	(0.3)	(1.8)	(4.2)	(17.1)	(1.7)
Segment operating (loss)/profit after adjusted items	(86.8)	(27.8)	10.5	2.3	(28.2)	(130.0)	(1.7)
Gains and losses on sale and valuation of investment properties						22.6	-
Finance income						8.6	-
Finance costs						(87.1)	-
Result before taxation						(185.9)	(1.7)
Other information							
Segment assets	2,018.5	1,590.4	308.4	95.5	1,269.3	5,282.1	-
Segment liabilities	(1,341.2)	(240.8)	(76.0)	(25.6)	(1,205.4)	(2,889.0)	-
Capital expenditure	37.6	10.8	5.7	4.6	9.7	68.4	-
Intangible expenditure	0.5	1.6	-	2.1	3.9	8.1	-
Depreciation	115.2	95.2	13.6	11.0	0.4	235.4	-
Amortisation	6.1	2.0	0.2	3.1	7.5	18.9	-
Taxation	(24.8)	3.1	(7.1)	(1.7)	28.4	(2.1)	-
Result - geographical location²							
Segment operating (loss)/profit before Adjusted items	(71.6)	(32.2)	10.8	4.1	(24.0)	(112.9)	-

See next page for footnotes.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Business and geographical segments continued

Result from operations by operating segment

Year ended 31 March 2021

	Manchester Airport	London Stansted Airport	East Midlands Airport	Group, consolidation and other ^{2,4}	MAG US	Consolidated - continuing operations	Discontinued operations ¹
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Total revenue	70.9	66.1	36.3	(1.4)	4.3	176.2	8.5
Inter-segment sales ³	-	-	-	-	-	-	-
External Revenue	70.9	66.1	36.3	(1.4)	4.3	176.2	8.5
Result							
Segment operating (loss)/profit before adjusted items	(174.4)	(126.4)	(8.9)	(7.7)	(4.2)	(321.6)	7.9
Adjusted items	(11.9)	(15.7)	(0.9)	(9.2)	(0.2)	(37.9)	-
Segment operating (loss)/profit after adjusted items	(186.3)	(142.1)	(9.8)	(16.9)	(4.4)	(359.5)	7.9
Gains and losses on sale and valuation of investment properties						1.2	-
Finance income						18.5	-
Finance costs						(78.6)	(3.6)
Result before taxation						(418.4)	4.3
Other information							
Segment assets*	2,101.1	1,635.2	274.8	58.4	1,371.2	5,440.7	-
Segment liabilities	(1,302.8)	(337.5)	(139.7)	(46.9)	(1,079.3)	(2,906.2)	-
Capital expenditure	107.6	23.5	5.5	0.5	12.2	149.3	-
Intangible expenditure	0.3	0.4	-	-	-	0.7	-
Depreciation	78.8	69.4	14.3	-	1.3	163.8	-
Amortisation	5.2	0.3	-	2.3	1.9	9.7	-
Taxation	30.6	23.4	1.6	-	3.5	59.1	(1.7)
Result - geographical location²							
Segment operating loss before adjusted items	(174.4)	(126.4)	(8.9)	(7.7)	(4.2)	(321.6)	2.6

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

² Group consolidation and other includes, Group, Head Office, MAG Property, and other subsidiary companies and balances arising on consolidation, which are not specific to the other main operating divisions. Assets include goodwill and fair value adjustments arising on consolidation. Liabilities include borrowings, further details of which can be found in Note 23 Borrowings.

³ Sales between segments are at arm's length.

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

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

Notes to the financial statements continued

for the year ended 31 March 2022

3. Adjusted items

	2022 £m	2021 £m
Recorded in result from continuing operations		
Impairment of assets	9.2	-
Major reorganisation of businesses and costs associated with acquisitions.	3.5	34.6
Legal and other costs	4.4	3.3
Total adjusted items recorded in result from continuing operations	17.1	37.9
Recorded in result from discontinued operations		
Adjusted items incurred by discontinued operations (note 10)	1.7	-
Profit on sale of discontinued operations	-	(39.3)
Total adjusted items recorded in result from discontinued operations	1.7	(39.3)
Total adjusted items	18.8	(1.4)

Impairment of assets

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

Major reorganisation of businesses and costs associated with acquisitions

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

Legal and other items

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

Adjusted items within discontinued operations

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

Notes to the financial statements continued

for the year ended 31 March 2022

4. Result from operations before adjusted items

	Note	2022 £m	2021 £m
Turnover	1	461.2	176.2
Wages and salaries		(156.6)	(168.2)
Social security costs		(14.7)	(15.6)
Pension costs		(11.6)	(17.5)
Coronavirus job retention scheme		18.2	58.9
Employee benefit costs		(164.7)	(142.4)
Depreciation and amortisation		(238.0)	(173.5)
Profit/(loss) on disposal of property, plant and equipment		0.3	(0.1)
Other operating charges ¹		(189.5)	(201.3)
Airport and Ground Operations Support Scheme		17.8	19.5
Result from continuing operations before adjusted items		(112.9)	(321.6)
Result from discontinued operations before adjusted items	11	-	7.9
Result from operations before adjusted items - total business		(112.9)	(313.7)

Notes:

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, reduction in headcount due to the organisational restructure, with the restructuring costs being disclosed within adjusted items, see note 3.

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

5. Employee information

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

	2022 Number	2021 Number
By location		
Manchester Airport	2,148	3,306
London Stansted Airport	1,479	1,655
East Midlands Airport	516	529
MAG US	153	12
	4,296	5,502

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

Notes to the financial statements continued

for the year ended 31 March 2022

6. Directors' emoluments

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 63 to 66 of the annual report and accounts for Manchester Airports Holdings Limited.

	2022 £m	2021 £m
Directors' emoluments		
Aggregate emoluments ¹	4.1	7.3

¹ Including the non-executive directors of the Group's ultimate parent Manchester Airports Holdings Limited.

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

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

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

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

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

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

7 Finance income

	2022 £m	2021 £m
Interest receivable from Group undertakings	8.6	18.5
Total finance income	8.6	18.5

Notes to the financial statements continued

for the year ended 31 March 2022

8. Finance costs

	Note	2022 £m	2021 £m
Interest payable on bank loans and overdrafts		7.6	8.6
Interest payable on bonds		56.8	56.2
Interest cost on defined benefit pension schemes	28	0.9	1.1
Interest expense on lease liabilities	29	22.7	22.1
Interest received on long-term lease receivable	29	(0.6)	-
Capitalisation of borrowing costs	13	(0.4)	(6.1)
Finance charge to discontinued operations	11	-	(3.6)
Unwind of deferred consideration		0.1	0.3
Total finance costs		87.1	78.6

MAGIL capitalises borrowing costs in accordance with IAS23. Following the COVID-19 pandemic the Group has refocused its capital expenditure to completing existing components of the Group's transformation programmes whilst deferring the commencement of new phases. Most of the existing phases were substantially completed in FY21 and brought into use in FY22. As a result the quantum of capitalised interest has reduced to £0.4m (2021: £6.1m). Further details are provided at note 13.

9 Result before taxation

	Note	2022 Continuing operations £m	2022 Discontinued operations £m	2021 Continuing operations £m	2021 Discontinued operations £m
Result before taxation has been arrived at after charging/(crediting):					
<i>Depreciation and amortisation¹</i>					
Release of capital based grants		(0.6)	-	(1.3)	-
Depreciation of property, plant and equipment	13	208.7	-	155.3	-
Depreciation of right-of-use assets	14	11.0	-	9.4	-
Amortisation of intangible assets	16	18.9	-	9.7	-
Total depreciation and amortisation		238.0	-	173.1	-
(Profit)/loss on disposal of property, plant and equipment	13	(0.3)	-	0.1	-
Adjusted items ²	3	17.1	1.7	37.9	(39.3)
Gains and losses on sale and valuation of investment properties	15	(22.6)	-	(1.2)	-
Interest charged on lease liabilities	30	22.7	-	22.1	-
Employee benefit costs	4	164.7	-	142.4	-
Auditor's remuneration³					
Audit of these financial statements		0.7	-	0.3	-
Audit of subsidiaries' financial statements		0.3	-	0.3	-
Total auditor's remuneration		1.0	-	0.6	-

¹ The overall depreciation charge relating to property, plant and equipment, right-of-use assets under IFRS 16 and intangible assets is in aggregate £0.6m higher than the depreciation charge of £238.0m in the income statement, due to £0.6m of release of capital grants being offset against depreciation in the year.

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

³ A description of the work of the Audit Committee is set out in the Leadership and Governance section within the MAHL annual report and accounts. This includes an explanation of how Auditor objectivity and independence is safeguarded when non audit services are provided by the Auditor.

Notes to the financial statements continued

for the year ended 31 March 2022

10. Taxation

Analysis of charge in the year

	2022 £m	2022 £m	2022 £m	2021 £m	2021 £m	2021 £m
	Before adjusted items	Adjusted items	Total	Before adjusted items	Adjusted items	Total
Current taxation						
UK corporation tax on profits for the year	1.0	(0.3)	0.7	(36.0)	(5.5)	(41.5)
Adjustment in respect of prior year	(28.2)	-	(28.2)	(9.5)	-	(9.5)
Total current taxation charge/(credit)	(27.2)	(0.3)	(27.5)	(45.5)	(5.5)	(51.0)
Deferred taxation						
Temporary differences arising in the year	(6.1)	-	(6.1)	(17.3)	-	(17.3)
Adjustment in respect of prior year	(18.6)	-	(18.6)	10.7	-	10.7
Effect of change in rate of corporation tax	54.3	-	54.3	-	-	-
Total ordinary deferred taxation charge/(credit)	29.6	-	29.6	(6.6)	-	(6.6)
Total taxation charge/(credit)	2.4	(0.3)	2.1	(52.1)	(5.5)	(57.6)

The adjustments in respect of prior year current tax relate to the settlement of historic group relief and movement in tax provisions in years up to and including 31 March 2021.

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

In the prior year, the credit of £57.6m is comprised of a credit from continuing operations of £59.1m, and a charge for discontinued operations of £1.7m.

Taxation on items charged/(credited) to equity

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

Factors affecting the taxation charge for the year

The total taxation charge for the year ended 31 March 2022 is higher (2021: lower) than the standard rate of corporation taxation in the UK of 19% (2020: 19%). The differences are explained below.

	2022 £m	2022 £m	2022 £m	2021 £m	2021 £m	2021 £m
	Before adjusted items	Adjusted items	Total	Before adjusted items	Adjusted items	Total
Result before taxation	(168.8)	(17.1)	(185.9)	(376.2)	(37.9)	(414.1)
Result before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%):	(32.1)	(3.2)	(35.3)	(71.5)	(7.2)	(78.7)
<i>Effect of:</i>						
Non-deductable/(taxable) items	27.0	2.9	29.9	18.2	1.7	19.9
<i>Adjustments to prior year taxation charge</i>						
Group relief settlement	(17.2)	-	(17.2)	-	-	-
Financing and other	(29.6)	-	(29.6)	1.2	-	1.2
Effect of change in rate in corporation tax	54.3	-	54.3	-	-	-
Total taxation charge/(credit)	2.4	(0.3)	2.1	(52.1)	(5.5)	(57.6)

Notes to the financial statements continued

for the year ended 31 March 2022

10. Taxation continued

The adjustments in respect of prior year current tax relate to the settlement of historic group relief balances upon finalisation of the group tax position for the period ended 31 March 2021 and movement in tax provisions in years up to and including 31 March 2021.

During the year the Group took professional advice in order to maximise reliefs in respect of certain prior period financing and other costs. These improved positions have been included in the tax computations and deferred tax asset recognised.

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

11. Discontinued operations

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2022

12. Earnings per share

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

2022					2021				
Group profit after tax		Weighted average number of shares	Per share amount		Group profit after tax		Weighted average number of shares	Per share amount	
Continuing operations	Discontinued operations		Continuing operations	Discontinued operations	Continuing operations	Discontinued operations		Continuing operations	Discontinued operations
£m	£m	m	pence	pence	£m	£m	m	pence	pence
EPS attributable to ordinary shareholders - before adjusted items									
(171.2)	-	175.3	(97.6)	-	(326.9)	2.6	175.3	(186.5)	1.5
EPS attributable to ordinary shareholders - after adjusted items									
(188.0)	(1.7)	175.3	(107.2)	(1.0)	(359.3)	41.9	175.3	(205.0)	23.9

Basic and fully diluted earnings as calculated above equate to the same amount.

Details of shares in issue and their particulars can be found in note 8 to the MAGIL Company accounts.

