



Annual Report and Accounts

For the year ended 31 March 2023

Contents

OVERVIEW

Our business at a glance	
Who we are.....	02
Where we operate.....	04
2023 Performance highlights	06

STRATEGIC REPORT

Chair's foreword	10
Chief Executive's statement	12
Our strategy	16
Our business model	20
Creating value for our stakeholders	21
Key performance indicators.....	22
Divisional reviews	26
Sustainability	34
Our people.....	40
Financial review	42

GOVERNANCE

Board of Directors.....	56
Chair's statement on corporate governance	62
Corporate governance report	64
Nomination committee report.....	66
CSR Committee report.....	67
Remuneration Committee report.....	68
Audit Committee report	72
S172 report	74
Internal controls and risk management.....	78
Task Force on Climate-Related Financial Disclosures (TCFD)	88
Directors' report	98
Statement of directors' responsibilities in respect of the Annual Report and the financial statements.....	103

FINANCIAL STATEMENTS

Independent auditor's report	106
Accounting policies	109
Consolidated income statement	123
Consolidated statement of financial position.....	124
Consolidated statement of comprehensive income.....	125
Consolidated statement of changes in equity.....	126
Consolidated statement of cash flows.....	127
Notes to the financial statements.....	128

COMPANY FINANCIAL STATEMENTS

Accounting policies	180
Statement of financial position	181
Statement of changes in equity.....	182
Notes to the financial statements.....	183

The term 'MAG' (Manchester Airports Group) refers to the consolidated group of entities controlled by Manchester Airports Holdings Limited (MAHL)*

MAG is the UK's leading airports group, operating Manchester, London Stansted and East Midlands Airports, alongside global airport services business, CAVU.

OUR PURPOSE

At MAG, our role is to connect our customers to the world with great airport experiences and innovative travel services.

OUR VISION

To be a world-leader in the provision of airport facilities and travel services, delivering value for all stakeholders.

OUR MISSION

We are on a mission to make our airports and travel services the number one choice for travellers and airlines.



Our business at a glance

Who we are

Manchester Airports Group (MAG) is the UK's largest airports group, owning and operating Manchester, London Stansted and East Midlands Airports, and a digital travel services business, CAVU.

In FY23, the Group served 54 million passengers and 261 destinations across its three airports. With catchments spanning the UK, around 70% of the population live within a two-hour journey of a MAG airport.

Together with CAVU, the Group employed over 5,800 colleagues at the end of FY23.

MANCHESTER

Manchester Airport is the UK's global gateway in the North, serving 25.2m passengers in FY23. It is the only airport outside of London with two full-length runways and is home to 49 airlines serving 196 destinations across four continents. The airport employs over 2,900 people directly and supports 16,000 jobs across the site. Manchester Airport is currently undergoing the final phase of its £1.3bn transformation programme, which is set for completion in 2025.

25.2m
PASSENGERS

→ Read more on
page 26

CAVU

CAVU was founded in 2022 by bringing together the MAG-O and MAG-US business units, including their network of direct-to-consumer brands. CAVU combines the expertise of these entities to provide services both to MAG airports and other airports across the world, driving improved revenue by delivering digital solutions and physical experiences that make air travel more smooth and enjoyable. CAVU operates MAG's own car parking and lounge products, and has also secured deals to operate 24 lounges in the UK and US.

→ Read more on
page 32

EAST MIDLANDS

East Midlands Airport is a popular regional hub for business and leisure travel across Europe, offering passengers across the Midlands a strong array of affordable and stress-free travel options. It is home to the UK's largest pure freight operation, playing a vital role in UK global trade. This year, the airport served 3.3m passengers across 63 destinations and handled 395,000 tonnes of cargo.

3.3m
PASSENGERS

→ Read more on
page 30

LONDON STANSTED

London Stansted Airport serves connections to more European destinations than any other airport in the UK, as well as providing access to the rest of the world through its route to Dubai with Emirates. It is the only major London airport with spare runway capacity to support future growth. The airport served 25.5m passengers in FY23 to 194 destinations. London Stansted employs more than 1,900 people directly and supports a total of 13,000 jobs on site.

25.5m
PASSENGERS

→ Read more on
page 28



260+
destinations
served

The infographic features a map of the United Kingdom in dark blue, set against a background of concentric green circles. Three orange airplane icons are positioned on the map, with lines connecting them to the '£8.0bn contribution to the UK economy' callout. The background also includes a faint image of an airplane in flight.

38,000+
people employed
at our airports

£8.0bn
contribution to the
UK economy

Our business at a glance continued

Where we operate

With a route network spanning four continents, MAG connects passengers and businesses to key destinations across the globe. Through CAVU, we are developing a global footprint of both physical and digital airport services.

OUR REVENUES



AVIATION

£355.9m

MAG has a diverse mix of carriers from across the globe, allowing our airports to provide choice, value and convenience for our passengers.

We forge strong commercial partnerships with our airlines, and work with them to deliver growth which allow our airports to help drive economic growth of their regions.

Cargo operations across MAG's airports handle more than 700,000 tonnes of air cargo to and from global hubs and the UK every year.

THE AMERICAS

Manchester Airport has the largest transatlantic network outside of London, with direct routes to many US cities, as well as destinations in Canada, the Caribbean and Mexico. CAVU operates in the main overseas markets in the US, with lounge and car parking operations at 13 airports.



CAR PARKS

£325.1m

Through CAVU's market-leading approach to online airport services, MAG operates highly successful airport car parking businesses. Our car parks cater for all tastes and budgets ranging from our competitively-priced JetParks brand through to Meet & Greet and Valet services.



EUROPE

MAG airports have direct connections to 205 European destinations, with multiple daily frequencies to many of the most popular. London Stansted has the strongest European network of any airport in the UK.

ASIA

Manchester Airport is the only UK airport outside London with Far East connectivity, with direct routes to Beijing, Hong Kong and Singapore.

East Midlands and London Stansted Airports serve direct cargo routes to key Asian markets.

MIDDLE EAST & AFRICA

Our airports have multiple Middle East routes, with direct services to the key hubs of Dubai, Abu Dhabi and Qatar, as well as Saudi Arabia, Kuwait and Bahrain. London Stansted's Dubai service was the fastest to progress to double-daily in the UK. Popular North African holiday destinations are served from Manchester, as well as a critical route into Ethiopia's Addis Ababa hub.



RETAIL SPACE

£234.5m

Our airports have more than 355,000 sq ft of retail space. We work with a diverse range of brands, both new and established, to help them operate successfully in an airport environment. As part of the Manchester Airport Transformation Programme, we have delivered a retail offering including regional brands that reflect the best the North has to offer. Partnering with MAG gives retailers potential access to more than 50m customer journeys.

FURTHER READING

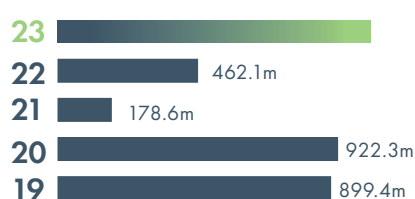
- **Chief Executive's statement**
page 12
- **Our strategic priorities**
page 17
- **Working together for a brighter future**
page 34
- **Divisional reviews**
page 26

2023 Performance highlights

Year in review

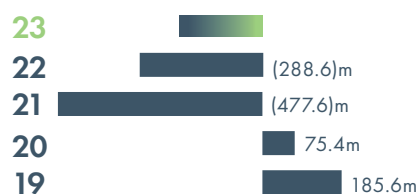
FINANCIAL HIGHLIGHTS

REVENUE

**£1,029.0m**

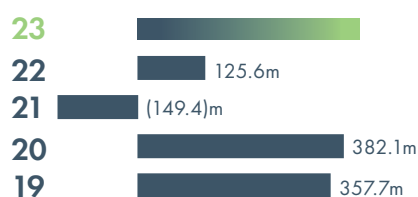
2020: £922.3m

(LOSS)/PROFIT BEFORE TAX

**£(197.4)m**

2020: £75.4m

ADJUSTED EBITDA*

**£412.0m**

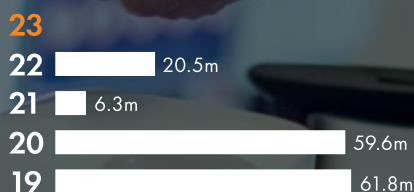
2020: £382.1m

*As explained in Other Information of the financial statements on page 173.

OPERATIONAL HIGHLIGHTS

- Rapid growth in passenger demand during the year, with our airports handling 54.0m passengers
- Strong recovery in the route networks at all three airports, including direct long-haul connections at Manchester and London Stansted
- Investment plans across the Group resumed, including the final phase of Manchester Airport's £1.3bn transformation programme, due for completion in 2025
- Partnerships established to secure supplies of Sustainable Aviation Fuel and hydrogen technology to help our industry reach net zero by 2050
- Developed and implemented a new Group strategy and operating model, alongside a refreshed set of company values
- CAVU continued to develop its global footprint, now operating in 13 locations across the US

PASSENGER NUMBERS



54.0m

2020: 59.6m

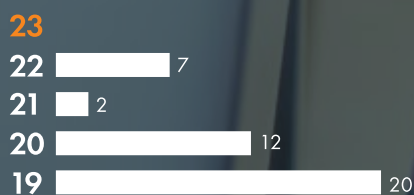
CARBON REDUCTION – CO2 EMISSIONS



0.68

2020: 0.75

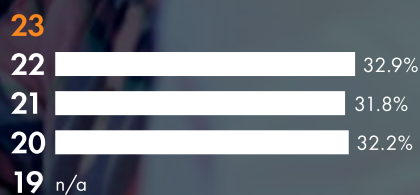
HEALTH AND SAFETY **RIDDOR** – REPORTABLE ACCIDENTS



13

2020: 12

FEMALE REPRESENTATION AT LEADERSHIP



33.6%

2020: 32.2%

Strategic report

STRATEGIC REPORT

Chair's foreword.....	10
Chief Executive's statement.....	12
Our strategy.....	16
Our business model.....	20
Creating value for our stakeholders	21
Key performance indicators	22
Divisional reviews.....	26
Sustainability	34
Our people	40
Financial review	42





With passenger demand returning close to pre-pandemic levels across the Group, we are now looking ahead to a period of growth and investment that will drive a sustained increase in shareholder value over the next decade.

Chair's foreword

A year of recovery

I am delighted to report a strong performance that demonstrates the resilience of our business and draws a line under one of the most turbulent periods in the history of the aviation industry. With a clear strategy, well-invested assets and our talented colleagues, we are able to look ahead with confidence to the next five to 10 years.

The rapid recovery of air travel following the removal of Covid-19 restrictions confirmed how much people value the ability to travel, and MAG's choice and value proposition meant we were well-placed to satisfy that demand. This was reflected in the industry-leading recovery of our airports, with MAG ending the period close to pre-pandemic passenger volumes (90.6%).

The acceleration of demand put significant pressure on the whole industry in the months after travel restrictions were lifted. The well-documented operational issues experienced across the sector impacted our airports to varying extents and were most pronounced in the earlier part of the recovery period. As the summer progressed, service levels improved consistently, and we are confident the challenges faced in the earlier part of the financial year are behind us. Service performance at our airports has been restored to good levels, setting us up for a successful year.

INVESTMENT

MAG has continued to invest in infrastructure, facilities and customer service, to meet the needs of passengers today and in the future. We recently announced the final phase of the £1.3bn Manchester Airport Transformation Programme (MAN-TP), which will enhance the passenger experience and support growth over the coming decades.

This year marked the 10th anniversary of MAG's acquisition of London Stansted Airport, making it an opportune time to reflect on the growth we've delivered to make it one of the largest airports in the UK. Having recovered faster than any other major UK airport, Stansted is now developing investment plans to enable it to handle 43m passenger journeys a year (up from a current cap of 35m), in line with the planning consent it secured in 2021.

Almost back to full strength and with ambitious investment plans in place, it is clear that our airports are important engines of economic growth for the regions they serve and for the UK as a whole. We are committed to working with the Government to maximise the contribution made by our airports – and air travel more generally – by unlocking the potential of high-growth and internationally significant industries. In this way, our airports will play a leading role in rebalancing the national economy by stimulating growth in the communities and regions surrounding them. This includes working with the Government on driving forward its plans to deliver Northern Powerhouse Rail, which will transform connectivity to Manchester Airport from across the North.

DECARBONISATION

Decarbonisation is an urgent priority for the aviation sector and for MAG. The recent commitment to achieving net zero aviation by 2050 by the International Civil Aviation Organisation (ICAO) member states is a historic development in aviation and its significance cannot be overstated.

I am proud of the leading role MAG is playing in delivering our sector's sustainability commitments, having been a founding member of the Government's Jet Zero Council in 2020 and of Sustainable Aviation in 2005. MAG is working hard to make its operations net zero by 2038, and recently entered strategic partnerships for the delivery of both Sustainable Aviation Fuel (SAF) and hydrogen to Manchester Airport. You can read more about these on page 34.

GOVERNANCE

This will be my final annual report as Chair of MAG, having taken the decision to retire from my position after nine years.

Having overseen the business's recovery from the pandemic, it felt like an appropriate moment to step down, and I am delighted the Board has approved the appointment of Charlie Cornish as the new Chair, from 1 October 2023.

His leadership will be vital as MAG enters into an exciting phase of investment and growth and I wish him, his Executive team – including newly-appointed CEO Ken O'Toole – and all MAG colleagues all the best for the future.



The rapid recovery of air travel following the removal of Covid-19 restrictions confirmed how much people value the ability to travel, and MAG's choice and value proposition meant we were particularly well placed to satisfy that demand."

OUTLOOK

I am pleased to be able to look back on a successful 12 months, the sector's first full year without travel restrictions. On behalf of the Board, I would like to express my gratitude to all our employees at MAG for delivering such impressive results and for working so hard to drive recovery after an exceptional period of Covid-19 related disruption.

Looking ahead, the Board shares my confidence in the Group's refreshed strategy and promising outlook. We understand the current pressures on household budgets and we will continue to strive to make air travel accessible and affordable for our customers. We are also committed to investing for the long-term success of our business in order to maximise the benefits for the communities and regions that we serve, and the value we contribute to the UK economy more broadly.