13. Property, plant and equipment

	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
2022						
Cost						
At 1 April 2021	156.8	684.2	2,382.6	838.5	886.0	4,948.1
Additions	-	-	-	-	68.4	68.4
Reclassification from assets in the course of construction	-	185.2	324.4	307.0	(816.6)	-
Reclassification to intangible assets (note 16)	-	-	(9.0)	-	(0.7)	(9.7)
Impairment	-	-	-	-	-	-
Disposals	-	(5.6)	(178.8)	(215.4)	-	(399.8)
At 31 March 2022	156.8	863.8	2,519.2	930.1	137.1	4,607.0
Depreciation						
At 1 April 2021	53.7	233.1	754.7	642.7	-	1,684.2
Charge for the year	-	25.5	100.9	82.3	-	208.7
Reclassification to intangible assets (note 16)	-	-	(0.3)	(10.4)	-	(10.7)
Impairment	-	-	-	-	-	-
Depreciation on disposals	-	(2.5)	(176.9)	(204.8)	-	(384.2)
At 31 March 2022	53.7	256.1	678.4	509.8	-	1,498.0
Carrying amount						
At 31 March 2022	103.1	607.7	1,840.8	420.3	137.1	3,109.0
Carrying amount						
At 31 March 2021	103.1	451.1	1,627.9	195.8	886.0	3,263.9

Notes to the financial statements continued

for the year ended 31 March 2022

13. Property, plant and equipment continued

	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
2021						
Cost						
At 1 April 2020	156.8	630.9	2,323.7	809.7	925.7	4,846.8
Additions	-	-	-	-	149.3	149.3
Transfer in of MAG US and UK Distribution businesses	-	11.4	2.4	3.4	2.2	19.4
Reclassification from assets in the course of construction	-	42.6	59.7	64.2	(166.5)	-
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	-	(0.7)	(3.2)	(3.2)	(0.4)	(7.5)
At 31 March 2021	156.8	684.2	2,382.6	838.5	886.0	4,948.1
Depreciation						
At 1 April 2020	53.7	214.0	670.5	603.1	-	1,541.3
Transfer in of MAG US and UK Distribution businesses	-	3.0	0.7	1.2	-	4.9
Charge for the year	-	16.6	85.4	53.3	-	155.3
Reclassification to intangible assets (note 16)	-	-	-	(12.1)	-	(12.1)
Depreciation on disposals	-	(0.5)	(1.9)	(2.8)	-	(5.2)
At 31 March 2021	53.7	233.1	754.7	642.7	-	1,684.2
Carrying amount						
At 31 March 2021	103.1	451.1	1,627.9	195.8	886.0	3,263.9
Carrying amount						
At 31 March 2020	103.1	416.9	1,653.2	206.6	925.7	3,305.5

The carrying amount of land not depreciated as at 31 March 2022 is £204.9m (31 March 2021: £202.8m). Where assets have both depreciating and non-depreciating parts, the asset as a whole is categorised by its nature.

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

Capitalised borrowing costs

During the year ended 31 March 2022, borrowing costs of £0.4m were capitalised (31 March 2021: £6.1m), relating to borrowing costs incurred in FY22. Capitalised borrowing costs were calculated on a monthly basis, by applying the rate of interest for the relevant month to expenditure incurred in that month. The average rate of interest applied in the year ending 31 March 2022 was 3.28% (2021: 5.56%).

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

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

The cumulative balance of interest capitalised at 31 March 2022 is £44.7m (2021: £44.3m). At 31 March 2022, the net book value of the capitalised interest is £41.9m (2021: £43.0m).

Impairment review

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

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

Notes to the financial statements continued

for the year ended 31 March 2022

13. Property, plant and equipment continued

Assets in the course of construction

Assets in the course of construction is £137.1m at 31 March 2022 (2021: £886.0m). The reduction in the year is primarily due to the first phase of the Manchester Transformation Programme being brought into use in the year. Key capital projects held within this balance are: capital expenditure in relation to the next phase of the Manchester Transformation Programme (£34.5m), capital expenditure in relation to Stansted Transformation Programme (£23.1m), projects relating to replacement and refurbishment of airfield assets (£18.3m), enhancement of IT infrastructure (£16.4m), costs in relation to planning consent for the 43m passenger cap at Stansted (£8.1m), and fit-out of lounges in the US operated by MAG (£7.7m).

Assets pledged as security:

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

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

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

14. Right-of-use assets

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

Notes to the financial statements continued

for the year ended 31 March 2022

14. Right-of-use assets continued

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
2021				
Cost				
At 1 April 2020	215.7	198.4	3.9	418.0
Transfer in of MAG US and UK Distribution businesses	3.9	-	-	3.9
Additions	3.1	-	7.8	10.9
Remeasurements	15.8	2.4	(1.0)	17.2
Disposals	(0.4)	-	-	(0.4)
Transfers to long-term lease liabilities	(11.2)	-	-	(11.2)
At 31 March 2021	226.9	200.8	10.7	438.4
Depreciation				
At 1 April 2020	4.7	3.0	0.3	8.0
Transfer in of MAG US and UK Distribution businesses	1.5	-	-	1.5
Charge for the period	4.7	3.2	1.5	9.4
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	211.0	195.4	3.6	410.0

¹ Modifications

Relating to a number of lounges leased and operated by MAG in the US - see note 30 for more detail.

² Disposals

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

Impairment Review

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

Key lease arrangements

Key lease arrangements are detailed in note 30.

Income from subleasing right-of-use assets

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

Gains or losses generated from sale and leaseback transactions

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

Long-term lease receivable

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

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

Notes to the financial statements continued

for the year ended 31 March 2022

14. Right-of-use assets continued

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

15. Investment Properties

	Investment properties £m
2022	
Valuation	
At 1 April 2021	166.9
Revaluation	22.4
Disposals	(0.4)
At 31 March 2022	188.9
2021	
Valuation	
At 1 April 2020	137.5
Reclassification from property, plant and equipment (note 13)	0.9
Revaluation	1.2
Reclassification from assets held for sale (note 17)	27.3
At 31 March 2021	166.9

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

The fair value measurement for all of MAGIL'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

Management have deemed enterprise rental values and yields to be key inputs into the investment property valuation. Sensitivity analysis on these inputs has determined the following:

- A 5% increase/decrease in enterprise rental value gives rise to an increase/decrease of £5.6m respectively; and
- A 0.25% increase/decrease in yield gives rise to a decrease/increase of £4.5m respectively.

Notes to the financial statements continued

for the year ended 31 March 2022

15. Investment Properties continued

Residential Property

Valuation Technique

Valuation is completed on a comparable basis of similar properties in the vicinity.

Significant Unobservable Inputs

Where comparable evidence is hard to obtain, adjusted information is used to reflect differences in location, size, aspect and condition.

Inter- relationship between key unobservable inputs and fair value measurements

The estimated fair value would increase if the property:

- was larger
- in a preferred location
- in a better condition

The rental income earned by the Group from its investment property amounted to £8.5m (2021: £15.8m), of which £nil was attributable to discontinued operations (2021: £8.5m). Direct operating expenses arising on the investment property in the year amounted to £5.1m (2021: £2.6m).

The group disposed of 2 properties from the investment property portfolio in the year, the combined value of which was £0.4m.

Gains and losses on sales and valuation of investment properties reported in the consolidated income statement of £22.6m in the year (2021: £1.2m) includes £22.4m of valuation gains on investment property (2021: £1.2m), £0.1m of valuation gains on assets held for sale (2021: £nil) and £0.1m of gains on sale of properties (2021: £nil).

16. Intangible assets

	Goodwill £m	Software costs £m	Other intangible assets £m	Total £m
Cost				
At 1 April 2021	206.2	59.0	77.9	343.1
Additions	-	8.0	-	8.0
Reclassification from/(to) property, plant and equipment	-	13.5	(3.8)	9.7
Foreign exchange	1.5	-	0.5	2.0
Disposals	-	(5.7)	-	(5.7)
At 31 March 2022	207.7	74.8	74.6	357.1
Amortisation				
At 1 April 2021	-	16.5	20.5	37.0
Reclassification from property, plant and equipment	-	10.7	-	10.7
Charge for the year	-	13.8	5.1	18.9
Amortisation on disposal	-	(5.7)	-	(5.7)
At 31 March 2022	-	35.3	25.6	60.9
Carrying amount				
At 31 March 2022	207.7	39.5	49.0	296.2
At 31 March 2021	206.2	42.5	57.4	306.1

Goodwill

Goodwill is allocated to cash generating units based on the benefits to the Group that arise from each business combination. For the purposes of impairment testing, goodwill is allocated to the lowest cash generating unit at which management monitor goodwill. The lowest level of cash generating unit is considered to be: Manchester Airport; London Stansted Airport; East Midlands Airport; MAG US's legacy lounge and car parking business; Looking4parking.com; SkyParkSecure and each of the three US based online car-parking aggregator businesses.

Of the goodwill total of £207.7m has been allocated to each of the Group's CGUs. £166.3m is attributable to the acquisition of London Stansted Airport, £4.5m attributable to the acquisition of the UK distribution companies, with the remaining £36.9m attributable to additions to goodwill in the period from the acquisitions of airportparkingreservations.com LLC (£19.6m) and ParkSleepFly.com (£17.1m) and its subsidiary shuttlefinder.net (£0.2m). The goodwill relating to the acquisitions of the three US based entities in the period is denominated in US dollars and as a consequence of the USD:GBP exchange rate at the year end the goodwill attributable to these entities in the year end accounts has increased from £35.4m to £36.9m.

Other intangible assets

Other intangible assets with carrying value of £49.0m are attributable to Metrolink (£31.9m, discussed in more detail below), airspace redesign (£3.6m), the acquisition of the UK distribution companies (£2.4m) and the remaining £11.1m relates to the operator and trade names acquired in FY21 from airportparkingreservations.com LLC (APR), ParkSleepFly.com (PSF) and shuttlefinder.net (SF).

Software costs

£39.5m of capitalised computer software costs principally relate to operating systems throughout the airports (£17.0m), ERP systems (£14.8m) and car parking booking systems (£7.7m). During the year, assets with cost and accumulated amortisation of £5.7m were disposed of, relating to legacy ERP systems assets no longer in use.

Notes to the financial statements continued

for the year ended 31 March 2022

16. Intangible assets continued

Impairment

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

- Manchester Airport where the recoverable amount provided a £1,485.3m headroom over the assets carrying value of £1,857.4m;
- London Stansted Airport where the recoverable amount provided £1,083.3m of headroom over the assets carrying value of £1,558.8m;
- East Midlands International Airport where the recoverable amount provided £267.6m of headroom over the assets carrying value of £206.4m;
- MAG US, where each lounge and car park constitutes a CGU, the overall recoverable amount exceeded the carrying value of £11.0m by £17.3m.;
- MAG's UK Distribution Companies (where the CGU's are the Looking4Parking and SkyParkSecure businesses) where the recoverable amount amounts for each business is £43.3m in excess of the asset carrying values (combined carrying value for both businesses £6.9m); and
- Each of the newly acquired online US based car parking aggregator companies constitute a separate CGU. The recoverable amount assessment is based upon the approved budget from April 2022 but management have also considered a downside scenario that excludes post-acquisition operating improvements and limited growth in the operator relationship base. The impairment assessment for each CGU consisted of:
 - Airportparkingreservations.com - where the recoverable amount provided a £38.7m headroom over the asset carrying value of £25.5m (Downside scenarios analysed would not give rise to impairment);
 - Parksleepfly.com - where the recoverable amount provided a £27.3m headroom over the asset carrying value of £22.1m (Downside scenarios analysed would not give rise to impairment);
 - Shuttlefinder.net - where the recoverable amount provided a £0.3m headroom over the asset carrying value of £0.1m (Downside scenarios analysed would not give rise to impairment)

The impairment testing calculated the recoverable amount of the goodwill, intangible assets, PPE and right-of-use asset in each cash generating unit by comparing the carrying value to the calculated value-in-use. Key assumptions for these calculations are those regarding discount rates, terminal value growth rates, expected changes to passenger and revenue growth rates, EBITDA margin and the level of capital expenditure required to maintain the assets.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board in April 2022 covering five years. Climate change considerations have been accounted for when arriving at the underlying costs in forecast cashflows. Management have also considered a downside scenario with FY22 passenger levels at 76% of pre-COVID-19 levels, which is in line with the lower end of industry expectations. The business plan estimates UK passenger levels in FY22 at 90% of pre-COVID-19 levels. No additional impairments arose as a result of considering this downside.

These projections and downside sensitivities for the timing and rate of passenger volume recoveries are in line with the projections used for going concern. For the purposes of the impairment assessment the business reflected the budget for the first 5 years and considered a terminal value for each CGU based upon a long-term growth reflecting estimated rates of inflation of 2%. The business has used a budget of 5 years as recommended under IAS 38 but appreciates that additional forecast period could be merited to reflect the business's return to normal trading levels post COVID-19 recovery. If an additional forecast period was applied in the impairment assessments this would give rise to an increase in the headroom to those quoted.

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

- UK Airport CGUs: Pre-tax: 14.61% (2021: 13.67%), Post-tax: 7.36% (2021: 6.89%), Long-term growth rate: 2.00% (2021: 2.00%);
- Looking4Parking and SkyParkSecure: Pre-tax: 20.96% (2021: 20.65%), Post-tax: 12.22% (2021: 12.04%), Long-term growth rate: 2.00% (2021: 2.00%);
- US legacy lounge & car parking business: Pre-tax: 18.22% (2021: 18.22%), Post-tax: 13.00% (2021: 13.00%), Long-term growth rate: N/A due to contracts having a finite life (2021: N/A); and
- US recently acquired online car parking aggregator businesses: Pre-tax: 20.86% (2021: 20.86%), Post-tax: 13.00% (2021: 13.00%), Long-term growth rate: 2.00% (2021: 2.00%).

Discount and long-term growth rates are not materially sensitive.

Metrolink

In 2014 the Group secured rights to ensure that the Greater Manchester Metrolink light rail system was extended to Manchester Airport, connecting the airport to the wider Metrolink network. The contractual agreement ensures that the Metrolink service, which commenced in November 2014, will be operated for a period of 30 years. The cost of securing the rights has been capitalised and is being amortised over 20 years from November 2014 (and has a remaining useful life of 13 years), which the directors believe to be the foreseeable period over which the majority of the benefits from the service will accrue to the Airport. Whilst the COVID-19 pandemic has reduced passenger numbers on the Metrolink system the expectation is that the use of the rail system will subsequently return to more normal levels of activity as passenger numbers return in FY22 and beyond. Consequently the Metrolink intangible asset has not been impaired. Management have assessed the recoverable amount of the carrying value of the Metrolink contribution as part of the impairment assessment of the Manchester Airport (CGU), as the cashflows relating to the Metrolink asset are not independent from those of the airport, which is detailed above.