Sir Adrian Montague CBE
Chair



Chief Executive's statement

Firm foundations for growth

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

ROBUST PERFORMANCE

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

Manchester Airport saw 25.2m passengers over the year, 89.4% of 2020 levels and up 176.9% compared with FY22. 25.5m passengers passed through London Stansted, representing 94.8% of 2020 levels and 147.6% above FY22 figures. East Midlands achieved 73.3% of 2020 levels, serving 3.3m passengers, 200.0% more than in the last financial year.

Our recovery translated into a positive financial performance. Improved passenger numbers underpinned an increase in revenue to £1,029.0m, up 122.7% compared to the previous year. Adjusted EBITDA* grew by 228.0% to £412.0m, and Adjusted Operating Profit* was £169.8m, improved from a loss of £113.2m in FY22. Operating Profit was £28.6m, improved from a loss of £130.3m in

FY22 after deducting adjusted items including the Deferred Debt Arrangement (DDA) in relation to the exit of the Group retirement scheme with GMPF.

Demand was particularly strong in the low cost, short-haul segment, with seat capacity and passenger volumes exceeding pre-Covid levels at various times in the last quarter. This pattern was seen across the industry, although it is pleasing to see that the rate of recovery across MAG typically outpaced that of other UK airports. Our performance reflects the strength of demand within the catchment areas of our airports as well as our close relationships with airlines, based on a mutual desire to provide the best value and choice to the customers we jointly serve.

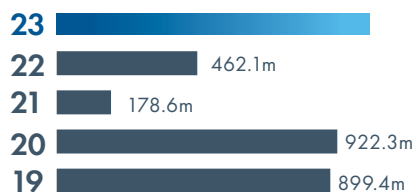
The rebound in the short-haul market was coupled with the strong return of long-haul travel, as international markets opened up and full service airlines advanced their own recoveries. This was reflected in the resumption or addition of long-haul routes from Manchester and London Stansted, and we are in discussions with a range of airlines to add further destinations.

The whole of the UK aviation sector experienced challenges in meeting the rapid increase in demand following the removal of travel restrictions. This caused well-documented operational issues that impacted our airports to varying extents.

* As explained in Other Information of the financial statements on page 173.



REVENUE *

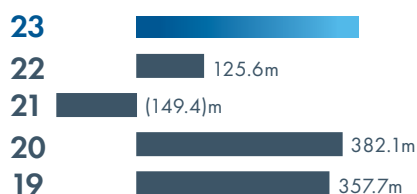


£1,029.0m

2020: £922.3m

+11.6%

ADJUSTED EBITDA



£412.0m

2020: £382.1m

+7.8%



MAG's purpose is to connect our customers to the world with great airport experiences and innovative travel services. As we begin a new financial year, our strategy sets out clear priorities to drive long-term sustainable growth in shareholder value and an increased social and economic contribution to the regions we serve."

Charlie Cornish

Group Chief Executive Officer

*As explained in Other Information of the financial statements on page 173.

Chief Executive's statement continued

Manchester was one of the UK airports more acutely impacted in the early part of the financial year, due to its scale, pace of recovery and the challenging labour market conditions it faced. Our teams worked hard to improve service levels as the summer progressed, enabling airlines to operate their planned schedules so that passengers' travel plans were protected throughout. Over the last year we have recruited more than 1,600 security officers across the Group to enable us to improve service levels and meet rising demand.

More recently, we delivered a highly successful winter season, maintaining strong service levels through Christmas and half-term holidays when our airports see significant increases in passenger demand. After a successful Easter period and early part of the 2023 peak summer season, all three of MAG's airports are continuing to provide consistently good service levels, and we are committed to sustaining this performance and engaging with partners to optimise passenger experience.

In our interim report we provided an update on the formation of CAVU, through the bringing together of our digital and US businesses. This has already proven to be a successful development and presents a major commercial opportunity for MAG. We are making the most of CAVU's commercial expertise and extensive network to build products and services that help airports and travel businesses internationally to unlock value from their end-to-end customer journeys.

CLEAR STRATEGY FOR GROWTH

As the sector resumed operations after the pandemic, we took the opportunity to review and refresh our strategy to provide firm foundations for the future.

We believe MAG's purpose is to connect our customers to the world with great airport experiences and innovative travel services. As we begin a new financial year, our strategy sets out clear priorities to drive long-term sustainable growth in shareholder value and an increased social and economic contribution to the regions we serve.

By focusing on our strategic priorities, outlined on page 17, we will achieve our vision of being a world leader in the provision of airport facilities and travel services, delivering value for all our stakeholders.

Our new strategy is complemented by a refreshed set of values see page 40, co-developed with colleagues, to serve as guiding principles as we develop the organisation and build a brilliant and diverse team over the years ahead. We have also embedded a new operating model, which empowers our airports to maximise their potential and adapt to the opportunities presented by their particular markets, whilst retaining the benefits of being part of the UK's largest group of airports.

INVESTING FOR THE FUTURE

After the challenges of the last few years, it has been hugely positive to move forward with our ambitious plans to invest in our infrastructure. In January we announced a £440m investment in the final phase of the £1.3bn Manchester Airport Transformation Programme (MAN-TP). By completing the transformation of Terminal 2 – which will double the size of the departure lounge and add a second security hall – we will enhance the passenger experience, unlock billions in economic activity and create more than 500 jobs in the construction phase alone, with many more set to be generated as a result of the economic activity stimulated by the expansion of the airport.

In 2021, we secured planning permission to increase passenger capacity at London Stansted from 35 to 43 million passengers per year. We are now developing the investment plans that will enable us to grow to reach that target. Meanwhile, we look forward to setting out plans to further enhance East Midlands Airport's cargo capability, cementing its status as the UK's most important pure freight airport.

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



These investments will enhance the role of our airports as strategic economic assets in the regions they serve, and increase the contribution they make to rebalancing economic growth, creating jobs and driving prosperity. We will continue to work closely with the Government on the policies and investments needed to ensure the economic potential of our airports is fully realised. We are keen to see projects such as HS2, Northern Powerhouse Rail, rail infrastructure in the South East and the East Midlands Freeport next to East Midlands Airport come to fruition in a timely manner.

VALUED COLLEAGUES

Our people have been central to our recovery and strong ongoing performance. It was a pleasure to welcome more than 3,000 new colleagues during the reporting period, and I want to recognise the contribution of colleagues old and new to MAG's success.

MAG's refreshed strategic framework places our people at its core and is underpinned by an updated set of values that define the culture we want to embed in the Group going forward. As a major employer, we are conscious of our responsibilities and the important role we play in driving positive change. We want our airports to represent the communities they serve, and have articulated ambitious Equity, Diversity & Inclusion targets – read more on page 41.

WORKING TOGETHER FOR A BRIGHTER FUTURE

Decarbonisation is a key strategic priority for MAG, and we have seen real progress this year in our journey to a net zero aviation industry.

At a global level it has been encouraging to see the aviation industry renewing its commitment to achieving net zero carbon emissions by 2050. 184 countries also committed to delivering net zero aviation by 2050 at the International Civil Aviation Organisation (ICAO) General Assembly in October, a move that will help drive progress with decarbonisation over the coming decades.

At a national level, the UK Government published its Jet Zero Strategy in July 2022. To support the announcement, MAG created five Jet Zero Pledges, (see page 34,) which set out how the Group will help to drive decarbonisation through various ways, including education research and airspace modernisation.

Zero Carbon Airports is one of the three themes of MAG's CSR work, and we are developing robust plans to enable our airports to achieve our target of net zero emissions by 2038. We are also working in partnerships with Fulcrum BioEnergyUK and HyNet with the goal of making Manchester Airport the first UK airport with a direct supply of Sustainable Aviation Fuel and hydrogen.

In August, London Stansted received planning permission to build a 14.3 megawatt (MW) solar farm on airport land, the largest of its kind in London. With work set to start on the development of the farm imminently, this will make an important contribution to Stansted's net zero ambitions. The other two pillars of our CSR work are Opportunities for All and Local Voices, and it has been a strong year of activity in both these areas, a period that also marked the 20th and 25th anniversaries of the Community Trust Funds at Manchester Airport and East Midlands Airport respectively. Highlights included formation of Youth Forums at each airport and investment in accessibility provision. We were delighted that East Midlands Airport was voted Europe's top-performing airport at The Ozion Accessibility Awards, and that the quality of our assisted travel provision in all our airports was recognised in the Civil Aviation Authority's (CAA) Interim Accessibility Report. Meanwhile, our MAG Connect Aerozones and Airport Academies continue to perform vital work in inspiring the next generation of aviation professionals and creating pathways for them to fulfil their dreams.

OUTLOOK

Operationally, we enter our new financial year in a strong position.

Our airports are resourced to the level required for the peak summer season, and our targeted investments in equipment and infrastructure across our airports will enhance the passenger experience.

As we look ahead, we will continue to work closely with our airline partners to ensure our airports provide the best possible choice and value. Combined with our investment in passenger experience and our clear strategy, MAG has firm foundations for growth and value creation for our stakeholders in the months and years ahead.

Finally, I want to use this statement to reflect on my 13 years as CEO of MAG, with this being my last set of results in that role.

Since joining the Company in 2010, it has grown to become the UK's largest group of airports, including through the acquisition of London Stansted in 2013, at which point we welcomed IFM as shareholders. I am proud to have seen all our airports increase their global reach, with the addition of a number of flagship routes to key international markets.

It has been exciting to launch the £1.3bn MAN-TP, and I look forward to seeing what is the largest investment in the airport's history reach its conclusion. The creation of CAVU has added a new and exciting dimension to MAG, and it is pleasing to see our business playing such a leading role in the decarbonisation of our sector.

I am thrilled to see the Board has approved the appointment of Ken O'Toole as my successor, and I look forward to supporting him and his leadership team in delivering the Group's strategy in the years to come.



Charlie Cornish
Group Chief Executive Officer

4 July 2023

Our strategy

Connecting the world

At MAG, our role is to connect our customers to the world with great travel experiences and innovative travel services. That is our purpose.

The Group's focus over the last three years has been dominated by protecting the business through the pandemic and then delivering a strong recovery in performance once travel restrictions were lifted.

Over the last year, as demand has recovered, we have been looking further ahead to consider the Group's strategic outlook and refresh our long-term corporate strategy.

We have established a new strategic framework that sets out a new purpose, vision and mission for the Group to drive our strategy.

As part of the strategic framework, we have identified seven strategic priorities for the Group that will ensure we deliver sustainable growth in shareholder value.

Our strategy sets out how we will tackle the challenges and opportunities we will face as we grow our business to meet the needs of our customers and stakeholders, both today and into the future.

Our strategy highlights what we need to do to be successful in connecting our customers to the world and provide the great airport experiences and innovative travel services they want.

Our strategy shows how we will meet customer needs by developing a brilliant and diverse team of people who are committed to service delivery, operational excellence, innovation and achieving sustainable growth.

MAG's purpose drives our culture, and our number one priority is to protect the safety and wellbeing of our customers and everyone working at our airports.

We want our business to be a great place to develop a career, and we place a high value on Equity, Diversity and Inclusion, ensuring our teams reflect the communities they serve.

We know we have an important job to do for our customers and stakeholders and are proud of the essential role our airports play in connecting the regions we serve to the world.

Our people are at our core, and they are focused on making sure travellers have a great experience at our airports, providing a service our customers trust will be reliable and friendly.

Innovation and competitiveness will be key to giving us a commercial edge, ensuring we meet users' needs by offering them the products and services they want in a way that represents good value for money to them.

By taking a responsible and sustainable approach to managing and developing our business, we will create value for customers, wider society and our shareholders.

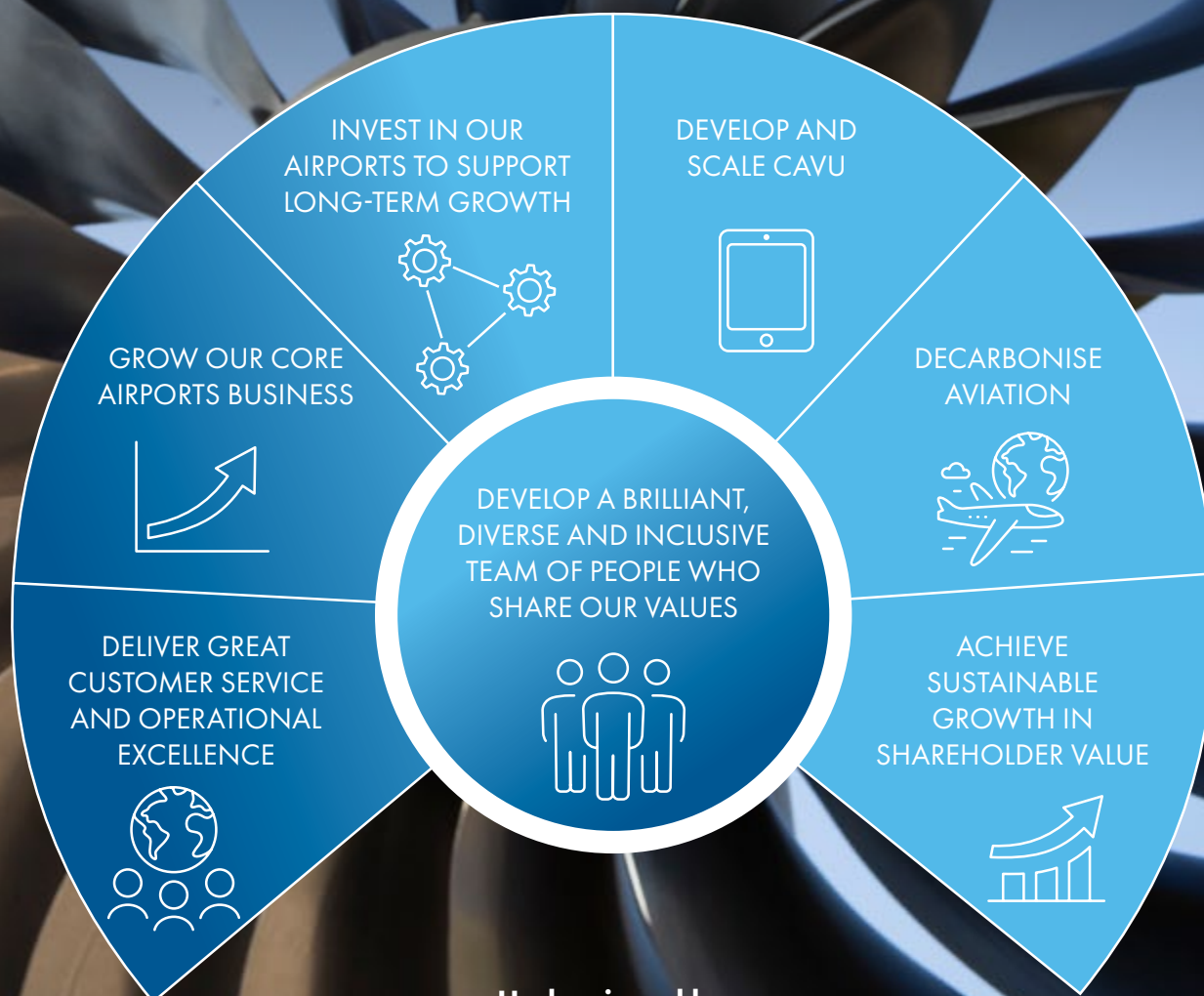


See our business model and value for our stakeholders on pages 20 to 21

Our strategy sets out what we need to do to successfully deliver our purpose to connect our customers to the world with great airport experiences and innovative travel services.

It sets out how we will meet customer needs by developing a brilliant and diverse team of people who are committed to service delivery, operational excellence, innovation and achieving sustainable growth.

Our strategic priorities



Underpinned by:

Health, safety & wellbeing	Values & culture	Technology & transformation
Decarbonisation & sustainability	Commercial partnerships	World-class assets & capital delivery

Our strategy continued

Focusing on delivery



DELIVER GREAT CUSTOMER SERVICE AND OPERATIONAL EXCELLENCE

Make our airports the place where the excitement of a journey really begins by providing an experience that customers trust will be efficient, reliable and friendly – using technology and data to drive high levels of productivity and predictability.

We want our airports to be highly regarded for the mix of value, service and choice they provide. They will have a reputation for good customer service, delivered through operational excellence.

To achieve this, the use of technology and data will be embedded across all our airports, driving high levels of asset utilisation, productivity and colleague engagement.



GROW OUR CORE AIRPORTS BUSINESS

Maximise the commercial potential of our airports by offering value and choice to our customers, making the best use of our airports' capacity.

Long-term commercial partnerships with our airlines will drive growth by ensuring our airports remain highly competitive and offer strong opportunities for network development. Manchester Airport will strengthen its role as the UK's second global hub through the completion of its £1.3bn Transformation Programme, helping secure a range of new global connections.

London Stansted will offer capacity to airlines seeking to serve growing demand for access to London, as well as playing a key role in supporting the growth of the East of England region. East Midlands will work with major cargo operators to grow freight volumes and compete to attract airlines to serve regional passenger demand.

We will enhance the competitiveness and growth potential of our airports by working with Government to deliver strategic rail investment in the North, and improved rail connectivity to London Stansted.



INVEST IN OUR AIRPORTS

Develop new facilities and infrastructure to meet long-term growth in demand and make optimal use of current runway capacity.

We will deliver Phase 2 of the Manchester Airport Transformation programme by 2025 to enable growth to around 45m passengers a year.

At London Stansted, we will finalise our plans to grow passenger capacity to 43m passengers a year. At East Midlands, we will explore funding options for investment in additional cargo capacity to meet long-term demand.

We will invest in next generation security technology and complete the necessary investment programme on budget and within agreed timescales.



DEVELOP AND SCALE CAVU

Use CAVU's single platform, commercial expertise and expansive distribution network to help airports and other related businesses across the globe unlock value from the end-to-end passenger journey, making airport travel seamless and enjoyable for everybody.

Growth will be delivered by increasing the volume and value of transactions flowing through our distribution network which will be increasingly powered by our new single platform, propel™.

This will be achieved by increasing the depth and breadth of the inventory offering within our marketplace and by adding more sessions to reach more customers in both existing and new channels.

Finally, we will increase lifetime value and lower cost of sale by deepening our relationship with customers in a way that builds further loyalty and retention.

Our strategy focuses on the delivery of seven strategic objectives that will ensure MAG achieves its purpose, vision and mission.



DECARBONISE AVIATION

Lead work with industry partners and governments to decarbonise air travel over the period to 2050 so that future growth in demand is sustainable and achievable.

We will progress our Net Zero Transition Plan to deliver net zero airport operations by 2038 through the implementation of a range of programmes to reduce emissions by 2030.

These include developing business cases for investment in renewable energy projects, negotiating a long-term Power Purchase Agreement and incorporating embodied carbon assessments in capital delivery processes to ensure emissions are taken into account in design and development.

We will complete airspace modernisation programmes at all our airports by the late 2020s.

We will work with the UK Government – through our membership of the Jet Zero Council and other industry forums – to ensure the UK is on-track to achieve net zero by 2050. We will support the Government in maintaining global agreements on aviation decarbonisation and develop our own industry partnerships to secure investment in Sustainable Aviation Fuel plants across the UK.



ACHIEVE SUSTAINABLE GROWTH IN SHAREHOLDER VALUE

Grow shareholder value by taking a responsible and sustainable approach to managing and developing our business, balancing the needs of our customers, passengers, colleagues and the communities in which we operate.

In the FY24 financial year, our objectives are to resume shareholder distributions, retain our strong investment grade credit ratings, and to secure efficient borrowing costs on our planned bond re-financing. We will also work to ensure our core capex and mandatory capital schemes are aligned to our agreed funding model, achieve sustainable transformation efficiencies, finalise and implement a new aviation tariff strategy and explore new revenue streams to add shareholder value.



DEVELOP A BRILLIANT, DIVERSE AND INCLUSIVE TEAM OF PEOPLE WHO SHARE OUR VALUES

Create a high-performing team with the culture and capabilities that we need to deliver our strategic objectives and achieve our mission.

This priority underpins our ability to deliver all the other elements of our strategy. Having worked with colleagues to co-develop a refreshed set of values that reflect and guide behaviour, we will work to improve employee engagement by embedding our new Employee Value Proposition and ensuring the creation of a high-performance culture is a key focus for all leaders.

In line with MAG's Equity, Diversity and Inclusivity (ED&I) targets (see page 41), we will seek to achieve a step change in FY24 by implementing change programmes, with a particular focus on driving improvement at leadership level. We will also develop and execute a pay review strategy, taking account of relevant benchmarks. Read more about our work on page 41.

Our business model

How we operate

MAG's business model will support the successful delivery of the Group's strategy by empowering our three airport businesses and CAVU to meet the needs of their customers in the most effective way.

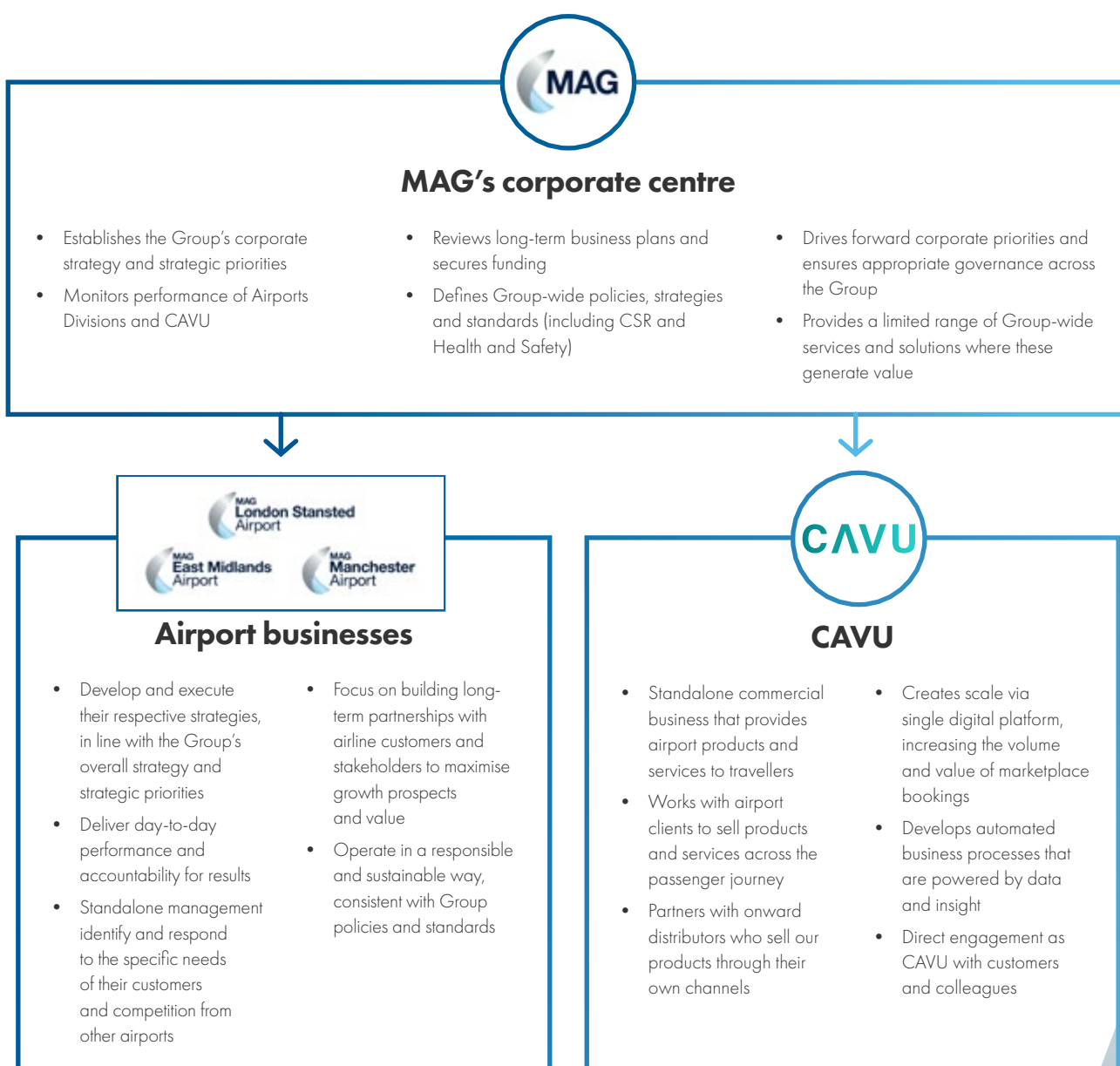
We will develop a strong and growing business by putting the needs of our customers at the centre of everything we do.

By taking a responsible and sustainable approach to managing and developing our business, we will create value

for customers, wider society and our shareholders.

MAG's business model will support the successful delivery of the Group's strategy by empowering our three airport businesses (Manchester, London Stansted and East Midlands) and travel services

business (CAVU) to meet the needs of their customers in the most effective way. This will be supported by a corporate centre that provides strategic direction and governance, and Group-wide services and solutions where these generate value.



Creating value for our stakeholders

We create 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.

TRAVELLERS



We provide travellers with airport services that offer the right mix of choice, quality and value to meet their different needs.

AIRLINES



Our airline customers include passenger airlines, cargo airlines and general aviation operators. We compete with other airports to attract airlines and look to develop long-term agreements to support their growth.

EMPLOYEES



MAG employees play a vital role in delivering services for our customers and they are critical to the successful delivery of our strategy.

We value positive engagement with trade unions who provide collective representation for unionised colleagues. We also recognise that the Group's performance is important to former colleagues who are members of the MAG pension scheme.

LOCAL COMMUNITIES AND REGIONS



People who live and work in the communities and regions around our airports are key stakeholders. We engage with local communities to understand their concerns and work to minimise our impacts as far as possible.

We also work with local schools to support the education of young people and provide training and skills to people looking for work. Our airports also support the work of local charities and organisations through volunteering and funding.

SUPPLIERS AND OTHER AIRPORT PARTNERS



We work closely with a wide range of organisations to deliver a high quality airport experience to our customers, including National Air Traffic Service, UK Border Force, ground handling companies, providers of services to passengers with reduced mobility, retailers and food and beverage providers, and public transport operators.

GOVERNMENT, REGULATORS AND AGENCIES



The Government takes a strong interest in our airports because of their role in delivering wider policy objectives, including economic growth, strategic connectivity and regional development.

Aviation is a highly regulated industry and we work closely with Government, the CAA and other agencies to ensure we comply with their requirements and help shape development of new policy.

SHAREHOLDERS AND DEBT INVESTORS



Our shareholders and debt investors provide the private capital needed to operate and develop the Group. We work closely with them to ensure they understand business unit performance, and the strategic opportunities and risks for the Group.

Key performance indicators

Financial measures

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.

The comparatives used to measure against the current year's performance is 2020, management considers this to be the most appropriate benchmark due to the impact of Covid-19 on 2021 and 2022.

REVENUE

£1,029.0m

2020: £922.3m

+11.6%

**Definition**

Revenue is an indicator of our top-line growth. It consists of aviation income, retail income, car parking, property and other income.

Aim & Context

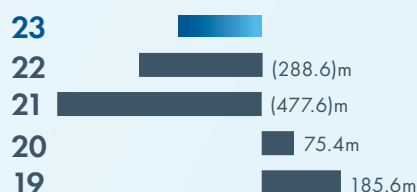
We aim to achieve long-term sustainable growth in revenue across all areas of our business – aviation, car parking, retail and property.

(LOSS)/PROFIT BEFORE TAX

£(197.4)m

2020: £75.4m

n/a

**Definition**

(Loss)/profit before tax is a measure of total return generated before taxation.