Remaining amortisation for material intangible assets

Metrolink	12.5 years
ERP system	5 years
Software and intellectual property from acquisition of APR, PSF and SF	4 years

Notes to the financial statements continued

for the year ended 31 March 2022

17. Assets held for sale and associated liabilities

	31 March 2022 £m	31 March 2021 £m
Assets held for sale		
Investment properties	2.1	2.0
Total	2.1	2.0
	31 March 2022 £m	31 March 2021 £m
Associated liabilities		
Deferred tax liabilities	(0.5)	(0.4)
Total	(0.5)	(0.4)

Assets held for sale as at 31 March 2022 represent the retained investment property at Bournemouth Airport. The directors regard it as highly probable that the asset will be disposed of during FY23.

The basis of fair value measurement and valuation of the Group's commercial investment property, including assets held for sale, at 31 March 2022 has been disclosed in note 15 to the financial statements. The valuation at 31 March 2022 resulted in an uplift of £0.1m in the asset held for sale (2021: £nil).

18. Inventories

	2022 £m	2021 £m
Consumables	4.0	3.5

Amount of inventory charged to cost of sales in the period amounted to £2.0m (2021: £2.1m).

19. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	47.5	22.6
Other receivables	3.7	30.6
Prepayments	8.9	5.7
Accrued income	26.1	6.2
Total	86.2	65.1

The average credit period taken on sales is 38 days (2021: 47 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £5.8m (2021: £8.0m). This includes reserves against specific debts estimated as irrecoverable and additional amounts included comprising of £0.5m (2021: £5.8) additional reserve relating to estimated credit losses. The significant increase in accrued income versus 2021 is attributable to the significant increase in passenger volumes.

The directors consider that the carrying amount of trade and other receivables are at amortised cost.

Trade receivables are non-interest bearing and are generally on 30 day terms. The level of past due debt over 90 days old has been recalculated to reflect age based upon due date:

	2022 £m	2021 £m
Debt due over 90 days	0.7	17.9
Total	0.7	17.9

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

	£m
Balance at 1 April 2021	8.0
Increase in allowance for impaired receivables	(4.7)
Additional provision during the year	2.5
Balance at 31 March 2022	5.8

Notes to the financial statements continued

for the year ended 31 March 2022

19. Trade and other receivables continued

The creation and release of provisions for impaired receivables have been included in 'operating expenses' in the consolidated income statement.

Amounts charged to the provision account are generally written off when there is no expectation of recovery. The ageing of these receivables is as follows:

	2022 £m	2021 £m
Less than 60 days	0.6	1.2
60 to 90 days	0.3	0.3
Over 90 days	4.9	6.5
Total	5.8	8.0

The Group has limited exposure to foreign currency exchange risk with trade and other receivables including £2.7m held in US dollars by the MAG US business. All other receivables amounts are denominated in pounds sterling. There are no credit quality issues with receivables that are not past their due date. Additional disclosure on financial risk is included in note 25.

20. Amounts owed by group undertakings

	2022 £m	2021 £m
Amounts owed by group undertakings - interest free	125.0	114.5
Amounts owed by group undertakings - interest bearing	532.1	550.9
Total	657.1	665.4

Amounts owed by group undertakings are balances receivable from entities within the group headed by Manchester Airport Holdings Limited, but not part of the entities consolidated within this annual report and accounts. Interest bearing balances are held with Manchester Airports Holdings Limited (2022: £209.0m, 2021: £229.0m), Manchester Airports Finance Holdings Limited (2022: £290.1m, 2021: £290.1m), and Manchester Airport Group Overseas Investments Limited (2022: £33.0m, 2021: £31.8m). Finance income on these interest bearing balances accrues at 1.5% over the Bank of England interest rate, and is disclosed within note 7 to the consolidated financial statements.

21. Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	477.1	530.0
Total	477.1	530.0

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

22. Borrowings

	Note	2022 £m	2021 £m
Overdrafts		25.7	11.9
Current borrowings		25.7	11.9
Bank loans	23	483.2	482.6
Bonds	24	1,438.0	1,438.2
Non-current borrowings		1,921.2	1,920.8
Total borrowings		1,946.9	1,932.7

Notes to the financial statements continued

for the year ended 31 March 2022

22. Borrowings continued

Borrowings are repayable as follows:

In one year or less, or on demand

Overdrafts		25.7	11.9
		25.7	11.9

In more than one year, but no more than two years

Bank loans	23	483.2	-
		483.2	-

In more than two years, but no more than five years

Bank loans	23	-	482.6
Bonds	24	358.1	357.7
		358.1	840.3

In more than five years – due other than by instalments

Bonds	24	1,079.9	1,080.5
		1,079.9	1,080.5

Non-current borrowings		1,921.2	1,920.8
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Total borrowings		1,946.9	1,932.7
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The Group is party to a Common Terms Agreement (CTA) where bank and bond creditors benefit from the same suite of representations, warranties and covenants. The CTA was signed on 14 February 2014.

The CTA together with a Master Definitions Agreement covers, inter alia, The Amended and Restated Initial Authorised Credit Facility Agreement (ACF), The Amended and Restated Liquidity Facility Agreement (LF), and the Group's issue of publicly listed fixed rate secured bonds in February 2014 and April 2014 respectively.

The Group issued a £450.0m publicly listed fixed rate secured bond on 14 February 2014 with a scheduled and legal maturity of 31 March 2034.

The Group issued a £360.0m publicly listed fixed rate secured bond on 16 April 2014 with a scheduled and legal maturity of 31 March 2024. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay a large portion of the Secured Senior Term Facility.

The Group issued a £300.0m publicly listed fixed rate secured bond on 15 November 2017 with a scheduled and legal maturity of 31 March 2039. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay the Revolving Credit Facility.

The Group issued a £350.0m publicly listed fixed rate secured bond on 9 May 2019 with a scheduled and legal maturity of 31 March 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 set out in the Basis of Preparation on page 49, the Group is subject to financial covenants on its secured funding arrangements. The covenants are tested half yearly on 31 March and 30 September. As part of the Group's strategic finance response to COVID-19 in 2021, MAGIL had secured waivers for the covenant tests as at 30 September 2021 and 31 March 2022 and a modified basis of calculation as at 30 September 2022.

Subsequent to the year end, on 27 May 2022 the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500m revolving credit facility and £90m in standby liquidity facilities, each with a five year term, maturing in May 2027, with optional extensions. The liquidity facility is sized to cover 12 months interest on secured debt and is a 364-day revolving facility with a 5 year term on each annual renewal. The facilities replace similar facilities that were due to mature in June 2023. These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy.

23. Bank loans and overdrafts

	2022 £m	2021 £m
Overdraft	25.7	11.9
Bank loans and overdrafts - current	25.7	11.9
Secured revolving credit facility	484.0	484.0
Less: unamortised debt issue costs ¹	(0.8)	(1.4)
Bank loans and overdrafts - non-current	483.2	482.6
Bank loans and overdrafts - total	508.9	494.5

¹ Issue costs arising in relation to obtaining finance are amortised over the duration of the financing as part of the effective interest rate.

At 31 March 2022 the Group had £nil (2021: £nil) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £500.0m Secured Revolving Credit Facility (£484.0m drawn as at 31 March 2022) less certain carve-outs in respect of ancillary facilities of £16.0m. The Group also had access to £10.0m of additional overdraft facilities, separate to the overdraft balance above.

Notes to the financial statements continued

for the year ended 31 March 2022

23. Bank loans and overdrafts continued

Interest on the Secured Revolving Credit Facility is linked to SONIA plus a margin.

In March 2021 the UK Financial Conduct Authority (FCA) formally announced that LIBOR would be discontinued by 31 December 2021. LIBOR was the risk-free rate component of the interest calculation in the RCF. The risk-free rate alternative will become the Sterling Overnight Index Average (SONIA) benchmark. MAG executed the required changes to its Revolving Credit Facility and Liquidity Facility to transition from LIBOR to SONIA in June 2021 with no changes to commercial terms.

See note 22 for further information on financial liabilities, including maturity analysis.

24. Bonds

	2022 £m	2021 £m
Repayable other than by instalments:		
MAG bond 4.125% £360.0m due 2024	360.0	360.0
MAG bond 4.75% £450.0m due 2034	450.0	450.0
MAG bond 2.875% £300.0m due 2039	300.0	300.0
MAG bond 2.875% £350.0m due 2044	350.0	350.0
Less: discount on issue	(9.8)	(10.2)
Less: unamortised debt issue costs	(12.2)	(11.6)
	1,438.0	1,438.2

See note 22 for further information on financial liabilities, including maturity analysis.

25. 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 measured by the Group's treasury function.

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

Interest rate risk

The Group actively manages its exposure to interest rate risk through determining the optimum profile and mix of funding between fixed and floating rates that is most appropriate to the Group's cashflows, up to a maximum of 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 2022, MAGIL had £1,944.0m (2021 £1,944.0m) of committed facilities (excluding the Initial LF Agreement) and a net debt position of £1,470.2m (2021 £1,393.3m). MAGIL had financial headroom of £461.4m (2021: £528.1m) at the year end, comprised of net cash of £451.4m (2021: £518.1m) plus £10m of available overdraft facilities (2021: £10m), a level comfortably in excess of the internal compliance target. Under existing facilities and based on the board approved business plan MAG is forecast to have financial headroom in excess of the minimum Treasury Policy target of £100m throughout FY23. Post year-end, the Group completed the refinancing of its revolving credit and liquidity facilities (see note 22). These new facilities ensure sufficient headroom throughout the business plan period, to ensure compliance with the Group's internal treasury policy.

Foreign exchange risk

The Group is not materially exposed to foreign exchange risk as all material transactions and financial instruments are in pounds sterling. As we look to grow operations in the USA in the future, where the income and expenditure do not naturally offset, we may consider the use of currency hedges to manage any material exposure to foreign exchange. At the reporting date the Group has no foreign currency hedge contracts in place.

Notes to the financial statements continued

for the year ended 31 March 2022

25. Financial instruments continued

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure.

In addition, the Group also monitors capital on the basis of the Interest Cover Ratio and Leverage Ratio as defined in the Common Terms Agreement dated 14 February 2014 between, among others, Manchester Airport Group Investments Limited as Security Group Agent and Citicorp Trustee Company Limited as the Obligor Security Trustee on behalf of banks and bondholders.

In June 2020 banks and bondholders voted to approve a STID Proposal which included waiving of the Interest Cover Ratio and Leverage Ratio for calculation periods up to and including 31 March 2021. On 3 June 2021 banks and bondholders agreed to extend these waivers until 31 March 2022. Consequently, the Interest Cover Ratio and Leverage Ratio have not been calculated for the period ended 31 March 2022. The Group will next report an Interest Cover Ratio and Leverage Ratio for the period ending 30 September 2022. As at 31 March 2020 the Interest Cover Ratio was 5.6x and the Leverage Ratio was 4.5x. This compares to Default Ratios of 1.4x and 7.5x respectively.

The Group regularly reviews and maintains or adjusts the capital structure as appropriate in order to achieve these objectives.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and trade receivables. The Group has no significant concentrations of credit risk. The Group's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used.

The Group maintains a prudent split of cash and cash equivalents across a range of market counterparties in order to mitigate counterparty credit risk. Board approved investment policies provide counterparty investment limits, based on credit ratings. Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with counterparties with short-term credit ratings lower than the prescribed limits. The Group monitors the credit rating of market counterparties on a regular basis.

The Group's exposure to credit risk on trade receivables is mitigated by limiting exposure to any one counterparty. Risk reports and available aviation and financial information updates used by the Group provide valuable information in relation to any changes in the credit risk profile of our customers or within the market and allow the Group to take a flexible approach to the management of risk. Credit risk exposures in relation to ad hoc customers are mitigated, where necessary, using prepayments or the request of deposits.

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2022 was as follows:

	2022 £m	2021 £m
Fixed rate financial liabilities	1,438.0	1,438.2
Floating rate financial liabilities	483.2	494.5
	1,921.2	1,932.7

The Revolving Credit Facility bears an interest rate based on SONIA at the Group's discretion, between 1 week and 6 months, plus a credit margin. The overdrafts bear interest at Bank of England Base Rate plus a credit margin.

The Group has prepared an analysis of the impact of potential, likely changes in interest rates.

The result of an increase in interest rates of 1% per annum would be to increase/(decrease) income and equity for the year by the following amounts:

	2022 £m	2021 £m
Impact on income statement	(0.3)	0.3
Impact on equity	-	-
	(0.3)	0.3

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

	2022	2021
Weighted average annual interest rate	3.76%	3.76%
Weighted average period for which interest is fixed	13yr 1m	14yr 1m

The weighted average period for non-interest bearing liabilities as at 31 March 2022 was 1 year (2021: 1 year).

Notes to the financial statements continued

for the year ended 31 March 2022

25. Financial instruments continued

(c) Maturity analysis of financial liabilities

The table below shows the gross undiscounted contractual cash outflows in relation to the Group's financial liabilities as at 31 March 2022 to the contract maturity date.

	2022 £m	2021 £m
In one year or less, or on demand	538.9	538.9
In more than one year, but no more than two years	54.9	54.9
In more than two years, but no more than five years	480.2	495.0
In more than five years – due other than by instalments	1,529.2	1,569.3
	2,603.2	2,658.1

This maturity profile represents the fair value of all financial liabilities, as denoted in table (d) below.

Undrawn committed borrowing facilities

As at 31 March 2022, the Group had an undrawn committed borrowing facility available amounting to £nil (2021: £nil).