Aim & Context

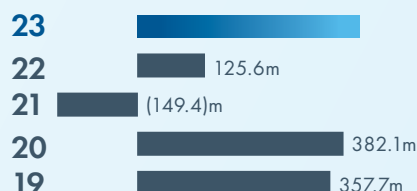
We expect all our operations to contribute a positive return before taxation.

ADJUSTED EBITDA*

£412.0m

2020: £382.1m

+7.8%

**Definition**

Adjusted EBITDA is an indicator of how we are delivering top-line revenue growth while remaining efficient and controlling operating costs.

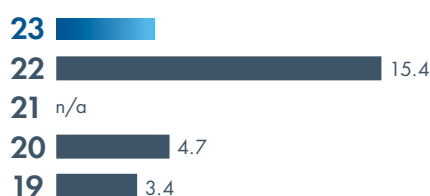
Aim & Context

We aim to generate a level of profit that allows re-investment in our infrastructure.

* As explained in Other Information of the financial statements on page 173.

NET SENIOR DEBT/ ADJUSTED
FROZEN EBITDA***3.6**

2020: 4.7

-23.4%**Definition**

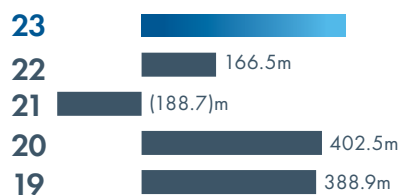
Net senior debt is a measure of indebtedness used by our financiers and the adjusted frozen EBITDA excludes the impact of IFRS 16 in line with covenant calculations.

Aim & Context

The Group seeks to grow EBITDA, whilst maintaining appropriate levels of net debt and leverage to invest in the asset base.

CASH FROM OPERATIONS -
ADJUSTED***£455.0m**

2020: £402.5m

+13.0%**Definition**

Adjusted cash from operations is the cash generated in the year from operations excluding adjusted items.

Aim & Context

We focus on converting our operating profits into cash to fund further investment and returns to shareholders.

* As explained in Other Information of the financial statements on page 173.

Key performance indicators continued

Operational measures

Operational measures help us understand how our business is performing in a number of key areas including Equity, Diversity and Inclusion and Sustainability.

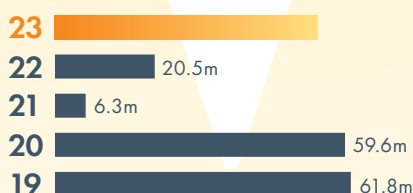
The comparatives used to measure against the current year's performance is 2020, management considers this to be the most appropriate benchmark due to the impact of Covid-19 on 2021 and 2022.

PASSENGER NUMBERS

54.0m

2020: 59.6m

-9.4%

**Definition**

Passengers being the total of all arriving, connecting and departing passengers.

Aim & Context

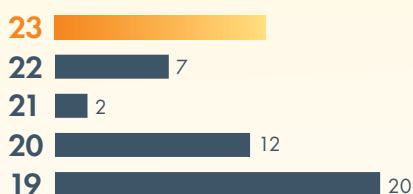
Maximise passenger volumes through our airports, which will contribute to growth in our aviation and commercial revenue streams.

HEALTH AND SAFETY **RIDDOR** –
REPORTABLE ACCIDENTS

13

2020: 12

+8.3%

**Definition**

We measure the number of reportable accidents over the 12 month period.

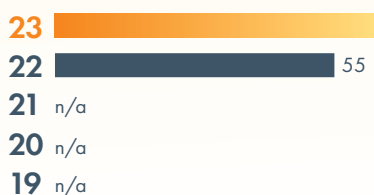
Aim & Context

Maintain robust health and safety standards for both our customers and colleagues, contributing to a safe working and operating environment for all.

EMPLOYEE ENGAGEMENT SCORE ¹

64

2020: n/a

**Definition**

We survey all of our teams to understand their engagement levels over the past 12 months, the score is denominated out of 100.

Aim & Context

Achieve the highest level of employee engagement, through developing a brilliant, diverse and inclusive team of people who deliver outstanding customer service.

¹ Performance metrics only captured from FY22

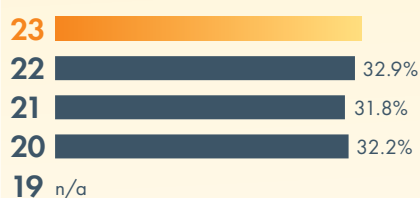
² Performance metrics only captured from FY20

FEMALE REPRESENTATION AT LEADERSHIP ²

33.6%

2020: 32.2%

+4.3%

**Definition**

We report on female leadership (Grades 4a and above) diversity quarterly and review progress at the ExCo-sponsored ED&I Forum and the CSR Committee quarterly.

Aim & Context

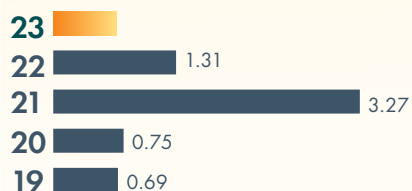
Create an equitable and inclusive culture that increases colleague engagement and productivity, allowing us to increase gender and ethnic representation at leadership levels.

CARBON REDUCTION – CO₂ EMISSIONS

0.68

2020: 0.75

-9.3%

**Definition**

'SECR' scope 1, 2 and 3 Greenhouse gas emissions market based emissions per traffic unit (tonnes CO₂e).

Aim & Context

To minimise the environmental impact of our airports.

Divisional reviews

Manchester Airport

Manchester Airport handled 25.2m passengers in FY23, equivalent to 89.4% of FY20 levels. The sustained recovery through the year means the airport is once again driving wider economic growth as the UK's global gateway in the North.

PERFORMANCE

As the UK's global gateway in the North, Manchester Airport saw strong demand after the lifting of pandemic travel restrictions. This is reflected in passenger numbers for FY23 of 25.2m equating to 89.4% of pre-pandemic levels in FY20, and 176.9% higher than FY22 figures.

Alongside our airline partners, we worked over the period to maintain full flight schedules, appreciating the value people attach to their travel plans. However, the time required to recruit and clear people to work in secure airside environments – typically a three-month process – resulted in operational challenges at Manchester in the first few months of the financial year, with service levels in peak periods falling below those we aim to deliver.

As new recruits joined the operation, we were able to drive sustained improvements in service levels throughout the summer period, with 85% of passengers passing through security in 15 minutes or less in August. We have delivered sustained improvements in operational performance since the summer, including at peak times. For example, during the most recent Easter period, 99.0% of passengers passed through security in 15 minutes or less.

Our recruitment efforts saw us welcome nearly 2,000 new colleagues into the business, including around 1,000 security officers. We were pleased to have achieved this outcome, particularly given labour market challenges faced by a number of sectors, and we are grateful for our colleagues' hard work in restoring our service levels so swiftly. This was achieved through strong partnership working with regional stakeholders, including the staging of multiple jobs fairs and utilising the network of our Airport Academy.

During recent industrial action by PCS Union members working for UK Border Force (UKBF), we worked closely with UKBF and the armed forces to ensure there was no disruption to flight schedules and queues at the border.

ROUTES

The majority of pre-pandemic routes were reinstated promptly after restrictions were removed. Demand was strongest for short-haul destinations, although direct long-haul routes have also recovered strongly during FY23.

Adding to the airport's long-haul destinations, Kuwait Airways and Gulf Air began services to Kuwait and Bahrain, and Hainan Airlines resumed its Beijing-Manchester services in August after a two-and-a-half-year long suspension.

In September, Emirates announced it would re-commence its third daily service to Dubai, returning the airline to its pre-pandemic capacity at Manchester. Air Canada also resumed its direct service to Toronto, five times a week during the summer season.

INVESTMENT

Having received extremely positive feedback from passengers and airlines since the first phase of the Terminal 2 extension opened in July 2021, we recently announced the go-ahead for the final phase of the Manchester Airport Transformation Programme. An investment of £440m will double the size of the departure lounge, provide an additional security hall fitted with next-generation security scanners, and increase hold baggage processing capacity. The airfield will also be upgraded to cater for next generation aircraft. Upon the completion of the work, 80% of the airport's passengers will fly through this world-class terminal.





WELCOME
TO
MANCHESTER
AIRPORT

The scale of our investment demonstrates our commitment to the region, and we are keen that our world-class facilities connect with high quality infrastructure that will help the North realise its full potential. While we welcome the Government's recently-reiterated commitment to Northern Powerhouse Rail (NPR) and HS2, we are disappointed that the opportunity is not being taken to deliver NPR in full, to maximise the benefits of this once-in-a-generation investment. It is vital that this transformational investment is delivered as soon as possible to drive a rebalancing of the UK economy.

WORKING TOGETHER FOR A BRIGHTER FUTURE

As we look forward to celebrating Manchester Airport's 85th birthday, our commitment to supporting the communities and region we serve remains unwavering. We were delighted to open the new MAG Connect Aerozone education centre in February 2022, to expand the free adult education services delivered on-site, and to mark the 25th anniversary of the Manchester Airport Community Trust Fund with contributions of more than £160,000 to support local charitable organisations and community groups.

We entered a landmark partnership with HyNet in November that could make Manchester Airport the first in the UK to secure a direct supply of hydrogen fuel. This complements our partnership with Fulcrum Bio Energy UK for the delivery of Sustainable Aviation Fuel (SAF). These are important milestones in our commitment to achieve net zero carbon by 2038.



Divisional reviews continued

London Stansted Airport

London Stansted Airport demonstrated an industry-leading recovery, with passenger volumes reaching 94.8% of FY20 levels in FY23. Operational performance remained strong throughout the period, with significant numbers of new colleagues joining the business to support the additional services being offered by our airline partners.

PERFORMANCE

Thanks to the strength of its route network, with more European destinations than any other UK airport, London Stansted's recovery outperformed other UK airports. Passenger numbers rebounded to 94.8% of those seen before the pandemic, with 25.5m passengers welcomed in FY23, up by 147.6% compared to the previous year.

Operational performance was strong throughout the year, with 99.0% of passengers passing through security in 15 minutes or less throughout the summer season. We added 377 people to our team, thanks to our extensive recruitment programme, which included the staging of a series of jobs fairs and close partnership working with key regional stakeholders. We are grateful to colleagues for delivering an industry-leading customer experience last summer.

ROUTES

A market leader for short-haul travel with 180 European destinations, London Stansted was pleased to offer a rich programme of services after travel restrictions were removed.

We were delighted to see the return of long-haul services in August 2022 when Emirates reinstated its Stansted to Dubai service. The addition of a second daily service from May 2023 is indicative of the strong demand for travel to the Middle East hub and beyond to other long-haul destinations, particularly in the Asia-Pacific region.

Other carriers at the airport also introduced new routes across the year, including Ryanair routes to Newquay, Asturias, Klagenfurt, and Leipzig, a service to Bergen with Widerøe and two new Jet2 city break destinations to Athens and Rome.



In October, we also published research in partnership with Cambridge& that identified strong demand among rapidly scaling businesses in Cambridge and the East of England for long-haul business travel from London Stansted Airport. This could deliver an economic dividend for the region amounting to £185m in additional investment being unlocked from the introduction of routes to Boston and San Francisco alone. Direct links to these global centres of excellence and other strategically important destinations such as Singapore and China would boost the ability of Cambridge and the region to compete for international investment.

A DECADE OF MAG OWNERSHIP

February marked 10 years since MAG acquired London Stansted Airport. Under MAG's ownership the airport has become the UK's number one gateway to Europe. Over the decade, Stansted has served more than 200m passengers on 1.3m flights provided by 85 airlines to 299 destinations in 52 countries.

Having invested millions of pounds in upgrading facilities over the last decade, we look forward to the next phase of investment in new facilities and infrastructure to increase capacity from 35m to 43m passengers per annum.

WORKING TOGETHER FOR A BRIGHTER FUTURE

We are proud of our achievements over the last decade, such as Aerozone, which has welcomed more than 20,000 school visitors since 2015, and Stansted Airport College, which opened in 2019. During the year, we relaunched the London Stansted Airport Community Trust Fund, contributing more than £160,000 to local charitable organisations and community groups.

As part of our ongoing sustainability programme, in August we received approval to construct an on-site 14.3MW solar farm to help to power the airport's operations. We were also pleased to see our largest airline partner Ryanair, commit to the use of Sustainable Aviation Fuel (SAF) at London Stansted through a Memorandum of Understanding with Shell, which could reduce its CO₂ emissions by 900,000 tonnes.

We are keen to maintain our record as the leading airport in the UK for public transport use by passengers. Whilst we welcome the reinstatement of four trains per hour between London Stansted and London at peak times during weekdays, we look forward to the return of the full service across the day that was in place before the pandemic.



Divisional reviews continued

East Midlands Airport

East Midlands Airport saw passenger numbers recover to around two-thirds of what they were before the pandemic, representing a significant increase on the prior year.

A significant recruitment drive ensured service levels were strong throughout the year, making it the airport of choice in the region it serves.



PERFORMANCE

In FY23, East Midlands Airport served 3.3m passengers, an increase of 200.0% compared to the previous year and 73.3% of the numbers before the pandemic in FY20.

Operational performance was strong, with 99.0% of passengers passing through security in 15 minutes or less. Recruitment has been the principal driver of service levels, and we were pleased to welcome more than 150 new colleagues over the reporting period.

ROUTES

Summer 2022 saw the addition of two new routes, into the Greek island of Skiathos and the Egyptian resort city Hurghada.

This year, Ryanair, Jet2 and TUI all increased their number of based aircraft at East Midlands. Ryanair is now operating eight aircraft and Jet2, seven. TUI will operate five planes out of East Midlands this summer compared with three last year and, coupled with this investment, have brought back additional routes this summer to Antalya (Turkey), Hurghada (Egypt) and Gran Canaria. Eastern Airways, which recently launched Newquay and Paris Orly flights, also has an aircraft based at the airport. Other domestic routes are served by Aer Lingus Regional and passengers flying to the Channel Islands are catered for by airlines Blue Islands and Aurigny.

CARGO

Alongside its passenger operation, East Midlands Airport is the UK's leading airport for dedicated cargo operations, flying more tonnes by pure freight aircraft than any other in the country.

In FY23, cargo loads decreased by 13.4%, with the airport handling more than 395,000 tonnes of freight. Although cargo volumes are down on last year, they are still ahead of pre-pandemic levels; and the airport continues to have, by some margin, the UK's largest share of the freight-only aircraft market. This was demonstrated throughout the pandemic when the airport played a critical role in facilitating the movement of PPE and other medical supplies around the world.

The airport's role as a key facilitator of international trade was recognised in June, when a study by York Aviation showed that East Midlands' freight operation was giving businesses across the Midlands a competitive advantage. Research showed that the customs value of exports per tonne at East Midlands was £335,000 compared to £180,000 at some other UK airports.

FREEPORT STATUS

In March, the East Midlands Freeport was officially designated by the Government. This is the UK's only Inland Freeport with three modes of transport – road, rail and air. The airport is the international 'port' of the Freeport as well as forming part of one of three designated tax sites – the East Midlands Airport and Gateway Industrial Cluster (EMAGIC). The site will be a key enabler for international business within the region and is expected to create 60,000 jobs.

WORKING TOGETHER FOR A BRIGHTER FUTURE

We have a longstanding commitment to supporting those living in our surrounding area. In 2022, we marked 20 years of our Community Trust Fund, over which time it has awarded over £1.3m in donations to more than 1,500 community groups, schools and charities. In February, we also marked 30,000 visitors to the MAG Connect Aerozone since it first opened in 2010.

During the year, we made significant investments in our accessibility provision and are proud to have had our work recognised internationally, having been voted Europe's top performing airport at The Ozion Accessibility Awards. Soon after, the CAA's Interim Airport Accessibility Report in December found that East Midlands Airport had been consistently "very good" throughout the year.



Divisional reviews continued

CAVU

Over the last 10 years, **MAG** has established a strong track-record for developing and expanding our offering to customers, both directly to passengers and through the services we provide to partners in the travel sector. We have developed a commercial agility, digital skillset and a deep understanding of the customer that enables us to stimulate demand and grow revenue. This capability creates new opportunities for growth on a global scale.

Recognising the market potential in these areas, we created a new business – CAVU – in March 2022, through the union of MAG-O (MAG's digital division), MAG-US and our direct-to-consumer distribution brands. With a mission to be the number one airport product and services company in the world, CAVU, is a global organisation with a vision of how to make airport travel seamless and enjoyable for passengers and more profitable for the businesses that serve them.

7.7m
TRANSACTIONS

24
COUNTRIES

278
AIRPORTS

1,804
SUPPLIERS

3,294
PRODUCTS

15
INTELLIGENT PERFORMANCE
CONTRACTS (INCLUDING ALL
THREE MAG AIRPORTS)

24
LOUNGES ACROSS THE
US/UK (INCLUDING
SEVEN AT MAG
AIRPORTS)

CAVU helps airports and other businesses within the sector, including MAG, create better travel experiences and increase revenue by helping stimulate demand for their products and services through a global distribution network. Enabled, by propel™, CAVU's proprietary e-commerce platform supported by a range of commercial products and services, CAVU helps clients by unlocking value from the end-to-end passenger journey.

propel™ will enable customers to buy a bundle of products (including parking, transfers, hotels) by putting them into a single basket and checking out with a seamless transaction via any one of its distribution channels. CAVU increases the value of transactions through revenue management and by upselling and cross-selling inventory from its marketplace to passengers and builds customer loyalty by incentivising repeat purchase and customer retention. The ultimate aim for CAVU is to increase the volume and value of marketplace bookings flowing through propel™ across its global distribution network.

Our ambition is to develop CAVU into an £80m EBITDA business over the medium term. To achieve this, CAVU will adopt a 'buy and build' strategy to accelerate growth, achieve necessary scale, and market share. A recent example has been the June 2023 acquisition of ParkVia, a global online parking reservation platform. By the early 2030s, we are confident that CAVU has the potential to generate EBITDA in the region of £100m.

PERFORMANCE

Performance in the financial year has been strong. Financial outcomes exceeded targets, with EBITDA of £36.9m, £4.5m ahead of plan. Commercial arrangements for trading MAG's Parking, Lounges and FastTrack were formalised at the start of FY23, putting in place an arm's-length contract between CAVU and MAG's airports. These were embedded smoothly, resulting in a strong performance for both CAVU and MAG more widely. EBITDA growth outside of MAG is a focus for the team, evidenced in distribution revenues in the Americas and EMEA. There have also been new client wins for Intelligent Performance and additional lounge openings in both these markets, including a notable partnership at Bristol.

PROPEL™, OUR SINGLE PLATFORM

On the 3 April 2023 we launched our single platform, branded propel™. We offer clients expertise in the areas of revenue growth, customer experience and operational excellence, and propel™ brings them all together in one place. The launch represented a critical milestone in CAVU's growth, and was achieved on time and on budget thanks to the hard work and commitment of our people. FY24 will see us unlock the benefits of propel™ by winning new clients, as well as migrating existing users from a variety of channels onto the new single platform.

GROWTH

Our potential derives from two business development focuses: building channels that deliver increased usage and increasing the breadth and depth of our travel inventory to build scale within our marketplace.

We have accelerated growth by winning new business on an organic basis whilst forming partnership agreements. We have significantly expanded business development opportunities in both the Americas and EMEA, securing many new clients and partners in the process, including New Orleans, Austin, Miami, Christchurch, Adelaide and Ryanair.

The market for new lounges in the Americas presents unique challenges and is competitive. Despite this, we opened two new lounges in Fort Lauderdale and Columbus during the year, which have been well received and are trading well, and a further lounge at Syracuse has opened in early FY24.



Sustainability

Working together for a brighter future



Despite the challenges of recent years, we have remained steadfast in our commitment to delivering our 2020-2025 Corporate Social Responsibility (CSR) Strategy, “Working together for a brighter future”. October saw the publication of our annual CSR report, which outlined our progress against our three focus areas: Zero Carbon Airports, Opportunity for All and Local Voices.

ZERO CARBON AIRPORTS

This pillar includes initiatives to achieve our flagship target of transitioning to net zero carbon operations (Scope 1 & 2) by 2038, and also to address important environmental topics such as energy use, embodied carbon, waste, water use and pollution prevention.

As founding members of the Jet Zero Council, we are working closely with the Government and aviation industry partners to support the decarbonisation of the sector. We marked the publication of the Jet Zero Strategy in July 2022 by issuing MAG’s five Jet Zero Pledges relating to education, research, technology, Sustainable Aviation Fuel (SAF) and airspace, to support delivery of the Council’s goals.

Building on the UK aviation industry’s world-leading 2020 commitment, we welcome the historic adoption by International Civil Aviation Organisation (ICAO) member states of the objective to reach net zero by 2050, a crucial development for our sector.



GRESB
★★★★★ 2022



We have taken meaningful action towards decarbonisation with the announcement in November of a partnership with HyNet, which could see Manchester Airport become the first in the UK to secure a direct supply of hydrogen fuel from the mid-2030s. This complements our existing partnership with Fulcrum BioEnergy in relation to SAF.

At East Midlands Airport, we were pleased to see an investment of more than €60m in SAF from DHL which could reduce CO₂ emissions by around 70,000 tons. Furthermore, Ryanair, Europe's largest airline, signed a Memorandum of Understanding with Shell to advance the supply of SAF, with the potential to save over 900,000 tonnes in CO₂ emissions. We are pleased to see Ryanair focusing on one of its largest bases, London Stansted Airport, for this project.

As we work to reduce the emissions of our operations, we were pleased to secure planning permission for a 14.3MW solar farm at London Stansted Airport, and also submitted airspace change designs for the airport.

It has been pleasing to receive external recognition of our long standing commitment to aviation decarbonisation. This financial year MAG was the only airport operator to be named a Financial Times 'Climate Leader' in 2021, 2022. In 2023 we received a 5-star GRESB rating once again.

2038

OUR AIRPORT OPERATIONS
WILL BE NET ZERO BY 2038

Sustainability continued

OPPORTUNITY FOR ALL

Our 'Opportunity for All' pillar highlights our dedication to fostering a safe, inclusive, and diverse work environment, and creating high-quality employment opportunities for everyone. Our MAG Connect Airport Academies played a critical role in scaling up recruitment following the easing of international travel restrictions, assisting job seekers from local communities to apply for positions with MAG and our business partners. We have organised and attended 345 jobs fairs to make the employment opportunities available at our airports as accessible as possible, with 12,525 people attending these events over the past 12 months.

We worked closely with the Department for Transport on the launch of 'Generation Aviation' recruitment campaign and are using our expertise and specialised education facilities to create a pipeline of future talent for our sector.

During the financial year, more than 6,500 young people visited our MAG Connect Aerozones, which offer high quality, free and engaging learning experiences to local schools and are instrumental in inspiring the next generation of aviation professionals. We celebrated several milestones, including the first anniversary of Manchester Airport's Aerozone, which welcomed more than 3,000 students since its launch. We welcomed our 30,000th visitor to our East Midlands Aerozone and the 20,000th visitor to our London Stansted centre since they opened in 2010 and 2015 respectively.

By championing Equity, Diversity, and Inclusion (ED&I) in our workplace, we can foster a sense of belonging and unleash the full potential of our team members, ultimately driving success for our business. To advance our work in this area we established an ED&I forum, and created an initial five Colleague Resource Groups (CRGs) focused on Men's Mental Health, the Women's Network, Fly with Pride LGBTQIA+, Race & Ethnicity, and the Carers' Network.

To ensure that businesses local to our airports also benefit as much as possible from our success, we were delighted to welcome local businesses to London Stansted Airport as the 'Meet the Buyers' event returned after a two-year hiatus. This event has been one of the region's longest-running business expos, generating more than £28m in business since 2011. More than 200 businesses, ranging from start-ups to large companies, attended the event in the hope of securing contracts with major organisations such as Essex County Council, Aggreko, and SPIE UK. The event was organised by London Stansted and co-run by Marketing Kinetics and UMi. In addition to this, Manchester Airport held its first 'Meet the Buyers' event, where more than 100 local businesses had the opportunity to connect with prospective clients in Greater Manchester. With over 200 attendees, this event was a great success and helped local businesses to expand their reach and networks.

We are seeking accreditation to become a Real Living Wage Employer and anticipate certification in FY24.



MORE THAN
6,500
YOUNG PEOPLE VISITED
OUR AEROZONES

LOCAL VOICES

Our 'Local Voices' pillar outlines our commitment to listening to local communities and responding to local priorities to improve the areas closest to our airports.

The lifting of Covid-19 restrictions in March 2022 meant we were physically able to return to the communities around us and re-establish our outreach programme, including attendance at local events and giving talks to communities. Complemented by the continued use of online channels, our hybrid engagement model enables improved accessibility and reach in working with our stakeholders.

Our Airport Consultative Committee meetings provide a key forum for listening to local voices and supporting the management of our Community Funds. During the year we held 33 meetings with more than 370 attendees. These provided important input into our updated materiality assessment, for which we also collected the views of more than 600 of our local residents.

We understand the value of actively seeking out diverse perspectives, and were thrilled to announce the launch of Youth Forums at each of our airports to amplify the voices of young people and gather their perspectives.





The financial year also saw the relaunch of London Stansted Community Fund and the 25th anniversary of Manchester Airport Community Trust Fund. Our Community Funds continue to be a core element of our work, and we are proud to have contributed more than £945,000 during the year to support local charitable organisations and community groups. This included £400,000 donated through our Schools' Eco-Garden competitions, which encourage schools local to our airports to create green spaces that enhance biodiversity and promote mental well-being.

A further £164,000 was allocated to projects that promote sustainability through our East Midlands Airport Low Carbon Energy Grant.

To mark Her Late Majesty's Platinum Jubilee in 2022 and the Queen's Green Canopy project, we made a commitment to plant more than 4,900 trees in and around our airports, one for each MAG employee on the day of the Platinum Jubilee.



Sustainability continued

Our sustainability performance

Issue	Objective	Indicator	Status	2022/2023	2021/2022	Change
Carbon reduction ¹	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)		0.68	1.31	-48%
Area of noise footprint ²	Being good neighbours within our communities	Area of daytime 57dB LAeq noise contour (km ²)		53.4	35.3	+51%
Number of education, skills and employment engagements ³	Supporting work within our communities	Number of people supported by MAG Connect Airport Academies		12,525	10,757	+16%
Health and safety 'RIDDOR' reportable accidents ⁴	Maintain robust health and safety standards	Number of 'RIDDOR' reportable incidents		13	7	+86%

¹ Whilst energy use and emissions increased this year due to increased activity following the removal of travel restrictions associated with the Covid-19 pandemic, the intensity of our emissions decreased. Our energy and emission performance have been restated for 2021/22 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. '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/1809/mag-emissions-report-2021-22_final.pdf

² The area of our noise footprints increased this year as air traffic during the summer returned to more normal levels following the removal of travel restrictions in early 2022. For comparison, the area of our noise footprint in summer 2019 was 69.7 km²

³ 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.

⁴ Health and safety is a key priority for MAG. The increase in reportable incidents in 2022/23 follows increased activity during this reporting period. When compared to pre-pandemic levels, no significant findings, issues or trends have been identified.



OUR ENERGY AND EMISSIONS PERFORMANCE

We have a long history of disclosing the climate impacts of our airports. In compliance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, this report provides an overview of our energy usage and emissions. It covers our responsibility for energy consumption and emissions related to our operations.

The information presented below details MAG's energy use and emissions, both in absolute terms and in comparison to our

passenger and cargo throughput, measured in 'Traffic Units' (defined by the International Civil Aviation Organization as equivalent to 1,000 passengers or 100 tonnes of freight). We have prepared this report by following the environmental reporting guidelines published by the Government and adopting the principles of the World Resources Institute's Greenhouse Gas Protocol.

To gather our energy usage and associated emissions data, we primarily relied on primary sources. In cases where primary data was unavailable, we estimated consumption by extrapolating historic energy use.