(d) Fair values versus carrying amounts of financial instruments

The following table provides a comparison, by category, of the carrying amounts and the fair values of the Group's financial instruments as at 31 March 2022 and 2021. Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

	Note	Carrying amount £m	2022 Fair value £m	Carrying amount £m	2021 Fair value £m
Financial liabilities:					
Instruments held at amortised cost					
Bank loans and overdrafts	23	(508.9)	(508.9)	(494.5)	(494.5)
Trade payables	26	(35.7)	(35.7)	(33.0)	(33.0)
Deferred consideration ¹	26	(7.8)	(7.8)	(25.8)	(25.8)
Bonds	24	(1,438.0)	(1,458.2)	(1,438.2)	(1,567.9)
		(1,990.4)	(2,010.6)	(1,991.5)	(2,121.2)
Financial assets:					
Instruments held at amortised cost					
Cash at bank and in hand	20	477.1	477.1	530.0	530.0
Trade receivables	19	47.5	47.5	22.6	22.6
Other assets held at fair value					
Assets held for sale	17	2.1	2.1	2.0	2.0
Investment properties	15	188.9	188.9	166.9	166.9
Other long-term asset		4.3	4.3	7.1	7.1
		719.9	719.9	728.6	728.6
Net financial liabilities		(1,270.5)	(1,290.7)	(1,262.9)	(1,392.6)

¹At 31 March 2022, the carrying value of the deferred consideration represents actual amounts paid post year end converted from USD to GBP at the year end spot rate.

Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

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

All financial instruments carried at fair value have been measured by a level 2 valuation method.

Investment properties carried at fair value have been measured by a level 3 valuation method.

Notes to the financial statements continued

for the year ended 31 March 2022

25. Financial instruments continued

Summary of methods and assumptions used for determining fair values

Financial instrument	Level	Estimate Basis
Bonds	1	The fair value of publicly listed bonds is based on market prices or, if not available, brokers' quotes. The carrying value is net of unamortised issue costs.
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.
Cash at bank and in hand	2	The fair value of cash at bank and in hand approximates to the carrying value as all deposits have same day access.
Trade receivables and payables	2	The fair value of trade receivables and trade payables approximates to the carrying value given their short-term nature.
Investment properties	3**	The fair values of investment properties are based on an income capitalisation methodology.
Deferred consideration	3*	The fair value of deferred consideration is based upon the directors' estimated final payment of deferred consideration amounts discounted to present value.

* Deferred consideration has moved from a level 3 liability to a level 2 liability in FY22, following observable cash settlement of the balance in April 2022.

** Refer to note 15 for valuation techniques applied.

(e) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2022 Carrying amount £m	2021 Carrying amount £m
Trade receivables	47.5	22.6
Cash at bank and in hand	477.1	530.0
Credit exposure	524.6	552.6

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in note 19.

26. Trade and other payables

	2022 £m	2021 £m
Trade payables	35.7	33.0
Other taxation and social security	10.3	0.5
Other payables	1.7	1.7
Accruals	133.0	123.2
Deferred consideration	7.8	25.8
Capital-based grants	0.6	1.3
	189.1	185.5

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

Deferred consideration relates to amounts payable to the vendors of the acquired businesses AirportParkingReservations, ParkSleepFly and ShuttleFinder. Under the share purchase agreements, all three acquisitions had non-contingent deferred payments due in April 2021. A payment of £19.6m, classified within "purchase of US business" in the Consolidated Statement of Cash Flows was made in relation to this, with £19.0m relating to payment of the deferred consideration made on 1 April 2021, and £0.6m relating to associated fees. The deferred consideration balance has reduced accordingly following the payment.

Notes to the financial statements continued

for the year ended 31 March 2022

27. Deferred income

	2022 £m	2021 £m
Deferred income	28.0	16.7
Total	28.0	16.7

Deferred income primarily relates to cash receipts for car park bookings not yet consumed, and cash receipts on property income billed in advance.

The significant increase in deferred income versus 2021 is attributable to a large increase in car park bookings, following a significant increase in passenger volumes.

28. Provisions

	Post sale commitments £m	Other Provisions £m	Total £m
01 April 2021	3.0	12.6	15.6
Transfer from accruals	-	-	-
Charged to income statement	-	7.0	7.0
Utilised	(0.9)	(2.8)	(3.7)
31 March 2022	2.1	16.8	18.9
Current	-	16.8	16.8
Non-Current	2.1	-	2.1
31 March 2022	2.1	16.8	18.9

Post sale commitments

As part of the Group's disposal of its non core property portfolio in August 2020, the Group entered into commitments for the provision of certain commitments to third parties as a result of the sale, post completion under the sale and purchase agreement. Management has estimated the cost of providing these services to be £2.1m. Management anticipate that the satisfaction of the provision will be achieved within the next 2 to 4 years, as such the provision has been disclosed as being non-current. The estimated cashflows have been discounted based upon initial estimated cash outlay less future income stream discounted at 8%.

Other provisions

The other provisions balance includes a provision in relation to insurance claims liabilities from incidents which have occurred at either Manchester Airport, Stansted Airport or East Midlands International Airport and a provision relating to potential litigation across the Group including legal fees. Management anticipate that the satisfaction of the provision will be achieved within the next 12 months, as such the provision has been disclosed as being current. Management has estimated the cost of satisfying the provisions within this category to be £16.8m.

None of the provisions are materially sensitive.

29. Retirement benefit liabilities

Curtailment –Scheme Closure

Over the period GMPF, STAL and EMIA have closed to future accrual of benefits, including breaking the link to future increases in pensionable salaries. Overall, the total curtailment impact across the schemes is a gain of £10.4m (2021: Loss of £1.9m).

Settlement

On 22 March 2022, MAG agreed pay a one-off contribution of £5.2m to settle the historical liabilities of three MAG subsidiaries within GMPF:

- Manchester Airport Aviation Services Ltd ("MAAS")
- Manchester Airport Ventures Ltd ("MAV"); and
- Ringway Handling Services Ltd ("Ringway").

The settlement has had the following impact:

- Reduction in IAS 19 liabilities of £26.5m due to their transfer to the main fund of GMPF;
- Reduction in assets of £34.0m including the one-off contribution of £5.2m due to their transfer to the main fund of GMPF;

Overall this has resulted in a net settlement loss of £7.5m.

Notes to the financial statements continued

for the year ended 31 March 2022

29. Retirement benefit liabilities continued

Defined contribution schemes

The Group operates a defined contribution scheme for all qualifying employees. The assets of the scheme is held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to income of £9.9m (2021: £10.3m) represents contributions payable to the scheme by the Group at rates in the pension scheme's contribution schedule. As at 31 March 2022, there was £nil (2021: £nil) of contributions due in respect of the current reporting period that had not been paid over to the scheme.

Defined benefit schemes

The Group operates four defined benefit pension schemes as follows:

- The Greater Manchester Pension Fund (GMPF).
- M.A.G (STAL) Pension Scheme.
- E.M.I.A Pension Scheme.
- The Airport Ventures Pension Scheme (AVPS).

collectively the "Schemes"

Under the Schemes, the employees are entitled to retirement benefits based on final salary and length of service at the time of leaving the Schemes, payable on attainment of retirement age (or earlier withdrawal or death). No other post-retirement benefits are provided. All Schemes are closed to new entrants. AVPS was previously closed to the future accrual of benefits, and GMPF, STAL and EMIA were closed to the future accrual of benefits during the year to 31 March 2022.

The Group operates the Schemes under the UK regulatory framework. Benefits are paid to members from trustee-administered funds, and the trustees of each scheme are responsible for ensuring that each respective scheme is sufficiently funded to meet current and future benefit payments. Scheme assets are held in trusts separate to the Group. If investment experience is worse than expected, the Group's obligations are increased.

The nature of the relationship between the Group and the trustees of each scheme is also governed by UK regulation. The trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment performance. In order to assess the level of contributions required, triennial valuations are carried out, with each scheme's obligations being measured using prudent assumptions (relative to those used to measure accounting liabilities).

The trustees' other duties included managing the investment of scheme assets, administration of scheme benefits and exercising of discretionary benefits. The Group works closely with the trustees to manage each scheme.

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2022 amounted to £8.5m (2021: £11.0m) and there were £6.3m of one-off contributions during this period (2021: £nil).

Total employees' pension contributions for defined benefit schemes across the Group during the year ended 31 March 2022 amounted to £0.6m (2021: £1.2m) and there were no one-off contributions during this period (2021: £nil).

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

The Greater Manchester Pension Fund (GMPF)

The Scheme was closed to future accrual during the year and a Deferred Debt Agreement (DDA) was entered into. Following the signing of the DDA, the Group continues to fund obligations in relation to assets and liabilities in the GMPF in respect of Manchester Airport Plc on an ongoing basis. The Group continues to contribute to support the GMPF in future (with no immediate exit debt). Certain employees of the Group participate in the GMPF, administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £2.3m (2021: £3.7m) related to payments into the GMPF and there were £6.3m of one-off contributions during this period (2021: £nil).

The securities portfolio of the fund is managed by two external professional investment managers and the property portfolio is managed internally by GMPF. Participation is by virtue of Manchester Airport Plc's status as an 'admitted body' to the fund.

The last full valuation of the fund was undertaken on 31 March 2019 by an independent actuary. The Fund was valued using the attained age method. The purposes of the valuation were to determine the financial position of the Fund and to recommend the contribution rate to be paid by Manchester Airport Plc and the other participating employers. The market value of the whole of the Fund's assets for all employers at 31 March 2019 was £23,845m (previous valuation in 2013: £17,325m). The funding level of the scheme as measured using the actuarial method of valuation was 102% (previous valuation in 2016: 93%).

The principal assumptions used in the 2019 valuation were as follows:

Salary increase	3.10% per annum
Pensions increase/price inflation	2.30% per annum

Notes to the financial statements continued

for the year ended 31 March 2022

29. Retirement benefit liabilities continued

The Greater Manchester Pension Fund (GMPF) continued

The costs of providing pensions are charged to the income statement on a consistent basis over a term agreed between the GMPF and the employer. These costs are determined by an independent qualified actuary and any variations from regular costs are spread over the remaining working lifetime of the current members. The expected future contributions for the year-ended 31 March 2023 is £2.1m.

MAG (STAL) pension scheme

The Scheme was closed to future accrual during the year. On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. A condition of the purchase was that a new defined benefit pension scheme was set up to provide comparable benefits to those employees who had previously participated in the BAA pension scheme prior to the acquisition. Current employees transferred their accrued benefits to the MAG (STAL) Pension Scheme, but no liability for pensioners or deferred members was transferred. The last full actuarial valuation of the M.A.G (STAL) pension scheme was carried out by the scheme actuary on 30 September 2019. The aggregate market value of the assets in the scheme at the date of that actuarial valuation was £198.8m (previous valuation £153.0m), which represented approximately 89.3% (previous valuation 87.9%) of the present value of the liabilities. The scheme was valued using the projected unit method. The expected future contributions for the year-ended 31 March 2023 is £3.2m.

Other schemes

Full actuarial valuations were carried out on the other defined benefit schemes as follows:

- E.M.I.A Pension Scheme (EMIA) – 6 April 2020 (The Scheme was closed to future accrual during the year.)
- Airport Ventures Pension Scheme – 1 August 2019

The aggregate market value of the assets in the EMIA scheme during the year was updated by full valuation and at the date of that actuarial valuation was £60.6m (previous valuation £59.8m), which represented approximately 67.0% (previous valuation 74.0%) of the present value of the liabilities. The scheme was valued using the projected unit method. The expected future contributions for the year-ended 31 March 2023 for EMIA is £2.6m.

The other schemes are not significant to the Group and details of their valuation are included in the relevant entity's financial statements.

The numerical disclosure provided below for the defined benefit schemes is based on the most recent actuarial valuations disclosed above, which have been updated by independent qualified actuaries to take account of the requirements of IAS 19.

The key assumptions used are as follows:

	GMPF		MAG (STAL)		EMIA		AVPS	
	2022	2021	2022	2021	2022	2021	2022	2021
Discount rate	2.65%	1.95%	2.60%	2.00%	2.60%	2.00%	2.65%	1.95%
Future salary increases	n/a ¹	3.05%	n/a ¹	3.00%	n/a ¹	2.00%	n/a	n/a
RPI inflation	3.50%	3.05%	3.30%	3.00%	3.45%	3.00%	3.50%	3.05%
CPI inflation	3.00%	2.55%	2.60%	2.30%	2.75%	2.25%	2.95%	2.45%
Increases to pensions in payment								
RPI (max 5%)	n/a	n/a	3.20%	2.95%	3.30%	2.95%	n/a	n/a
RPI (max 2.5%)	n/a	n/a	2.20%	2.10%	2.25%	2.10%	n/a	n/a
CPI	3.00%	2.55%	n/a	n/a	n/a	n/a	n/a	n/a
CPI (max 3%)	n/a	n/a	2.20%	2.00%	2.25%	2.00%	2.35%	2.10%
RPI	n/a	n/a	3.30%	3.00%	n/a	n/a	3.50%	3.05%
Life expectancy from 65								
Longevity at age 65 for current pensioners								
Males	20.1 years	20.1 years	21.6 years	21.5 years	22.0 years	22.0 years	22.0 years	21.9 years
Females	23.1 years	23.0 years	23.6 years	23.5 years	23.7 years	23.7 years	24.3 years	24.3 years
Longevity at age 45 for current members								
Males	21.0 years	20.9 years	22.6 years	22.5 years	23.0 years	23.0 years	23.0 years	22.9 years
Females	24.4 years	24.3 years	24.8 years	24.7 years	24.9 years	24.9 years	25.5 years	25.4 years

The longevity assumptions for the MAG (STAL) scheme reflect the higher age profile of active scheme members, compared to other pension schemes, as the scheme commenced in 2013.

The RPI inflation assumption is set by extrapolating the Bank of England implied inflation curve out to longer terms and using the same projected cashflows to derive a single equivalent RPI inflation assumption. CPI inflation is set by reference to RPI inflation as no CPI-linked bonds exist. Management have revised their basis of estimating the inflation assumption based upon this data as set out in the section on RPI Reform.

¹ Scheme closed to future accrual over the period.

Notes to the financial statements continued

for the year ended 31 March 2022

29. Retirement benefit liabilities continued

Risk and risk management

Through its defined benefit pension schemes the Group is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility	For the purpose of setting the contribution requirements, the calculation uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio - whereas under IAS 19 (R), the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. GMPF, MAG (STAL) and EMIA hold a significant proportion of their assets in return-seeking funds. The returns on these assets may be volatile and are not closely correlated to the value placed on the liabilities. This means that the deficit may be volatile in the shorter term, which may result in an increase in the contribution requirements and an increase in the net defined liability recorded on the statement of financial position. However, the Group believes that return-seeking assets offer an appropriate level of return over the long term for the level of risk that is taken. Furthermore, the schemes' other assets are well-diversified by investing in a range of asset classes, including diversified growth funds, government bonds and corporate bonds.
Changes in bond yields	A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in the scenario the schemes' investment in corporate and government bonds is expected to increase and therefore offset some of the increase in the value placed on the liabilities.
Inflation risk	The majority of the schemes' benefit obligations are linked to inflation and higher out-turn inflation will lead to a higher benefit obligation (although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature e.g. corporate bonds and government bonds, or have an indirect link to inflation e.g. equities.
Life expectancy	The majority of the schemes' obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy. The mortality rate is based on publicly available mortality tables for the specific country. COVID-19 has caused a short term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of COVID-19 on long-term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long COVID" along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. Overall, the Group believes there is insufficient evidence to require an explicit adjustment to the mortality assumption for COVID-19 at this time.

Notes to the financial statements continued

for the year ended 31 March 2022

29. Retirement benefit liabilities continued

	Fair value of scheme assets £m	Present value of defined benefit obligations £m	(Deficit)/ surplus in the scheme ⁵ £m
GMPP¹			
2022	466.9	(468.5)	(1.6)
2021	485.2	(526.3)	(41.1)
2020	408.9	(441.3)	(32.4)
2019	465.7	(503.9)	(38.2)
2018	437.5	(483.5)	(46.0)
2017	435.2	(489.4)	(54.2)
2016	363.1	(402.6)	(39.5)
MAG (STAL)²			
2022	228.9	(200.6)	28.3
2021	217.5	(218.8)	(1.3)
2020	184.8	(182.1)	2.7
2019	185.0	(209.8)	(24.8)
2018	172.5	(195.0)	(22.5)
2017	161.4	(189.2)	(27.8)
2016	131.8	(133.4)	(1.6)
EMIA			
2022	73.3	(77.9)	(4.6)
2021	69.7	(82.2)	(12.5)
2020	60.7	(77.2)	(16.5)
2019	61.9	(82.8)	(20.9)
2018	61.3	(80.1)	(18.8)
2017	59.9	(82.5)	(22.6)
2016	52.9	(64.7)	(11.8)
AVPS³			
2022	2.7	(2.7)	-
2021	3.5	(3.5)	-
2020	3.4	(3.4)	-
2019	3.7	(3.7)	-
2018	3.9	(3.9)	-
2017	4.0	(4.0)	-
2016	3.5	(3.5)	-
Total^{4,6}			
2022	771.8	(749.7)	22.1
2021	775.9	(830.8)	(54.9)
2020	657.8	(704.0)	(46.2)
2019	716.3	(800.2)	(83.9)
2018	675.2	(762.5)	(87.3)
2017	660.5	(765.1)	(104.6)
2016	551.3	(604.2)	(52.9)

Notes to the financial statements continued

for the year ended 31 March 2022

29. Retirement benefit liabilities continued

NOTES:

¹ The figures as shown represent the proportion of the scheme that is attributable to the Group. £5.0m (2021: £5.4m) of the liabilities are unfunded.

² STAL has a surplus of £28.3m which would be in the form of refunds. The Groups' assessment is that it has a right to a refund of surplus under the IFRIC 14 requirements based on the scheme rules. Since the scheme has closed in the current year, the surplus can only be recognised as a right to refund.

³ The AVPS has a surplus of £0.5m (2021: £0.5m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

⁴ GMPF has a surplus of £25.0m (2021: £41.1m deficit). Since the scheme has closed in the current year, the surplus can no longer be recognised based on future contributions. Further, the LGPS regulations do not allow the recognition of a surplus and as a consequence the Group's assessment is that it does not have a right to the surplus. Accordingly, the surplus has not been recognised in line with IFRIC 14 requirements. In addition, a further adjustment of £1.6m has been made to reflect the present value of future agreed deficit recovery contributions into GMPF in line with 'IFRIC 14'. Therefore the impact of the asset ceiling is £26.6m.

⁵ The total of £22.1m shows the net position across the Group, however the surplus in Stansted cannot be offset against the deficit of the other schemes, so these are presented separately.

⁶ There have been no other adjustments made in line with 'IFRIC 14'.

Plan assets

	GMPF*		MAG (STAL)		EMIA		AVPS		TOTAL	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Equities and other growth assets	334.6	339.1	137.6	132.7	41.4	41.4	-	-	513.6	513.2
Corporate and government bonds	73.0	69.9	72.8	73.8	16.8	16.8	3.1	3.4	165.7	163.9
Property	40.0	33.0	-	-	6.0	4.9	-	-	46.0	37.9
Other	45.9	43.2	18.5	11.0	9.1	6.6	0.1	0.1	73.6	60.9
Fair value of assets	493.5	485.2	228.9	217.5	73.3	69.7	3.2	3.5	798.9	775.9

* The asset values for GMPF and AVPS do not include the impact of the asset ceilings of £26.6m and £0.5m respectively.

Both the EMIA and GMPF pension schemes contain Level 3 assets where valuation is not based upon observable market data. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar assets and discounted cash flow methods.

The valuation techniques applied to the Level 3 assets within the Group's pension schemes are:

- GMPF pooled investment vehicles – as determined by relevant fund managers including market prices; quotations; discounted cashflows; comparable transaction pricing or industry multiples; or other pricing methodology;
- GMPF investment properties - estimates of open market value reflecting assumptions on: rental growth; void rates; and discount rates;
- EMIA Annuities (to discharge liability relating to specific scheme members) – valued at the corresponding amount of the relevant scheme member's scheme obligation; and
- EMIA with profits insurance policies – cumulative reversionary bonuses declared and current terminal bonus.

Notes to the financial statements continued

for the year ended 31 March 2022

29. Retirement benefit liabilities continued

Movement in net defined benefit liability - All schemes

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Opening position as at 1 April	(830.8)	(703.3)	775.9	657.8	(54.9)	(45.5)*
Included in the income statement						
Current service cost of defined benefit scheme	(1.9)	(5.7)	(1.3)	(1.7)	(3.2)	(7.4)
Past service cost	-	-	-	-	-	-
Curtailment gain/(loss)	10.4	(1.9)	-	-	10.4	(1.9)
Settlements	26.5	-	(34.0)	-	(7.5)	-
Interest (cost)/income	(14.5)	(16.3)	13.6	15.2	(0.9)	(1.1)
	20.5	(23.9)	(21.7)	13.5	(1.2)	(10.4)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	56.2	121.4	56.2	121.4
Experience (loss)/gain arising on scheme liabilities	(3.7)	7.6	-	-	(3.7)	7.6
Remeasurement gain/(loss) due to financial assumption changes	36.9	(142.6)	-	-	36.9	(142.6)
Remeasurement gain due to demographic assumption changes	0.2	3.7	-	-	0.2	3.7
Reclassification	0.5	-	(0.5)	-	-	-
Impact of change in the asset ceiling	-	(0.5)	(26.6)	-	(26.6)	(0.5)
	33.9	(131.8)	29.1	121.4	63.0	(10.4)
Cash flows						
Contributions	(0.6)	(1.2)	15.8	12.6	15.2	11.4
Benefits paid	27.3	29.4	(27.3)	(29.4)	-	-
Closing position as at 31 March	(749.7)	(830.8)	771.8	775.9	22.1	(54.9)

The total of £22.1m shows the net position across the Group, however the surplus in Stansted cannot be offset against the deficit of the other schemes, so these are presented separately.

* The FY21 opening position excludes the impact of the asset ceiling of £0.7m. The amount going through the SOCIE in FY21 is £9.7m.

Notes to the financial statements continued

for the year ended 31 March 2022

29. Retirement benefit liabilities continued

Movement in net defined benefit liability - GMPF Scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(526.3)	(441.3)	485.2	408.9	(41.1)	(32.4)
Included in the income statement						
Current service cost of defined benefit scheme	(0.8)	(2.5)	-	-	(0.8)	(2.5)
Curtailment gain/(loss)	4.8	(0.7)	-	-	4.8	(0.7)
Settlements	26.5	-	(34.0)	-	(7.5)	-
Interest (cost)/income	(9.2)	(10.2)	8.4	9.4	(0.8)	(0.8)
	21.3	(13.4)	(25.6)	9.4	(4.3)	(4.0)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	44.3	81.4	34.6	81.4
Experience (loss)/gain arising on scheme liabilities	(1.8)	4.7	-	-	(1.8)	4.7
Remeasurement gain/(loss) due to financial assumption changes	18.8	(95.1)	-	-	18.8	(95.1)
Remeasurement gain due to demographic assumption changes	0.1	0.2	-	-	0.1	0.2
Impact of change in the asset ceiling	-	-	(26.6)	-	(16.9)	-
	17.1	(90.2)	17.7	81.4	34.8	(8.8)
Cash flows						
Contributions	(0.4)	(0.6)	9.4	4.7	9.0	4.1
Benefits paid	19.8	19.2	(19.8)	(19.2)	-	-
Closing position as at 31 March	(468.5)	(526.3)	466.9	485.2	(1.6)	(41.1)

The scheme liabilities have a duration of approximately 16 years (2021: 16 years)

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

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(218.8)	(182.1)	217.5	184.8	(1.3)	2.7
Included in the income statement						
Current service cost of defined benefit scheme	(1.0)	(2.9)	(0.8)	(0.9)	(1.8)	(3.8)
Curtailment gain/(loss)	5.9	(1.2)	-	-	5.9	(1.2)
Interest (cost)/income	(3.9)	(4.2)	3.9	4.3	-	0.1
	1.0	(8.3)	3.1	3.4	4.1	(4.9)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	8.2	30.8	8.2	30.8
Experience (loss)/gain arising on scheme liabilities	(1.1)	1.4	-	-	(1.1)	1.4
Remeasurement gain/(loss) due to financial assumption changes	14.7	(35.9)	-	-	14.7	(35.9)
Remeasurement gain due to demographic assumption changes	0.1	0.2	-	-	0.1	0.2
	13.7	(34.3)	8.2	30.8	21.9	(3.5)
Cash flows						
Contributions	(0.2)	(0.5)	3.8	4.9	3.6	4.4
Benefits paid	3.7	6.4	(3.7)	(6.4)	-	-
Closing position as at 31 March	(200.6)	(218.8)	228.9	217.5	28.3	(1.3)

The scheme liabilities have a duration of approximately 22 years (2021: 22 years).

Notes to the financial statements continued

for the year ended 31 March 2022

29. Retirement benefit liabilities continued

Movement in net defined benefit liability - EMIA scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April	(82.2)	(77.2)	69.7	60.7	(12.5)	(16.5)
Included in the income statement					-	-
Current service cost of defined benefit scheme	(0.1)	(0.3)	(0.4)	(0.8)	(0.5)	(1.1)
Curtailment loss	(0.3)	-	-	-	(0.3)	-
Interest (cost)/income	(1.4)	(1.8)	1.2	1.4	(0.2)	(0.4)
	(1.8)	(2.1)	0.8	0.6	(1.0)	(1.5)
Amount recognised in the statement of comprehensive income (SOC)						
Actual return less expected return on pension scheme assets	-	-	3.8	9.1	3.8	9.1
Experience (loss)/gain arising on scheme liabilities	(0.8)	1.3	-	-	(0.8)	1.3
Remeasurement gain/(loss) due to financial assumption changes	3.3	(11.2)	-	-	3.3	(11.2)
Remeasurement gain due to demographic assumption changes	-	3.4	-	-	-	3.4
	2.5	(6.5)	3.8	9.1	6.3	2.6
Cash flows						
Contributions	-	(0.1)	2.6	3.0	2.6	2.9
Benefits paid	3.6	3.7	(3.6)	(3.7)	-	-
Closing position as at 31 March	(77.9)	(82.2)	73.3	69.7	(4.6)	(12.5)

The scheme liabilities have a duration of approximately 17 years (2021: 18 years).

Movement in net defined benefit liability - AVPS Scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m
Opening unrestricted position as at 1 April	(3.0)	(2.7)	3.5	3.4	0.5	0.7
Asset restriction	-	-	(0.5)	(0.7)	(0.5)	(0.7)
Opening restricted position as at 1 April	(3.0)	(2.7)	3.0	2.7	(0.0)	-
Included in the income statement					-	-
Current service cost of defined benefit scheme	-	-	(0.1)	-	(0.1)	-
Interest (cost)/income	-	(0.1)	0.1	0.1	0.1	-
	-	(0.1)	-	0.1	-	-
Amount recognised in the statement of comprehensive income (SOC)						
Actual return less expected return on pension scheme assets	-	-	(0.1)	0.1	(0.1)	0.1
Experience gain/(loss) arising on scheme liabilities	-	0.2	-	-	-	0.2
Remeasurement loss due to financial assumption changes	0.1	(0.4)	-	-	0.1	(0.4)
Remeasurement gain/(loss) due to demographic assumption changes	-	(0.1)	-	-	-	(0.1)
Impact of the asset ceiling	-	-	-	0.2	-	0.2
	0.1	(0.3)	(0.1)	0.3	-	-
Cash flows						
Benefits paid	0.2	0.1	(0.2)	(0.1)	-	-
Closing position as at 31 March	(2.7)	(3.0)	2.7	3.0	-	-

The scheme liabilities have a duration of approximately 16 years (2021: 16 years).