We recognise the significance of greenhouse gas emissions reporting to our stakeholders and we are committed to reporting transparent and well-informed climate data. In addition to this report, we publish our annual CSR report every autumn which will include supplementary information about MAG's emissions from our activities and other emissions indirectly associated with our business.

Further details on measures to increase energy efficiency can be found in the Zero Carbon Airports section of this report on page 34.

SECR Table ^{4,5}	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019
Energy consumption used to calculate emissions (kWh)	196,353,334	181,984,777	181,314,564	210,406,900	208,525,600
Emissions from combustion of gas (Scope 1, tCO ₂ e)	11,449	11,524	11,905	9,806	9,752
Emissions from combustion of fuel for transport purposes (Scope 1, tCO ₂ e)	2,861	2,972	2,322	5,523	4,665
Emissions from business travel in rental cars or employee-owned vehicles where MAG is responsible for purchasing the fuel (Scope 3, tCO ₂ e)	109	58	7	90	98
Emissions from purchased electricity (Scope 2, location-based, tCO ₂ e)	23,564	22,736	25,074	34,624	33,225
Emissions from purchased electricity (Scope 2, market-based, tCO ₂ e) ²	52	49	59	74	5
Total gross emissions based on the above (Location-based, tCO ₂ e)	37,983	37,290	39,308	50,043	47,740
Total gross emissions based on the above (Market-based, tCO ₂ e) ¹	14,471	14,603	14,293	15,493	14,520
Intensity measure (Traffic units) ³	56,010	28,448	12,013	66,899	69,167
Intensity ratio (Location-based emissions, tCO ₂ e /traffic unit)	0.68	1.31	3.27	0.75	0.69
Intensity ratio (Market-based emissions, tCO ₂ e /traffic unit)	0.26	0.51	1.19	0.23	0.21
Carbon offsets (purchased and retired, tCO ₂ e)	14,471	14,603	14,288	15,439	14,520
Total net emissions based on the above (Location-based, tCO ₂ e)	23,512	22,687	25,015	34,551	33,225
Total net emissions based on the above (Market-based, tCO ₂ e)	–	–	–	–	–

¹ Our energy and emission performance have been restated for 2021/22 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.

² Location-based emissions are based on the average emission intensity of the UK electricity grid. MAG proactively chooses to purchase renewable electricity which is backed by Renewable Energy Guarantees of Origin. To demonstrate the carbon saving of our procurement decision we 'dual report' our location and market-based greenhouse gas emissions.

³ 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.

⁴ SECR scope 1, 2 and 3 greenhouse gas emissions are defined in our latest emissions report, which can be found here: https://www.magairports.com/media/1809/mag-emissions-report-2021-22_final.pdf. This SECR data has been independently verified by TÜV NORD CERT GmbH

⁵ Additional measures to improve energy efficiency will be discussed in our latest CSR Report that will be published in Autumn 2023. Previous CSR Reports can be found here: <https://www.magairports.com/responsible-business/csr-reports>.

Our people

Our people are the keystone to MAG's success. Across the Group, more than 5,000 colleagues work to keep our airports running smoothly, deliver great service to passengers and partners, and help us achieve our strategic objectives.

As MAG emerged from the pandemic and introduced a new operating model and an updated Strategic Framework, we were keen to ensure that these changes were accompanied by a refresh of our company values and continue the evolution of our proposition to current and prospective colleagues. This has been all the more important over the recovery period, as we welcomed a high volume of new colleagues across the business.

OUR VALUES

We are united by our shared purpose to connect customers to the world, and MAG's refreshed values encapsulate the culture we aim to cultivate across the business, shaping behaviours and decision-making:

1. People at our core
2. Growing every day
3. Safe hands
4. Power of teamwork
5. Sustainable future for all

MAG delivered a major programme of engagement to communicate our new values across the Group.

Colleagues at leadership level took part in a series of 'Breakthrough' education sessions, delivered to 500 people across MAG. In these sessions, leaders came together as a team to launch the new Empowered Airports Operating Model, as well as the refreshed Values and continue the evolution of our culture. These sessions aimed to energise and inspire teams across MAG, by learning new leadership tools and techniques that are easily applicable at scale within the business.

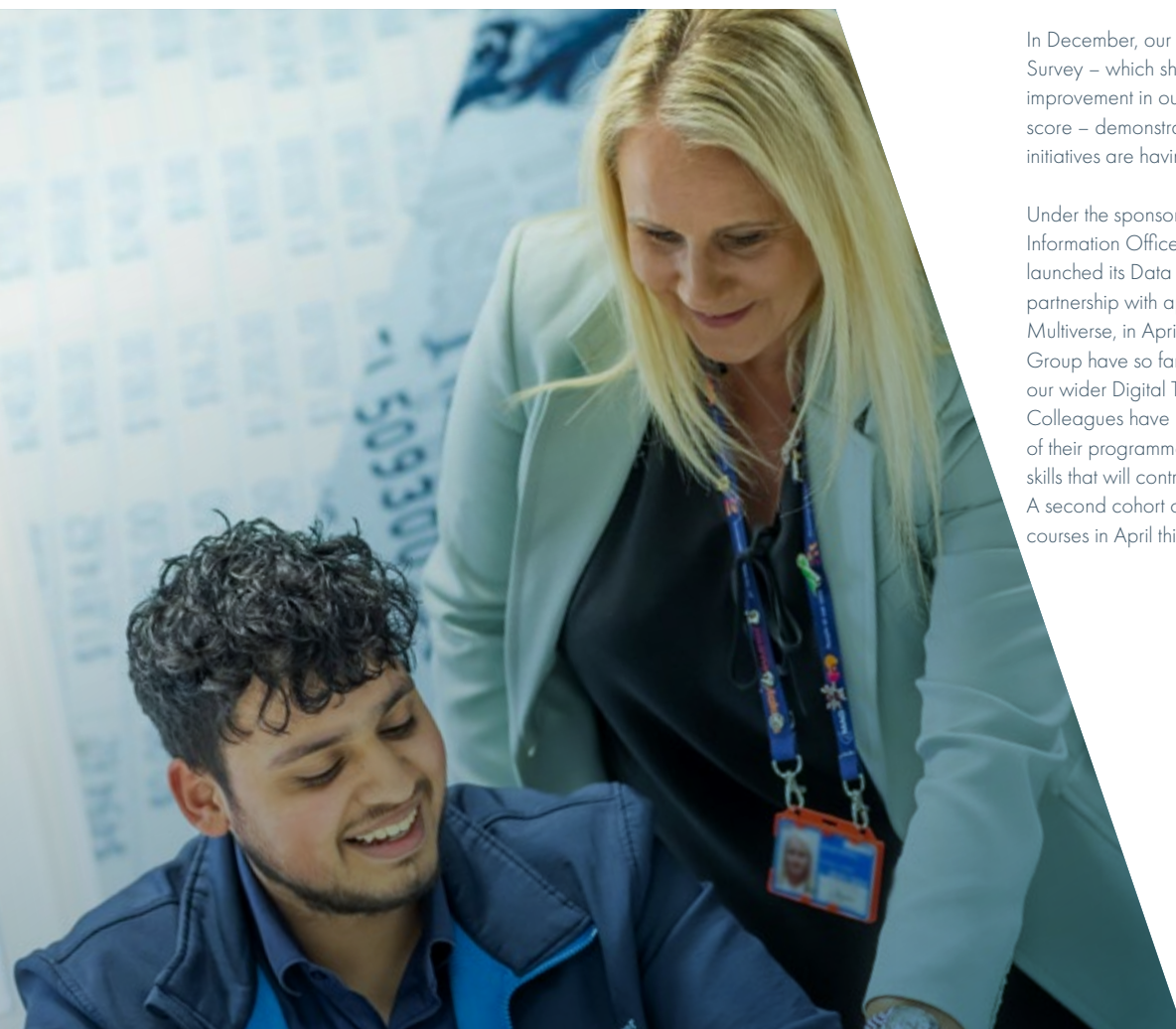
In total, our new values were rolled out to all 6,500 of our colleagues, at approximately 180 briefing sessions across our airports.

DEVELOPMENT AND ENGAGEMENT

We are committed to developing and inspiring colleagues across MAG and over the last 12 months worked hard to deliver initiatives to empower our people to achieve their potential.

In December, our most recent Your Voice Survey – which showed a +9-point improvement in our colleague engagement score – demonstrated the positive impact our initiatives are having across the organisation.

Under the sponsorship of the Group Chief Information Officer Nick Woods, MAG launched its Data Literacy Programme, in partnership with apprenticeship provider Multiverse, in April 2022. 53 leaders across the Group have so far taken the training, as part of our wider Digital Transformation programme. Colleagues have now completed the first year of their programme, bringing with them new skills that will contribute to the future of MAG. A second cohort of colleagues started their courses in April this year.



RECRUITMENT

We scaled up at pace following the lifting of pandemic-related travel restrictions, recruiting 3,391 people within 12 months. This was achieved through the development of MAG's new employer brand 'We are the Journey Makers', combined with a large scale recruitment campaign including the facilitation of 345 jobs fairs through our Airport Academies, as outlined on page 36.

Recognising the importance of a compelling employer brand to attract and retain talent, we worked with stakeholders to capture the essence of what makes MAG special, and were pleased to launch our 'We are the Journey Makers' value proposition during the year.

MAG also recommenced its Early Talent programme in October, welcoming new graduates to teams across the business, including Strategy, Commercial, People and Finance. The Group is also developing a new operations apprenticeship scheme to begin later this year initially at Manchester Airport.

ED&I

We believe our business should reflect the diverse communities in which we operate, and understand our responsibility to ensure all our colleagues feel able to be their authentic selves at work.

In December, we published our new Equity, Diversity and Inclusivity (ED&I) Strategy, which sets out a series of frameworks as to how we can deliver positive change within MAG, which is overseen by our ED&I Forum, sponsored by current Deputy CEO Ken O'Toole and representation from members of MAG's Executive Committee.

We are committed to ensuring diversity of talent flows right the way through our business, and we have set out a series of ambitions for our leadership population:

- 50% representation of female colleagues by 2033
- 12% representation of ethnic minority colleagues by 2026
- 12% representation of colleagues under 25 by 2025

Other elements of MAG's ED&I Strategy also include recommending diverse shortlists for leadership appointments and facilitating hiring manager training across the organisation covering the topic of unconscious bias. MAG has also started a women in leadership programme in partnership with the Everywoman organisation, which also provides online support and resources for all colleagues across the Group.

In 2021 we established Colleague Resource Groups (CRGs) that continue to support and inspire colleagues across MAG. Our CRGs include the Men's Mental Health, the Women's Network, Fly with Pride LGBTQIA+, Race & Ethnicity, and the Carers' Network. Over the last year, our networks have championed topics including supporting new parents returning to work, International Women's Day, celebrating diversity in faith across our organisation, November 2022, Pride Month, Black History Month, World Mental Health Day and celebrating neurodiversity.



Financial Review

Profitable
growth
supports
investment.

“Rapid growth in passenger demand, and tight management of the cost base, has delivered a strong financial performance, enabling the Group to relaunch the transformation programmes at both Manchester and London Stansted”



HEADLINE FINANCIALS

After overcoming operational challenges in the early part of the summer, the full year position saw passenger levels increasing by 163.4% to 54.0m (87.5% of pre-Covid-19 levels). Recovery in passenger numbers was the principal driver in increasing revenue by £566.9m, an increase of 122.7% compared with FY22. MAG continued to manage its cost base, with volume-driven cost increases amounting to an 83.2% uplift on the prior year cost base. Consequently, this bolstered the Group's adjusted EBITDA¹ to £412.0m (FY22: £125.6m) and operating profit to £28.6m (FY22: operating loss £130.3m).

MAG's strong brought forward cash position from FY22 and positive cash generated from operations of £450.4m during FY23 enabled the Group to recommence payments of shareholder loan interest, which had previously been deferred since March 2020. This enabled MAG to relaunch the transformation programmes at both Manchester and London Stansted to invest in new facilities and enhance service levels for passengers. MAG also fully paid back amounts drawn on its £500m revolving credit facility and maintained a positive net cash position of £67.6m (FY22: £462.9m).

	Year ended 31 March 2023 (£m)	Year ended 31 March 2022 (£m)	Change (£m)	Change (%)
Passenger numbers	54.0	20.5	33.5	163.4%
Revenue	1,029.0	462.1	566.9	122.7%
Adjusted EBITDA ¹	412.0	125.6	286.4	228.0%
Operating profit/(loss)	28.6	(130.3)	158.9	n/a
Loss before taxation	(197.4)	(288.6)	91.2	31.6%
Loss for the year	(159.5)	(321.3)	161.8	50.4%
Cash generated from operations-adjusted ¹	455.0	166.5	288.5	173.3%
Cash generated from operations ¹	450.4	145.7	304.7	209.1%
Capital investment	193.7	68.7	125.0	182.0%
Net Cash and Cash Equivalents ¹	67.6	462.9	(395.3)	(85.4%)
Net Debt – including IFRS 16	(2,958.7)	(2,956.1)	2.6	0.1%
Net Debt – excluding IFRS 16 ¹	(2,500.5)	(2,520.3)	19.8	0.8%
Equity shareholders' funds	703.0	724.9	(21.9)	(3.0)%

¹ As explained in Other Information of the financial statements on page 173.

Results are from continuing operations unless otherwise stated.

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 policy related to APMs is detailed on page 119, and the Other Information section of the financial statements on page 173 defines 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 named measures used 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.

Financial review continued

ADJUSTED EBITDA

The directors use APM measures to review the performance of the Group, there are a number of measures, but the predominant one applied is adjusted EBITDA¹, as it is the main measure of business performance, is used across peers and is part of MAG's financial covenants.

	Year ended 31 March 2023			Year ended 31 March 2022		
	Before adjusted items £m	Adjusted items £m	After adjusted items £m	Before adjusted items £m	Adjusted items £m	After adjusted items £m
Continuing operations						
Adjusted EBITDA ¹	412.0	(125.3)	286.7	125.6	(6.1)	119.5
Depreciation and amortisation	(242.2)	(15.9)	(258.1)	(238.8)	(11.0)	(249.8)
Adjusted operating profit/(loss) ¹	169.8	(141.2)	28.6	(113.2)	(17.1)	(130.3)

¹ As explained in Other Information on page 173.