Total assets amount to £3.2m; however after applying the asset ceiling, as the entity is not entitled to recognise the surplus, total assets amount to £2.7m.

The unrecognised surplus amounts to £0.5m (2021: £0.7m).

Notes to the financial statements continued

for the year ended 31 March 2022

29. Retirement benefit liabilities continued

History of experience gains and losses

	GMPF		MAG (STAL)		EMIA		AVPS	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Difference between actual and expected returns on assets	44.3	81.4	8.2	30.8	3.8	9.1	(0.1)	0.1
% of scheme assets	9.5%	16.8%	3.6%	14.2%	5.2%	13.1%	(3.7)%	3.1%
Experience (loss)/gain on liabilities amount	(1.8)	4.7	(1.1)	1.4	(0.8)	1.3	-	0.2
% of scheme liabilities	0.4%	(0.9)%	0.5%	(0.6)%	1.0%	(1.6)%	-	(7.1)%
Total amount recognised in SOCI	34.8	(8.8)	21.9	(3.5)	6.3	2.6	-	-
% of scheme liabilities	(7.4)%	1.7%	(10.9)%	1.6%	(8.1)%	(3.2)%	-	0.3%

Sensitivity analysis

	GMPF	MAG (STAL)	EMIA	AVPS	TOTAL
	2022 £m	2022 £m	2022 £m	2022 £m	2022 £m
0.5% increase in real discount rate	(35.0)	(19.1)	(5.7)	(0.2)	(60.0)
0.5% decrease in real discount rate	39.3	23.1	6.8	0.2	69.4
0.5% increase in RPI inflation ¹	38.8	18.3	4.6	0.2	61.9
0.5% decrease in RPI inflation ¹	(35.0)	(17.4)	(4.4)	(0.2)	(57.0)
0.5% increase in the salary increase rate ²	N/A	N/A	N/A	N/A	N/A
0.5% decrease in the salary increase rate ²	N/A	N/A	N/A	N/A	N/A
1 year increase in life expectancy	18.9	5.8	3.1	0.1	27.9
1 year decrease in life expectancy	(18.9)	(5.8)	(3.1)	(0.1)	(27.9)

¹ Including other inflation linked assumptions such as CPI inflation, salary increases and pension increases. Please note that a 0.1% increase in RPI may have a lower impact due to rounding and the effect of the caps and floors on pension increases.

² Over the FY22 period GMPF, STAL and EMIA were closed to future accrual.

For all schemes, for the mortality assumption for the future improvements to life expectancy, the actuaries have used CMI 2021 projections model, 1% long-term trend rate, an initial addition parameter of 0.25% and default smoothing, 2020 and 2021 weight parameters.

Mortality base tables have been set as follows: GMPF: Fund-specific Club Vita curves; STAL: 102%/108% of the SAPS Series 3 tables (males/females); EMIA: 96%/106% of the SAPS Series 3 tables (males/females).

Notes to the financial statements continued

for the year ended 31 March 2022

30. Lease liabilities

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
At 1 April 2021	227.6	199.8	8.9	436.3
Additions	1.8	-	1.5	3.3
Interest charge for the period	11.8	10.4	0.5	22.7
Payments of liabilities	(17.6)	(11.0)	(2.2)	(30.8)
Remeasurements	(0.1)	2.7	-	2.6
Modifications	2.1	-	-	2.1
Disposals	(0.4)	-	-	(0.4)
At 31 March 2022	225.2	201.9	8.7	435.8

Maturity analysis of lease liabilities - discounted

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Within 1 year	7.0	0.7	2.1	9.8
Within 2 to 5 years	14.2	3.1	6.0	23.3
After 5 years	204.0	198.1	0.6	402.7
Total	225.2	201.9	8.7	435.8

Maturity analysis of lease liabilities - undiscounted

The table below shows the gross undiscounted contractual cash outflows in relation to the Group's lease liabilities as at 31 March 2022 to the contract maturity date.

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
In one year or less, or on demand	17.7	11.0	2.2	30.9
In more than one year, but not more than two years	16.8	11.0	2.1	29.9
In more than two years but not more than five years	46.2	33.1	4.5	83.8
In more than five years	580.3	602.8	0.4	1,183.5
Total	661.0	657.9	9.2	1,328.1

The expense relating to variable lease payments not included in the measurement of lease liabilities is £0.7m. Expenses relating to both short-term leases and low-value leases is £nil (2021: £nil).

Key lease arrangements

Manchester City Council (held within land and buildings):

The Group has a commitment in respect of a land lease with The Council of the City of Manchester (MCC), a related party as described in note 36. Ground rent leases are a base fee of £2.8m, and this element of the lease contributed £52.4m to the closing lease liability in land and buildings.

Further minimum amounts are payable under the main lease agreement with MCC, one element variable based on turnover, and one element based on rental value of a number of properties at Manchester Airport. The minimum amounts due on the turnover element are based on a percentage of the prior rent paid. Management have concluded that these minimum percentage payments qualify as an in-substance fixed lease payment, contributing £49.9m to the closing lease liability. These payments are variable depending on an index or rate and contribute £86.3m to the closing lease liability. The discount rate implicit in the lease is 5.29%.

The sale of non-core property in the year represented a trigger event on an additional supplementary lease to the main agreements, where rent was previously peppercorn. The lease is 275 years from 1 September 2013 and the review resulted in the rent charge increasing to £0.6m per annum, effective from the completion date on 7 August 2020. This has resulted in a remeasurement adjustment of £11.2m in the land and buildings category and the lease contributes £11.2m to the closing lease liability.

In total, all arrangements with MCC contributes £199.8m of the closing lease liability in land and buildings, and no element of the annual rent is excluded from the measurement of the lease liability.

Notes to the financial statements continued

for the year ended 31 March 2022

30. Lease liabilities continued

UK Power Networks (held within airport infrastructure):

A significant portion of the airport infrastructure lease liability relates to an electricity distribution agreement with UK Power Networks. Included in the measurement of the lease liability are minimum amounts payable under the agreement, relating to a base fee of £8.7m, and £2.4m for capital investment in the network, contributing £201.9m to the closing lease liability. Remaining amounts of £0.4m are due, relating to a volume and recharge element. These are variable in nature with no minimum commitment, and therefore excluded in measurement of the lease liability.

Aberdeen Standard (held within land and buildings):

The Group has a commitment in relation to a lease of office property at Manchester Airport with Aberdeen Standard. Included in the measurement of the lease liability is fixed rent due under the lease, currently £1.0m and reviewed five-yearly to reflect prevailing market rates. The obligations under this lease have contributed £13.9m to the closing lease liability.

MAG US Lounges (held within land and buildings):

During the prior year, the Group agreed waivers of the base rent payable at a number of lounges leased and operated by MAG in the US. In FY22, a number of these waivers were removed due to improvements in the level of passengers, as well as extensions agreed to concession arrangements. The impact of these changes was accounted for as a lease modification in the year and the lease liability was increased by £2.1m as a result of the change. We have not applied the practical expedient in FY21 and FY22.

31. 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	Investment properties and operational assets carried at deemed cost	Retirement benefit obligations	Tax losses	Fair value acquisition adjustment	Short term timing differences	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2021	132.8	32.0	(10.6)	(7.2)	35.5	5.4	187.9
Charge/(credit) to income	35.5	15.6	-	(28.2)	5.2	1.5	29.6
(Credit) to equity	-	-	15.9	-	0.1	-	16.0
At 31 March 2022	168.3	47.6	5.3	(35.4)	40.8	6.9	233.5
At 1 April 2020	122.5	84.3	(8.8)	-	33.1	6.0	237.1
Charge/(credit) to income	10.3	(6.0)	-	(7.2)	(3.1)	(0.6)	(6.6)
(Credit) to equity	-	-	(1.8)	-	(0.4)	-	(2.2)
Reclassified to assets held for sale	-	(46.3)	-	-	-	-	(46.3)
Acquisition	-	-	-	-	5.9	-	5.9
At 31 March 2021	132.8	32.0	(10.6)	(7.2)	35.5	5.4	187.9

Deferred tax charge/(credit) includes the impact of a change in rate of corporation tax of £54.3m (2021: nil).

The deferred tax asset and liability amounts at 31 March 2022 have been calculated at 25% (2021: 19%). Deferred tax assets and liabilities have been offset in the disclosure above. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2022 £m	2021 £m
Deferred tax liabilities	(268.9)	(205.7)
Deferred tax asset	35.4	17.8
	(233.5)	(187.9)

Notes to the financial statements continued

for the year ended 31 March 2022

32. Other non-current liabilities

	2022 £m	2021 £m
Accruals and deferred income	3.9	6.6
Capital-based grants	16.4	15.5
	20.3	22.1

Capital based grants relate to funding provided towards airport infrastructure and airspace research at Manchester and Stansted Airports. Amortisation of these grants begins when the underlying asset they relate to is brought into use, with the amortisation period aligning to the useful life of the asset. At 31 March 2022, the remaining amortisation period for the amortising capital based grants, as a weighted average, is approximately 25 years.

33. Share capital and share premium

	Ordinary shares of £1 each			
	Number of shares ¹ m	Share capital £m	Share premium £m	Total £m
Issued, called up and fully paid				
At 31 March 2022	175.3	175.3	3,059.4	3,234.7
At 31 March 2021	175.3	175.3	3,059.4	3,234.7

¹ The shares have a nominal value of £1.

Details of shares in issue and their particulars can be found in note 8 to the MAGIL Company accounts.

34. Reserves

	Foreign currency reserve	Hedging reserve	Other reserve ²	Retained earnings	Total £m
At 1 April 2021	(3.9)	1.0	(1,249.6)	552.3	(700.2)
Result for the year	-	-	-	(189.7)	(189.7)
Foreign exchange movement, net of tax	1.2	-	-	-	1.2
Transfer from hedging reserve to foreign currency reserve ¹	1.0	(1.0)	-	-	-
Remeasurement of retirement benefit liabilities, net of tax	-	-	-	48.4	48.4
Effect of change in rate of corporation tax on deferred tax	-	-	-	(1.3)	(1.3)
As at 31 March 2022	(1.7)	-	(1,249.6)	409.7	(841.6)

	2022 £m	2021 £m
Reconciliation of movement in shareholders' funds		
Opening shareholders' funds	2,534.5	2,494.1
Total recognised income for the year	(141.4)	(350.1)
Share issue	-	390.5
Equity shareholders' funds as at 31 March	2,393.1	2,534.5

¹ The hedging reserve brought forward from FY21 relates to the net investment in an overseas operation. This forms part of the foreign currency reserve where movements are recognised through the Statement of Other Comprehensive Income. Therefore the hedge movement has been linked to the underlying transaction which formed the reserve.

² Relates to acquisition of Stansted Airport in February 2013.

Notes to the financial statements continued

for the year ended 31 March 2022

35. Capital commitments and contingent liabilities

	2022 £m	2021 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	21.8	18.4

The Group has performance bonds and other items arising in the normal course of business amounting to £2.9m at 31 March 2022 (2021: £2.8m).

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.

36. Related party transactions

Transactions involving the Manchester City Council and the other council shareholders

Manchester City Council ('MCC') is a related party to Manchester Airports Holdings Limited as MCC owns 35.5% of the share capital of the Company.

Included in external charges are charges for rent and rates amounting to £36.5m (2021: £32.2m) and other sundry charges of £1.0m (2021: £0.3m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities, each of which is a related party to Manchester Airport Group Investments Limited through its shareholding in Manchester Airports Holdings Limited, the ultimate parent.

During the year, amounts of £nil (2021: £37.4m) were received from MCC and the nine borough councils.

Transactions involving IFM

The IFM Global Infrastructure Fund (IFM GIF) (which is advised by IFM Investors PTY Ltd), through its subsidiary, is a related party to Manchester Airport Group Investments Limited as IFM owns 35.5% of the share capital of its parent company. During the year, the Group was party to the following transactions with IFM.

Transactions involving Manchester Airports Holdings Limited

Manchester Airports Holdings Limited (MAHL) is the ultimate parent company of Manchester Airport Group Investments Limited.

As at 31 March 2022 the amount of loans outstanding owed by MAHL was £205.2m (2021: £202.4m owed by MAHL), relating to cash transferred by the MAGIL Group to MAHL for dividend payments made by MAHL to its shareholders in prior periods, and interest on the unpaid balance. Included within finance income is interest on loans outstanding owed by MAHL of £2.7m (2021: £2.1m).

Transactions involving Manchester Airport Finance Holdings Limited (MAFHL)

Manchester Airport Finance Holdings Limited (MAFHL) is the parent company of Manchester Airport Group Investments Limited.

As at 31 March 2022 the amount of loans outstanding owed by MAFHL was £376.6m (2021: £362.7m), relating to payments of shareholder loan interest by the MAGIL Group on behalf of MAFHL. In addition, included within finance income, is interest on loans outstanding owed by MAFHL of £4.9m (2021: £12.4m).

Transactions involving Airport City (Manchester) Limited

Airport City (Manchester) Limited is a fellow Group company of the MAHL Group.

As at 31 March 2022 the balance outstanding owed by Airport City (Manchester) Limited was £41.3m (2021: £41.6m), relating to the transfer of assets and funding. During the year funds provided to Airport City (Manchester) Limited increased by £1.3m (2021: decreased by £25.0m).

Transactions involving MAG Overseas Investments Limited

MAG Overseas Investments Limited (MOIL) is a fellow Group company of the MAHL Group.