SUMMARY TRADING PERFORMANCE

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	Change £m	Change %
Summary of Revenue Stream				
Aviation income	355.9	179.9	176.0	97.8%
Retail concessions	234.5	81.2	153.3	188.8%
Car parking	325.1	126.7	198.4	156.6%
Property & property related income	20.2	21.1	(0.9)	(4.3)%
Other	93.3	53.2	40.1	75.4%
Total Revenue – continuing operations	1,029.0	462.1	566.9	122.7%

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	Change £m	Change %
Summary of Revenue by Division				
Manchester Airport	429.0	188.5	240.5	127.6%
London Stansted Airport	373.2	180.8	192.4	106.4%
East Midlands Airport	81.3	57.6	23.7	41.1%
CAVU ¹	142.1	32.4	109.7	338.6%
Group, consolidation and other	3.4	2.8	0.6	21.4%
Total Revenue – continuing operations	1,029.0	462.1	566.9	122.7%

¹ Restated the prior year as detailed in note 2 on page 131

FY23 was the first full financial year following the lifting of travel restrictions imposed in response to the Covid-19 pandemic. After some operational challenges experienced across the industry early in the summer season, resources were rapidly scaled up to meet the release of latent demand. This required the combined efforts of our teams to meet the challenge and resulted in an industry-leading recovery which has seen passenger numbers rising to close to pre-pandemic levels.

Over the course of the year, we welcomed 54.0m passengers across our three airports, a 163.4% increase on the prior year. The increase was primarily driven by higher volumes with Ryanair, Jet2.com, easyJet and TUI, predominantly through international flights and with load factors increasing from 61.4% primary to 83.7%. MAG's destination airports increased towards pre Covid-19 levels to 261 (up from 235 in FY22). The top destinations across the Group were Dublin, Spain (Canaries, Balearics and the mainland), Portugal and Turkey.

The Group delivered an overall revenue increase of 122.7% in comparison to the prior period. The increases in the airport divisions were driven largely by passenger footfall through the airports, with aviation, car parking and retail revenues more than doubling in comparison to the prior reporting period. The percentage growth in revenue was lower than that of passenger numbers as aviation yields softened as volumes increased both at Manchester and London Stansted.

Yields for car parking also reduced across MAG's airports. This is partially explained by the entry into a commercial agreement from 1 April 2022 for CAVU to sell car parking on the airports' behalf on a commission basis. However, there has also been a slight reduction when viewed from a Group perspective due to the significant increase in passenger numbers and mix of products. Retail yields remained strong, improving across all of our airports with the largest contributions coming from duty-free, food and beverage, and newsagents.

CAVU revenue increased by £109.7m (338.6%) to £142.1m (2022: £32.4m). Included within this uplift is the commission earned under a commercial arrangement between CAVU and MAG's airports for the sale by CAVU of the airports' car parking and fast-track products which took effect from 1 April 2022. Excluding the impact of this uplift, the year-on-year increase would have been £35.2m (112.1%).

Property income contracted slightly during the year, with a 4.3% decrease over the prior year. Other income increased by 75.4%, with passenger-related activities such as retail travel services, refuelling and check-in desk rental providing the main year-on-year increases, along with improved (non-passenger related) recovery on utility costs incurred from tenants.

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	Change £m	Change %
Operating costs				
Employment costs *	(291.7)	(182.9)	(108.8)	(59.5)%
Less: Job Retention Scheme income	–	18.2	(18.2)	(100.0)%
Net employment costs *	(291.7)	(164.7)	(127.0)	(77.1)%
Other operating charges *	(325.3)	(189.9)	(135.4)	(71.3)%
Less: Airport and Ground Operations Support Scheme	–	17.8	(17.8)	(100.0)%
Net Other Operating Charges *	(325.3)	(172.1)	(153.2)	(89.0)%
Net Overall Operating Costs *	(617.0)	(336.8)	(280.2)	(83.2)%
Profit/(loss) on sale of property, plant and equipment	–	0.3	(0.3)	(100.0)%
Depreciation and amortisation *	(242.2)	(238.8)	(3.4)	(1.4)%
Net Total Costs – before adjusted items *	(859.2)	(575.3)	(283.9)	(49.3)%
Adjusted Items – Other operating charges – GMPF settlement	(119.7)	–	(119.7)	(100)%
Adjusted Items – Other operating charges – Other	(5.6)	(6.1)	0.5	8.2%
Adjusted Items – Depreciation and amortisation and impairment	(15.9)	(11.0)	(4.9)	(44.5)%
Adjusted Items – Total	(141.2)	(17.1)	(124.1)	(725.7)%
Total Net Operating Costs	(1,000.4)	(592.4)	(408.0)	(68.9)%

* – before adjusted items

As explained in Other Information on page 173.

Financial review continued

Excluding the impact of the sale of fixed assets, depreciation and amortisation, the Group's net overall operating costs, comprising employee costs and non-employee costs, increased by £280.2m to £617.0m (2022: £336.8m). This increase is net of the £36.0m government assistance the Group received in FY22 under the UK Government's Covid-19 Job Retention Scheme and the Airport and Ground Operations Support Scheme (AGOSS).

Employee costs increased by £127.0m to £291.7m, partially resulting from the ramping up of headcount which enabled the Group to meet the rapid increase in passenger demand, and the impact of the UK Government's Job Retention Scheme contribution to the prior year (£18.2m).

The Group's other operating costs before adjusted items increased by £153.2m to £325.3m. This was due to increased energy costs, increases in costs of maintenance, airfield costs and marketing, and the impact of AGOSS in the prior year accounts (£17.8m).

Adjusted EBITDA* by Division	Year ended 31 March 2023 £m	Year ended 31 March 2022 restated (£m)	Change £m	Change %
Manchester Airport	157.3	36.1	121.2	335.7%
London Stansted Airport	164.5	39.7	124.8	314.4%
East Midlands Airport	32.8	22.0	10.8	49.0%
CAVU	35.2	8.3	26.9	324.1%
Group, consolidation and other	22.2	19.5	2.7	13.8%
Total adjusted EBITDA¹ – continuing operations	412.0	125.6	286.4	228.0%

¹ As explained in Other Information on page 173.

Adjusted EBITDA¹ for the Group increased by £286.4m to reach £412.0m, driven by the £566.9m (122.7%) passenger-driven revenue uplift, whilst the Group's operating cost base increased by only £280.2m (83.2%).

Depreciation and amortisation costs before adjusted items relating to continuing operations were 1.4% higher than the prior year at £242.2m. This increase reflects a full year's charge of the Manchester Transformation Programme (MAN-TP) brought into use in FY22 and additional depreciation of £8.4m arising from an increased charge as a result of shortening airfield asset lives.

The financial statements have classified as adjusted items: a total charge of £110.9m (FY22: charge of £9.7m), including £119.7m relating to the exit of the Group's pension scheme with GMPF following the settlement of the Deferred Debt Agreement, depreciation and impairment of £15.9m; a finance cost of £5.7m (reflecting a shareholder modification loss of £5.3m and a £0.4m write-off of previously capitalised interest within design costs); £4.1m relating to other operational airport transformation schemes, profit from discontinued operations net of tax of £4.7m and £1.5m of other adjusted items. There is a tax credit of £31.3m relating to adjusted items, for detailed reconciliation of the taxation refer to note 9. The summary of adjusted items is given in note 3 to the accounts at page 132 and the definition of the Group's APMs are explained in the Other Information section of the financial statements on page 173.

The adjusted charge of £15.9m relates to £11.4m of impairment upon review of Airfield assets and US contract assets, with the remaining balance of £4.5m relating to accelerated depreciation following the decision to mothball T1 as a result of the announcement to launch MAN-TP phase 2.

When accounting for the Group's total operating costs, including adjusted items and depreciation, the Group incurred £1,000.4m in FY23 (this includes the GMPF Settlement loss of £119.7m reflected in the income statement which was offset by an uplift recognised through reserves – see note 35. This was an increase of £408.0m (68.9%) in relation to (FY22: £592.4m).

¹ As explained in Other Information on page 173.

	Year ended 31 March 2023 £m	Year ended 31 March 2022 restated (£m)	Change £m	Change %
Operating profit/(loss) by division				
Manchester Airport ¹	(104.7)	(96.7)	(8.0)	8.3%
London Stansted Airport	91.0	(42.0)	133.0	n/a
East Midlands Airport	13.4	7.8	5.6	71.8%
CAVU	21.8	(1.5)	23.3	n/a
Group, consolidation and other	7.1	2.1	5.0	238.0%
Total operating profit/(loss)	28.6	(130.3)	158.9	n/a

¹ The operating loss in the Manchester Airport division includes an expense of £119.7m on the closure of the DDA retirement benefit scheme

BUSINESS OUTLOOK

MAG has recovered strongly from the Covid-19 pandemic, with robust financial performance indicative of the underlying demand for air travel. The strength of the recovery gives us confidence in a promising outlook, based on:

- Strong financial foundations, reflecting the resilient and prudent strategy that MAG has adopted over the past three years. Consequently, management's assessment of going concern concluded that there is no longer a material uncertainty. Further information regarding MAG's going concern assessment is detailed in the Basis of Preparation on page 109;
- The Group successfully addressed the operational challenges experienced as a result of the requirement to scale up activity rapidly in Summer 2022. The new MAG operating model will enable the business to deliver good service levels at all of our airports;
- MAG's strong financial position can act as a springboard for the Group to both resume investment activities to transform our infrastructure and improve our service levels, and look at business opportunities to grow our business; and
- Our ability to grow sustainably remains key to the business strategy.

MAG is in a strong position to progress with its strategy for the future. Development of both our people and infrastructure remains key in delivering a quality service to our customers. Our relationships with our airlines and other partners, our strategic locations and catchment areas allow us to deliver great customer choice and value.

TRADING UNITS

Manchester Airport

25.2m passengers travelled through Manchester Airport in the year ended 31 March 2023, an increase of 176.9% over the prior year.

	FY23	FY22 restated	Change	Change %
Passengers (million)	25.2	9.1	16.1	176.9%
Revenue (£m)	429.0	188.5	240.5	127.6%
Adjusted EBITDA ¹ (£m)	157.3	36.1	121.2	335.7%
Operating loss	(104.7)	(96.7)	8.0	8.3%

£ per Passenger	FY23	FY22 restated
Aviation	6.5	7.9
Commercial ²	10.6	12.8
Operating costs (before adjusted items and depreciation)	10.8	16.7
Operating costs (including adjusted items and depreciation)	21.0	30.7

¹ As explained in Other Information on page 173.

² All revenue streams excluding aviation.

Financial review continued

The 16.1m recovery in passenger numbers translated into a £240.5m increase in revenue at Manchester to £429.0m, with increases seen in all the core revenue streams of aviation, retail and car parking that are principally volume related. Passenger growth was led by a load factor uplift from 62.0% to 82.5%; with Ryanair, easyJet, Jet2.com and TUI leading the growth and the top three destinations for the airport being Dublin, Dubai and Tenerife. The volume increase has also driven a softening in aviation yields. Car parking yields also softened though this is partially attributable to the impact of the commercial arrangement with CAVU which came into effect on 1 April 2022. However, the airport's retail yields improved, driven by duty free, food and beverage, and newsagents.

The airport cost base (before adjusted items and depreciation) increased by 78.3% during FY23 to £271.7m as management sought to increase operational capacity to support the increased volume. The largest increases were experienced in employee costs, rent, rates & utilities, maintenance, and airfield costs. The uplift in costs was diluted by the significant increase in passenger numbers, resulting in a reduction in cost per passenger from £17.8 to £11.0.

The combined impact of improving revenue per passenger for aviation and commercial coupled with the reduction in operating cost per passenger resulted in Manchester's adjusted EBITDA¹ increasing by £121.2m to £157.3m (FY22: £36.1m).

Manchester's depreciation increased by £12.8m to £123.4m during the year. The principal reasons for the increase were a full year's depreciation charge for the first phase of the MAN-TP assets brought into use in the first half of FY22.

Depreciation of £123.4m, amortisation of £4.4m and adjusted items of £132.4m (principally the GMPF settlement loss of £119.7m) increased total operating costs by £262.0m to £533.7m. Consequently, Manchester delivered an operating loss of £104.7m (FY22: loss of £96.7m).

London Stansted Airport

London Stansted Airport experienced an increase of 147.6% in passenger numbers over the course of the year, with a total of 25.5m passengers passing through the airport.

	FY23	FY22 restated	Change	Change %
Passengers (million)	25.5	10.3	15.2	147.6%
Revenue (£m)	373.2	180.8	192.4	106.4%
Adjusted EBITDA ¹ (£m)	164.5	39.7	124.8	314.4%
Operating profit (£m)	91.0	(42.0)	133.0	n/a

£ per Passenger	FY23	FY22 restated
Aviation	5.9	7.0
Commercial ²	8.7	10.5
Operating costs (before adjusted items and depreciation)	8.2	13.7
Operating costs (including adjusted items and depreciation)	11.0	21.4

¹ As explained in Other Information on page 173.

² All revenue streams excluding aviation

The 15.2m increase in passengers was driven by Ryanair and Jet2.com, with an increase in load factor from 61.6% to 84.6%, with Dublin, Istanbul and Rome remaining the most popular destinations. The passenger uplift translated into a £192.4m rise in revenue across all key revenue streams, with aviation, retail and car parking all experiencing increases. Aviation yields weakened due to the volume increase and retail yields improved principally in duty-free, food and beverage, newsagency and financial services. However, the commercial arrangement with CAVU reduced the car parking yield achieved by the airport, resulting in an overall reduction in commercial revenue per passenger from £10.5 to £8.7.

Whilst passenger volumes more than doubled, the cost base (before adjusted items and depreciation) increased by £67.6m (51.0%) to £208.7m. The main areas of cost increases were in employee costs, rates & utilities, airfield costs, and maintenance. Consequently, adjusted EBITDA increased by £124.8m (314.4%) to £164.5m.