As at 31 March 2022 the net balance owed by MOIL was £33.0m (2021: £31.8m), relating to funding provided by the MAGIL Group. Included within finance income is interest on loans outstanding owed by MOIL of £1.1m (2021: £nil).

Notes to the financial statements continued

for the year ended 31 March 2022

37. Reconciliation of net cash flow to movement in net debt

	2021 £m	Foreign exchange movement £m	Cash flow £m	Other non-cash movements £m	2022 £m
Cash at bank and in hand	530.0	0.4	(53.3)	-	477.1
Cash on short term deposit	-	-	-	-	-
Cash and cash equivalents disclosed in the statement of financial position	530.0	0.4	(53.3)	-	477.1
Overdrafts	(11.9)	-	(13.8)	-	(25.7)
Total cash and cash equivalents (including overdrafts)	518.1	0.4	(67.1)	-	451.4
Current debt	-	-	-	-	-
Non-current debt	(1,920.8)	-	-	(0.4)	(1,921.2)
Net debt	(1,402.7)	0.4	(67.1)	(0.4)	(1,469.8)

IFRS 16

Current debt	(7.9)	-	8.1	(10.0)	(9.8)
Non-current debt	(428.4)	-	-	2.4	(426.0)
	(436.3)	-	8.1	(7.6)	(435.8)

38. Impact of IFRS 16 upon primary statements

The purpose of these pages is to provide a reconciliation from the financial results to the pro-forma statements with the previous IAS 17 policies adopted by the Group (including key APMs such as Adjusted EBITDA). The Group APMs remain identical to those prior to IFRS 16. Whilst IFRS 16 comparatives are now available, management still produce the reconciliations below to give the reader greater insight into the impact of IFRS 16 on the reporting of Group results.

Consolidated income statement for the year ended 31 March 2022

	Continuing operations 2022 as reported £m	Rent and finance costs £m	Depreciation £m	Continuing operations 2022 under IAS 17 £m
Revenue	461.2	-	-	461.2
Operating charges excluding depreciation	(336.1)	(30.8)	-	(366.9)
Adjusted EBITDA*	125.1	(30.8)	-	94.3
Depreciation	(238.0)	-	11.0	(227.0)
Result from operations before adjusted items*	(112.9)	(30.8)	11.0	(132.7)
Adjusted items				
Adjusted items	(17.1)	-	-	(17.1)
Result from operations	(130.0)	(30.8)	11.0	(149.8)
Gains and losses on sale and valuation of investment properties	22.6	-	-	22.6
Finance income	8.6	-	-	8.6
Finance costs	(87.1)	22.7	-	(64.4)
Result before taxation	(185.9)	(8.1)	11.0	(183.0)

*As explained in note 39 'Alternative Performance Measures'.

Notes to the financial statements continued

for the year ended 31 March 2022

38. Impact of IFRS 16 upon primary statements continued

Consolidated statement of cashflows for the year ended 31 March 2022

	Continuing operations 2022 as reported £m	Payment recognised as operating charge £m	Interest charge £m	Lease repayment £m	Continuing operations 2022 under IAS 17 £m
Cash generated from continuing operations*	145.0	(30.8)	-	-	114.2
Result before taxation – discontinued operations	(1.7)	-	-	-	(1.7)
Finance expense - discontinued operations	-	-	-	-	-
Non cash movements - discontinued operations	1.7	-	-	-	1.7
Interest paid	(83.7)	-	22.7	-	(61.0)
Tax paid	(0.4)	-	-	-	(0.4)
Net cash from operating activities	60.9	(30.8)	22.7	-	52.8
Net cash used in investing activities	(117.1)	-	-	-	(117.1)
Net cash from sale of discontinued operations	-	-	-	-	-
Net cash from/(used in) financing activities	(10.5)	-	-	8.1	(2.4)
Net increase in net cash and cash equivalents	(66.7)	(30.8)	22.7	8.1	(66.7)

*As explained in note 39 'Alternative Performance Measures.'

Notes to the financial statements continued

for the year ended 31 March 2022

38. Impact of IFRS 16 upon primary statements continued

Consolidated statement of financial position as at 31 March 2022

	2022 as reported £m	Rent and finance costs £m	Depreciation £m	Opening balance £m	Additions, remeasurement and modifications £m	Disposals £m	2022 under IAS 17 £m
Non-current assets							
Goodwill	207.7	-	-	-	-	-	207.7
Intangible assets	88.5	-	-	-	-	-	88.5
Property, plant and equipment	3,109.0	-	-	-	-	-	3,109.0
Right-of-use assets	417.7	-	11.0	(419.5)	(9.6)	0.4	-
Long-term lease receivable	11.2	-	-	-	(11.2)	-	-
Investment properties	188.9	-	-	-	-	-	188.9
Other long term asset	4.3	-	-	-	-	-	4.3
Retirement benefit assets	28.3	-	-	-	-	-	28.3
Deferred tax assets	-	-	-	-	-	-	-
	4,055.6	-	11.0	(419.5)	(20.8)	0.4	3,626.7
Current Assets							
Assets held for sale	2.1	-	-	-	-	-	2.1
Inventories	4.0	-	-	-	-	-	4.0
Trade and other receivables	86.2	-	-	-	-	-	86.2
Cash and cash equivalents	477.1	-	-	-	-	-	477.1
Amounts owed by group undertakings	657.1	-	-	-	-	-	657.1
	1,226.5	-	-	-	-	-	1,226.5
Current Liabilities							
Liabilities directly associated with assets held for sale	(0.5)	-	-	-	-	-	(0.5)
Trade and other payables	(25.7)	-	-	-	-	-	(25.7)
Overdrafts	(189.1)	-	-	-	-	-	(189.1)
Deferred income	(28.0)	-	-	-	-	-	(28.0)
Current lease liabilities	(9.8)	(6.1)	-	7.9	8.0	-	-
Provisions	(16.8)	-	-	-	-	-	(16.8)
Current tax liabilities	(8.9)	-	-	-	-	-	(8.9)
Amounts owed to group undertakings	(0.9)	-	-	-	-	-	(0.9)
	(279.7)	(6.1)	-	7.9	8.0	-	(269.9)
Net current liabilities	946.8	(6.1)	-	7.9	8.0	-	956.6
Non-current liabilities							
Borrowings	(1,921.2)	-	-	-	-	-	(1,921.2)
Retirement benefit liabilities	(6.2)	-	-	-	-	-	(6.2)
Non-current lease liabilities	(426.0)	(2.0)	-	428.4	-	(0.4)	-
Deferred tax liabilities	(233.5)	-	-	-	-	-	(233.5)
Provision	(2.1)	-	-	-	-	-	(2.1)
Other non-current liabilities	(20.3)	-	-	-	-	-	(20.3)
	(2,609.3)	(2.0)	-	428.4	-	(0.4)	(2,183.3)
Net Assets	2,393.1	(8.1)	11.0	16.8	(12.8)	-	2,400.0

Notes to the financial statements continued

for the year ended 31 March 2022

39. Alternative Performance Measures (APMs)

Overview

The Annual Report contains certain alternative performance measures ('APMs') that are not required under International Financial Reporting Standards (IFRS) which represents the GAAP under which MAGIL presents its Group Financial Statements. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information and enable an alternative comparison of performance over time. APMs may not be considered comparable to other similarly titled measures used by other companies.

These APMs are primarily used to:

- Provide management with a basis of planning and assessing Group performance;
- Set levels of management performance based remuneration;
- Calculate covenant compliance; and
- Explain Group performance with MAGIL's investor base.

Adjusted items

Many of the Group's APMs are measures prior to the impact of Adjusted Items.

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

- **Impairment of assets**

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

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

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

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

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

- **Other specific items**

Other specific items are recorded in adjusted items where they do not form part of the underlying trading activities of the Group in order to enhance the understanding of the financial performance of the Group.

Table of definitions for Alternative Performance Measures (APMs) used by MAGIL

An explanation of the relevance of each APM, and their limitations, is presented in the table below.

APM	Closest Equivalent Statutory Measure	Purpose	Definition
Income statement measures			
Adjusted EBITDA	Result from operations	<p>The Group's Adjusted EBITDA measure is consistent with the way that Executive Management and the Board assess the Group's financial performance.</p> <p>Additionally, it is a key metric used by the investor community to assess performance of the Group's operations.</p>	<p>Earnings before interest, tax, depreciation and amortisation prior to the impact of adjusted items.</p> <p>Reconciled to GAAP from Result from operations measured in accordance with IFRS excluding:</p> <ul style="list-style-type: none">• Depreciation and amortisation (note 4), and;• The impact of adjusted items (note 3).

Notes to the financial statements continued

for the year ended 31 March 2022

39. Alternative Performance Measures (APMs)

APM	Closest Equivalent Statutory Measure	Purpose	Definition
Income statement measures			
Adjusted EBITDA on a frozen GAAP basis	Result from operations	Adjusted EBITDA on a frozen GAAP basis is a core component of the Group's leverage and interest cover banking covenants.	Earnings before interest, tax, depreciation and amortisation prior to the impact of adjusted items and the adoption of IFRS 16. Reconciled to GAAP from Result from operations measured in accordance with IFRS excluding: <ul style="list-style-type: none"> • Depreciation and amortisation (note 4); • The impact of adjusted items (note 3), and; • Add back lease charges excluded from operating expenses as a result of the adoption of IFRS 16.
Adjusted Result from operations	Result from operations	Adjusted result from operations is a measure of the GAAP metric whilst adjusting for adjusted Items.	Result from operations measured in accordance with IFRS excluding: <ul style="list-style-type: none"> • The impact of adjusted items (note 3).
Earnings per share – attributable to ordinary shareholders before adjusted items	Basic earnings per share	Earnings per share – attributable to ordinary shareholders before adjusted items provides the Group's equity holders with a post-tax measure of profitability split by class of shares	Calculated as profit after tax adjusted for the impact of adjusted items divided by the weighted average of ordinary shares (A, B & C shares).
Cashflow measures			
Adjusted cash generated from operations	Net cash from operating activities	This is a a measure of the Group's cash generation from operation and and working capital efficiency after adjusting for the impact of adjusted items.	Net cash from operating activities before the cash impact of adjusted items.
Other measures			
Net Debt	Borrowings	Net debt is a prominent metric used by credit rating agencies and investors to assess the strength of a company's balance sheet.	Borrowings less cash and cash equivalents. The measure excludes financial lease liabilities calculated under IFRS 16. Where the Annual Report references 'Net Debt (including IFRS 16)' this aggregates the Net Debt amount and the carrying value of lease liabilities
Net Finance Charges on Net Senior Debt	Finance costs	Net finance charges on net senior debt it's a core components of the Group's interest cover covenant.	Net finance costs from the Group's bonds and RCF less any finance income from cash and cash equivalents. Reconciled to GAAP measure Finance costs by excluding: pension interest; IFRS 16 interest (see note 30)
Net Senior Debt	Borrowings	Net Senior Debt is used in the calculation of the Group's leverage covenant.	Comprising the Group's Secured funding arrangements (Bonds and drawdown RCF) less cash and cash equivalents. Reconciled to GAAP measure Borrowings less cash and cash equivalents.
Return on Capital Employed ('ROCE')	Calculated from Result for the year and Net Assets	ROCE is a commonly used profitability metric to assess the efficient allocation of the Group's resources irrespective of capital structure.	ROCE is calculated from adjusted operating profit as a percentage of average capital employed, and on a historical cost basis.

Notes to the financial statements continued

for the year ended 31 March 2022

39. Alternative Performance Measures (APMs) continued

The following analysis provides a reconciliation of each APM to their nearest equivalent statutory measure.

Reconciliation of APMs to Statutory Measures

	Note	2022 £m	2021 £m
Adjusted results from operations		(112.9)	(321.6)
<i>Adjusted items deducted to arrive at APM:</i>			
Impairment of assets		(9.2)	-
Major reorganisation of businesses and costs associated with acquisitions.		(3.5)	(33.4)
Legal and other items		(4.4)	(4.9)
Results from operations	4	(130.0)	(359.9)
Adjusted results from operations		(112.9)	(321.6)
<i>Add back:</i> Depreciation and amortisation	4	238.0	173.5
Adjusted EBITDA*		125.1	(148.1)
*See next page for reconciliation by segment			
Cash generated from continuing operations		145.0	(225.0)
Total adjusted items in results for continued operations before tax		(17.1)	(38.3)
		(17.1)	(38.3)
<i>Add back of non-cash adjusted items:</i>			
Impairment of property, plant and equipment		11.0	-
Working capital movements, relating to adjusted items		(6.6)	(2.7)
Curtailment (gain)/loss		(10.4)	1.9
Non-cash pension settlement losses		2.3	-
Non-cash adjusted items:		(3.7)	(0.8)
Cash impact of adjusted items to be added back		(20.8)	(39.1)
Adjusted cash generated from operations		165.8	(185.9)
Result from continuing operations		(188.0)	(359.3)
<i>Add back:</i>			
Finance costs	8	87.1	78.6
Taxation	10	2.1	(59.1)
EBIT		(98.8)	(339.8)
Total assets		5,282.1	5,440.7
Current liabilities		(279.7)	(289.1)
Capital employed		5,002.4	5,151.6
ROCE (EBIT/Capital employed)		(2.0)%	(6.6)%
Total cash and cash equivalents (including overdrafts)		451.4	518.1
Non-current debt	22	(1,921.2)	(1,920.8)
Net Debt (excluding IFRS 16)		(1,469.8)	(1,402.7)
Cash at bank and in hand	21	477.1	530
Overdraft	23	(25.7)	(11.9)
Net Cash		451.4	518.1

Notes to the financial statements continued

for the year ended 31 March 2022

39. Alternative Performance Measures (APMs) continued

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG US £m	Group, Consolidated - consolidation and other £m	Consolidated - continuing operations £m
Results from operations	(71.6)	(32.2)	10.8	4.1	(24.0)	(112.9)
<i>Adjusted items deducted to arrive at APM:</i>						-
Impairment of assets	(9.2)	-	-	-	-	(9.2)
Major reorganisation of businesses and costs associated with acquisitions.	-	-	-	-	(3.5)	(3.5)
Legal and other items	(6.0)	4.4	(0.3)	(1.8)	(0.7)	(4.4)
Total adjusted items	(15.2)	4.4	(0.3)	(1.8)	(4.2)	(17.1)
Adjusted result from operations	(86.8)	(27.8)	10.5	2.3	(28.2)	(130.0)
Adjusted result from operations						
<i>Add back:</i> Depreciation and amortisation	121.3	97.2	13.8	14.1	7.9	254.3
Adjusted EBITDA	49.7	65.0	24.6	18.2	(16.1)	141.4
	Note				2022	2021
Finance costs before adjusted items					8.6	(78.6)
<i>Add back:</i>						
IFRS 16 interest	8				22.7	22.1
Pension interest	8				0.9	1.1
Net finance charges on net senior debt					32.2	(55.4)
	Note				2022	2021
Borrowings					(1,921.2)	(1,920.8)
<i>Add back:</i>						
Cash and cash equivalents	21, 22				451.4	518.1
Net Senior Debt					(1,469.8)	(1,402.7)

40. Post balance sheet events

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

Company Financial Statements

Accounting policies

Manchester Airports Group Investments Limited (the 'Company') is a company limited by shares and incorporated and domiciled in England. The address of the registered office is Olympic House, Manchester Airport, 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:

- statement of cash flows and related notes;
- key management personnel compensation;
- related parties; and
- reconciliation of the number of shares outstanding from the beginning to the end of the period.

Furthermore, as the consolidated financial statements of Manchester Airports Group Investments 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

Investments in subsidiaries are carried at cost less provision for diminution in value.

Amounts owed to subsidiary undertakings

Intercompany balances are stated at historic cost.

Interest payable

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

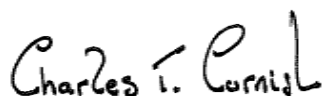
Statement of financial position

as at 31 March 2022

	Note	2022 £m	2021 £m
Non-current assets			
Investments	4	4,679.1	4,679.1
Trade and other receivables	5	543.3	-
Other long-term asset		4.3	7.1
		5,226.7	4,686.2
Current Assets			
Trade and other receivables	5	246.1	792.4
Cash and cash equivalents		0.8	-
		246.9	792.4
Liabilities			
Trade and other payables		(0.4)	(2.0)
Amounts owed to group	6	(28.3)	(17.4)
		(28.7)	(19.4)
Net current assets		218.2	773.0
Total assets less current liabilities		5,444.9	5,459.2
Non-current liabilities	7	(2.1)	(3.0)
Net assets		5,442.8	5,456.2
Capital and reserves			
Share capital	8	175.3	175.3
Share premium		3,059.4	3,059.4
Retained earnings		2,208.1	2,221.5
Total equity		5,442.8	5,456.2

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

The financial statements on pages 118 to 123 were approved by the Board of Directors on 6 July 2022 and signed on its behalf by:



Charlie Cornish, Group Chief Executive, MAGIL

Statement of changes in equity

for the year ended 31 March 2022

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 April 2021	175.3	3,059.4	2,221.5	5,456.2
Total comprehensive income for the year				
Result for the year	-	-	(13.4)	(13.4)
	175.3	3,059.4	2,208.1	5,442.8
Balance at 31 March 2022	175.3	3,059.4	2,208.1	5,442.8

Statement of changes in equity

for the year ended 31 March 2021

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 April 2020	175.3	2,668.9	2,227.4	5,071.6
Total comprehensive income for the year				
Result for the year	-	-	(5.9)	(5.9)
Transfer in of MAG US and UK Distribution business	-	34.4	-	34.4
	175.3	2,703.3	2,221.5	5,100.1
Issue of shares	-	356.1	-	356.1
Balance at 31 March 2020	175.3	3,059.4	2,221.5	5,456.2

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

Notes to the financial statements

for the year ended 31 March 2022

1. Notes to the income statement

Amounts receivable by the Company's auditor and the auditor's associates in respect of services to the Company and the Company's subsidiaries, have not been disclosed as the information has been disclosed on a consolidated basis as noted on page 79. The Directors of Manchester Airport Group Limited during the year and their aggregate remuneration is disclosed on a consolidated basis in note 6 to the consolidated financial statements, on page 78. The highest paid director disclosed within this note is the highest paid director of the Company.

2. Loss on ordinary activities after taxation of the company

As permitted by Section 408 of the Companies Act, the Company is exempt from the requirement to present its own profit and loss account. As shown in the statement of changes in equity, the result attributable to the Company is a loss of £13.4m (2021: £5.9m).

3. Finance Costs

	2022 £m	2021 £m
Intercompany Interest payable	14.6	9.4
Total finance costs	14.6	9.4

4. Investments

	Subsidiary undertakings £m
Cost and net book value	
At 1 April 2021	4,679.1
At 31 March 2022	4,679.1

5. Trade and other receivables

	2022 £m	2021 £m
Amounts owed by subsidiary undertakings - non-current	543.3	-
Amounts owed by subsidiary undertakings - current	246.1	792.4
Total	789.4	792.4

As at FY21, the Board approved an exercise to settle amounts owed by group undertakings across the Group and as they expected these balances to be settled over the next 12 months, classified them as 'current'. The exercise was ongoing at the year end and balances are presented in line with their planned settlement (within the next twelve months) and classified as 'current' or classified as 'non-current' where settlement is not expected within the next 12 months.

The directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

6. Current liabilities

	2022 £m	2021 £m
Accruals and deferred income	(0.4)	(2.0)
Amounts owed to subsidiary undertakings	(28.3)	(17.4)
	(28.7)	(19.4)

Amounts owed to subsidiary undertakings of £28.3m (2021: £17.4m) at 31 March 2022, accrue interest at a rate of 1.5% over the Bank of England interest rate, with settlement terms at a date mutually agreed between both parties to the loan. As at FY21, the Board approved an exercise to settle amounts owed to group undertakings across the Group and as they expected these balances to be settled over the next 12 months, classified them as 'current'. The exercise was ongoing at the year end and balances are presented in line with their planned settlement (within the next twelve months) and classified as 'current' or classified as 'non-current' where settlement is not expected within the next 12 months.

Notes to the financial statements continued

for the year ended 31 March 2022

7. Provisions

	Post sale commitments £m	Total £m
Current	-	-
Non-Current	3.0	3.0
1 April 2021	3.0	3.0
Charged to income statement	-	-
Utilised	(0.9)	(0.9)
31 March 2022	2.1	2.1
Current	-	-
Non-Current	2.1	2.1
31 March 2022	2.1	2.1

Post sale commitments

As part of the Company's disposal of its non core property portfolio in August 2020, the Company entered into commitments for the provision of certain commitments to third parties as a result of the sale, post completion under the sale and purchase agreement. Management has estimated the cost of providing these services to be £2.1m. Management anticipate that the satisfaction of the provision will be achieved within the next 2 to 4 years, as such the provision has been disclosed as being non-current. The estimated cashflows have been discounted based upon initial estimated cash outlay less future income stream discounted at 8%.

8. Share capital and share premium

	Ordinary shares of £1 each			Total £m
	Number of shares m	Share capital £m	Share premium £m	
Issued, called up and fully paid				
At 31 March 2022	175.3	175.3	3,059.4	3,234.7
At 31 March 2021	175.3	175.3	3,059.4	3,234.7

Details of shares are given below:

Share type	Total nominal value £	Premium £
175,300,008 Ordinary Non-Voting Shares, issued at £1 nominal value	175,300,008	3,059,400,359

9. Reserves

	2022 £m	2021 £m
At 1 April 2021		2,221.5
Results for the year		(13.4)
As at 31 March 2022		2,208.1
	2022	2021
Reconciliation of movement in shareholders' funds		
Opening shareholders' funds	5,456.2	5,071.6
Total loss recognised for the year	(13.4)	(5.9)
Share premium issue	-	356.1
Transfer in of MAG US and UK Distribution Businesses	-	34.4
Equity shareholders' funds as at 31 March	5,442.8	5,456.2

In 2021 the Company was gifted the investment in MAG US and UK distribution businesses for no consideration.

Notes to the financial statements continued

for the year ended 31 March 2022

10. Subsidiary undertakings

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by:		Principal activity
		Group	Company	
Agency of the North Limited ¹	Ordinary £1 shares	100%		Holding company
Airportparkingreservations.com LLC ^{5,*}	N/A	100%		Trading company
Airport Advertising Limited ¹	Ordinary £1 shares	100%		Non trading
Airport Petroleum Limited ¹	Ordinary £1 shares	100%		Non trading
Airport Services International Limited ¹	Ordinary £1 shares	100%		Holding company
Bainsdown Limited ²	N/A	100%		Trading company
CAVU Distribution (AMER) LLC ^{5,*} (formerly Parksleefly.com LLC)	N/A	100%		Trading company
CAVU eCommerce (EMEA) Ltd ^{5,*} (formerly Looking4parking Limited)	Ordinary £1 shares	100%		Property holding company
CAVU eCommerce (AMER) LLC ^{5,*} (formerly MAG US Parking Management LLC)	N/A	100%		Non trading
CAVU Experiences (AMER) LLC ^{5,*} (formerly MAG US Lounge Management LLC)*	N/A	100%		Non trading
CAVU Holdings (AMEA) Inc ^{5,*} (formerly MAG US Holdings Inc)	Ordinary \$0.01 share	100%		Investment holding company
CAVU Group Limited ¹	Ordinary £1 shares	100%		Trading company
East Midlands Airport Core Property Investments Limited ¹	Ordinary £1 shares	100%		Non trading
East Midlands Airport Nottingham Derby Leicester Limited ¹	Ordinary £1 shares	100%		Intermediate holding company of East Midlands International Airport Limited and Bournemouth International Airport Limited
East Midlands Airport Property Investments (Hotels) Limited ¹	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Industrial) Limited ¹	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Offices) Limited ¹	Ordinary £1 shares	100%		Investment property holding company
East Midlands International Airport Limited ³	Ordinary £1 shares 9% cumulative redeemable preference shares	100%		Airport operator
EMIA Pension Trustee Limited ¹	Ordinary £1 shares	100%		Pension trustee
Manchester Airport Aviation Services Limited ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Finance Limited ¹	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport Group Funding Plc ¹	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Property Developments Limited ¹	Ordinary £1 shares	100%		Property development company
Manchester Airport Group Property Services Limited ¹	Ordinary £1 shares	100%		Property management company
MAG Airport Limited ¹	Ordinary £1 shares	100%		Trading company
MAG Investments US Limited ¹	Ordinary £1 shares	100%		Investment holding company
MAG US (Apollo) Limited ²	Ordinary £1 shares	100%		Holding company
MAG US (Apollo) Inc ^{6,*}	N/A	100%		Non trading
MAG US Terminal Management LLC ^{6,*}	N/A	100%		Non trading
MAG DC Pension Trustee Limited ¹	Ordinary £1 shares	100%		Pension trustee
MAG Pension Trustee Limited ¹	Ordinary £1 shares	100%		Pension trustee

Notes to the financial statements continued

for the year ended 31 March 2022

10. Subsidiary undertakings continued

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by:		Principal activity
		Group	Company	
Manchester Airport Car Park (1) Limited ²	N/A	100%		Trading company
Manchester Airport Plc ²	Ordinary £1 shares	100%		Airport operator
Manchester Airport Property Investments (Hotels) Limited ¹	Ordinary £1 shares	100%		Investment property holding
Manchester Airport Property Investments (Industrial) Limited ¹	Ordinary £1 shares	100%		Investment property holding
Manchester Airport Property Investments (Offices) Limited ¹	Ordinary £1 shares	100%		Investment property holding
Manchester Airport Ventures Limited ¹	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
Ringway Developments Ltd ¹	Ordinary £1 shares	100%		Property holding company
Ringway Handling Limited ²	Ordinary £1 shares	100%		Non trading
Ringway Handling Services Limited ²	Ordinary £1 shares	100%		Non trading
Shuttlefinder.net LLC ^{5,*}	N/A	100%		Trading company
Simmerdown Limited ¹	Ordinary £1 shares	100%		Holding company
Skyparksecure Limited ¹	Ordinary £1 shares	100%		Trading company
Stansted Airport Limited ⁴	Ordinary £1 shares	100%		Airport operator
The Escape Lounge FLL LLC ^{5,*}	N/A	100%		Trading company
Travel Parking Group Limited ¹	Ordinary £1 shares	100%		Holding company
Worknorth Limited ¹	7% cumulative redeemable preference shares Ordinary £1 shares	100%		Non trading
Worknorth II Limited ¹	7% cumulative redeemable preference shares Ordinary £1 shares	100%		Non trading

NOTES:

The registered office addresses for each of the above companies are listed below.

¹. Olympic House, Manchester Airport, Manchester, M90 1QX

². PO Box 532, Town Hall, Albert Square, Manchester, M60 2LA

³. Building 34, East Midlands Airport, Castle Donington, Derby DE74 2SA

⁴. Enterprise House, Bassingbourn Road, Stansted Airport, Essex, CM24 1QW

⁵ 251 Little Falls Drive, Wilmington, Delaware, 19808, United States of America.

All the above companies operate in their country of incorporation or registration, which is England and Wales, with the exception of those marked with an *, which are registered in the 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', 'MAGIL', 'Manchester Airports Group Investments Limited', or 'the Company' means Manchester Airports Group Investments Limited and its subsidiary undertakings.