Stansted resumed the STN-TP Programme during the year. The airport's depreciation charge reduced by 14.2% from £81.8m in FY22 to £70.2m in FY23 due to additional depreciation recognised in the prior year. Adding in depreciation of £70.2m, amortisation of £0.8m and adjusted items of £2.4m increased total operating costs by £73.5m to £282.2m. Consequently, Stansted delivered an operating profit of £91.0m (FY22: loss of £42.0m).

East Midlands Airport

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

	FY23	FY22 restated	Change	Change %
Passengers (million)	3.3	1.1	2.2	200.0%
Revenue (£m)	81.3	57.6	23.7	41.1%
Adjusted EBITDA ¹ (£m)	32.8	22.0	10.8	49.0%
Operating profit (£m)	13.4	7.8	5.6	71.8%

£ per Passenger	FY23	FY22 restated
Aviation	12.9	32.7
Commercial ²	11.7	19.6
Operating costs (before adjusted items and depreciation)	14.7	32.4
Operating costs (including adjusted items and depreciation)	20.5	45.1

¹ As explained in Other Information on page 173.

² All revenue streams excluding aviation.

Passenger numbers improved by 2.2m compared to FY22, increasing from 1.1m to 3.3m and delivering a £23.7m uplift in revenue. Cargo activity maintained its strong contribution to the East Midlands figures, softening by £2.8m (8.5%) to £30.1m in comparison to the prior year's record highs which had been driven by the pandemic impact.

The airport also experienced an overall reduction in commercial yields with car parking reductions (partially driven by the impact of the commercial agreement with CAVU) more than offsetting retail improvements. However, the overall uplift in volumes resulted in an increase in revenue of £23.7m (41.1%).

Costs (before adjusted items and depreciation) increased by £12.8m (35.7%) to £48.6m with the largest increases being seen in employee costs driven by increased headcount, and higher energy prices. Overall, East Midlands improved its adjusted EBITDA* position by £10.8m to £32.8m (2022: £22.0m). Adding in depreciation of £17.9m, amortisation of £0.1m and adjusted items of £1.4m increased total operating costs by £19.4m to £67.9m. Consequently, East Midlands delivered an operating profit of £13.4m (FY22: £7.8m).

CAVU

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

MAG has a proven track record in this innovative area, in which the Group can provide service to the wider travel sector as well as MAG's core airport businesses. CAVU is regarded as a separate reportable segment in these accounts to align with the structure of management reporting within the Group, replacing MAG US which forms part of the CAVU segment.

CAVU performed strongly during FY23 with revenues increasing from £32.4m to £142.1m of which the commercial agreement with the Group's airports amounted to £75.5m. Other growth was principally achieved through CAVU's EMEA business with US operations remaining flat year on year. Operating costs increased marginally which resulted in the bulk of the revenue uplift delivering an increased profitability with adjusted EBITDA increasing by £26.9m to £35.2m, and operating profit increasing to £21.8m (FY22: operating loss of £1.5m).

Financial review continued

	FY23	FY22 restated	Change	Change %
Revenue (£m)	142.1	32.4	109.7	338.6%
Adjusted EBITDA ¹ (£m)	35.2	8.3	26.9	324.1%
Operating profit (£m)	21.8	(1.5)	23.3	n/a

¹ As explained in Other Information on page 173.

GROUP'S PROPERTY

The MAG Property division manages the Group's core property investment portfolio, comprising offices, hotels and cargo properties, and is also responsible for managing the Group's investment in the Airport City project, and its results are included within the Group, consolidated and other category.

Revenue increased over the course of the year to £3.4m (2022: £2.8m) which includes the sale to THG of land at Airport City South, resulting in adjusted EBITDA¹ and operating profit increasing to £7.1m (FY22: £2.1m).

The investment properties are revalued to fair value at each reporting date by independent property valuers and valuations. During the year ended 31 March 2023, the Group's investment properties experienced a £26.7m downward revaluation, largely driven by increasing yields. This, coupled with reclassification of some assets to PPE, resulted in the portfolio's value reducing to £155.1m (FY22: £188.9m).

MAG continues to retain a 20% interest in the Airport City development and account for its investment on an equity basis as an associate. The carrying value of MAG's investment reduced to £7.1m following a distribution in August of £4.9m following practical completion of a development.

CASHFLOW

Cash generated from continuing operations-adjusted¹ increased to a net inflow of £455.0m, a significant improvement in comparison to £166.5m in FY22, (cash generated from operations of £450.4m, FY22: £145.7m). This was driven primarily by the increase in passenger numbers. Cash generated from operating activities-adjusted¹ represented 110.4% of adjusted EBITDA¹, due to strong working capital management and the mix of car parking revenues which provide a cash benefit from advanced bookings.

Over the year ended 31 March 2023, the Group's net cash position reduced by £395.3m to £67.6m. £455.0m of adjusted cash generated by operations was more than offset by a net outflow of £163.4m for tax and interest, investing activities outflow of £184.3m, financing outflow of £498.0m, and an outflow of £4.6m in relation to adjusted items. During the year, MAG repaid all of the £500m revolving credit facility which was fully drawn as at 31 March 2022.

Group Cash flow (£m)	FY23	FY22	% Change
Cash generated from/ (used by) operations-adjusted ¹	455.0	166.5	173.3%
Adjusted items	(4.6)	(20.8)	77.9%
Cash generated from operations	450.4	145.7	209.1%
Net interest	(131.3)	(83.7)	(56.9)%
Tax paid	(32.1)	(0.4)	(7925.0)%
Net cash used in investing activities	(184.3)	(118.4)	(55.7)%
Net cash used in financing activities	(498.0)	(10.5)	(4642.9)%
Net decrease in cash and cash equivalents	(395.3)	(67.3)	(483.7)%
Year end position:			
Net cash and cash equivalents ¹	67.6	462.9	(85.4)%

¹ As explained in Other Information on page 173.

FINANCING AND INTEREST

Maintaining MAG's strong investment grade ratings with both Fitch and Moody's is key to our strategy of providing the Group with a robust long-term financing structure that supports growth. Shareholder support, sale of non-core property and strong control of costs has helped MAG to reduce net senior debt over the course of the impact of the Covid-19 pandemic which has been an important component in the maintenance of investment grade ratings. Together with a robust liquidity position MAG is in a good position to invest in infrastructure and business opportunities that will enable the Group to meet the anticipated increase in demand over the coming years.

Group net debt (excluding leases) decreased to £2,500.5m (2022: £2,520.3m). The movement during the year reflects the cash inflow from operating activities after interest and tax of £287.0m offset by the outflow from investments of £184.3m, resulting in a net £102.7m inflow before financing. Consequently, after taking into account IFRS 16, Group net debt of £2,958.7m comprised long-term fixed rate bonds (£1,439.8m); shareholder loans (£1,132.0m); and lease liabilities (£458.2m), offset by net cash of £67.6m and £3.7m of unamortised fees at 31 March 2023; which had reduced substantially as a result of the Group paying back in full the £500m Revolving Credit Facility.

Group net interest charge in the financial statements amounted to £199.8m, reflecting an increase of 10.2% in comparison to the prior year (2022: £181.3m). Both FY23 and prior year interest charges were impacted by modifications to the Group's shareholder loans (2023: loss of £5.3m, 2022: gain of £8.8m). The initial deferral of shareholder loan interest as a consequence of the Covid-19 pandemic resulted in modification gains as the deferred interest attracted a lower interest charge than the effective interest rate on the loans. Subsequent modifications were impacted by increases in the timing of the estimated deferred interest repayments and increases in the rate at which the deferred interest payments attract interest, which is linked to the bank deposit rate. The modification loss in FY23 was driven by later repayments, partially offset by a higher bank deposit rate than was assumed in FY22. The Group recommenced the payment of shareholder loan interest on 31 March 2023, and paid £47.6m regular SHL interest payments as well as £2.5m of deferred interest. It is currently anticipated that repayment of the previously deferred interest payments amounting to £277.4m (2022: £221.7m) will continue over the next 5 to 7 years until all deferred interest has been repaid by FY30.

Excluding modification adjustments, the underlying interest charge increased by 5.8% to £201.1m (2022: £190.1m). Interest paid in the year amounted to £138.3m (2022: £83.7m), comprising interest on senior debt, lease liabilities and the recommencement of payments on shareholder loan interest. £62.8m (2022: £106.7m) of residual interest costs related primarily to accrued shareholder loan interest. FY23 saw higher capitalisation of borrowing costs of £4.9m (2022: £0.6m) following the relaunch of the Group transformation programmes at Manchester Airport and London Stansted, in line with IAS 23 and the Group's accounting policies. Interest income from the Group's long-term lease receivable remained static at £0.6m, whereas IAS 19 interest on the Group's defined benefit pension schemes amounted to an income of £0.5m (2022: expense of £0.9m).

CAPITAL EXPENDITURE

As the economy recovered from the Covid-19 pandemic in FY23, MAG increased its capital expenditure programmes to commence the next phases of the transformation programmes, MAN-TP and STN-TP. Consequently, the Group's investment of £193.7m (2022: £68.7m) in infrastructure during the year was largely driven by the recommencement of the MAN-TP and STN-TP programmes.

MAG's property, plant and equipment balance reduced to £3,107.2m (2022: £3,140.9m) with depreciation and impairment charges of £230.1m more than offsetting the investment made during the year.

LEASES (IFRS 16)

During the year ended 31 March 2023, the Group's lease liability increased to £458.2m (2022: £435.8m), principally as a result of remeasurements of the Group's leases with MCC and UK Power Networks (see note 31). The Group's right-of-use asset position which amounted to £437.0m (2022: £417.7m) with the uplift reflecting the impact of the remeasurement of the lease liability.

Financial review continued

PENSIONS

The accounting position is calculated by the directors and supported by independent actuaries, PwC, who incorporate data taken from a number of sources in calculating the closing position at the year-end across the defined benefit schemes. The net surplus included in the financial statements under IAS 19 increased from £22.1m at 31 March 2022 to £86.6m at 31 March 2023.

Summary of changes in aggregate pension scheme surplus	£m
Net surplus as at 31 March 2022	22.1
Administration expenses	(1.1)
Other financial incomes / (expenses)	0.5
Contributions	7.4
Curtailment gain	–
Settlement loss	(119.7)
Actuarial gain due to release of asset ceiling due to settlement	116.7
Other actuarial gain	33.3
Impact of change in asset ceiling	27.4
Net surplus as at 31 March 2023	86.6

All of MAG's defined benefit pension schemes were closed to future accrual after a period of consultation in the year ended 31 March 2022. The Stansted and East Midlands scheme surpluses increased from a combined £23.7m to £90.7m over the period. The surplus has increased over the period due to large actuarial gains recognised in the SOCI mainly due to the significant increase in the discount rate assumption partially offset by a small cost recognised in the income statement. Based on the Group's understanding of the rules for the two schemes, it is the Group's view that MAG is provided a right to a refund of any surplus in the schemes and consequently the surplus has been recognised in the financial statements.

During FY22 MAG also entered into a Deferred Debt Arrangement ('DDA') with the Greater Manchester Pension Fund (GMPF) as part of the Group's exit from the scheme. This resulted in MAG continuing to fund its obligations in the GMPF without crystallising a significant exit debt at that time. The DDA provided that should the GMPF develop a surplus on an 'exit basis' of calculation then the Group's obligations under the DDA would cease, other than the ongoing financing of any unfunded liabilities.

At 31 March 2022 the GMPF was in an IAS 19 accounting surplus of £25m. This included an allowance to reflect committed cash contributions at 31 March 2022 of £1.6m. As this surplus did not comprise a surplus under the exit basis, MAG did not have a right to a refund. Consequently, an asset ceiling, as required by IFRIC 14, resulted in the accounting surplus not being recognised in the accounts. During the 12 months ended 31 March 2023, changes in market conditions resulted in an increase in discount rates such that by 2 September 2022, the GMPF were able to confirm that there was no longer a deficit in the GMPF in respect of MAG's obligations on the exit basis. At that point in time MAG's obligations to the GMPF ceased other than the ongoing commitment of unfunded liabilities of £3.9m.

Whilst overall the GMPF liability in the accounts has increased by £2.3m to £3.9m at 31 March 2023 (31 March 2022: £1.6m), IAS 19 requires that the loss on settlement in the income statement is calculated without the impact of the accounting basis asset ceiling, with the asset ceiling movement itself being taken through reserves. Consequently, MAG has recognised a settlement loss of £119.7m in the income statement, reflecting the difference between the GMPF's assets and liabilities as at 2 September 2022. This has been classified as an adjusted item. The offsetting impact of removal of the asset ceiling has been recognised directly to reserves in accordance with IAS 19. This, along with other actuarial adjustments for the GMPF, amounts to a £116.4m credit.

The net surplus of £86.6m in the accounts reflects a net liability of £4.1m in the AVPS and GMPF schemes and a net surplus of £90.7m in the EMIA and STAL schemes. The total of £86.6m shows the net position across the Group, however the net surplus in the EMIA and STAL schemes cannot be offset against the net liability of the AVPS and GMPF schemes, so these are presented separately in the financial statements.

TAXATION

The total tax credit in the consolidated income statement is £32.1m compared to a £31.0m charge in the prior year, which includes tax charges attributable to discontinued operations of £1.1m (2022: £nil). The underlying effective current tax rate is higher than the standard rate of corporation tax of 19% (2022: higher), with differences explained in note 9 to the financial statements. The total tax paid in the year of £32.1m relates to payment on account for the profits in FY23.

EQUITY SHAREHOLDERS' FUNDS AND DIVIDENDS

Equity shareholders' funds were £703.0m as at 31 March 2023 (2022: £724.9m). The movement comprises £159.5m loss after tax and adjusted items, a gain on settlement of the DDA with GMPF and remeasurement of pension liabilities (net of tax) of £137.9m, acquisition of a non-controlling interest of £1.0m, foreign exchange gain of £5.7m (net of tax) on the investment in CAVU and the effect of change in rate of corporation tax of £7.0m.

The Group started repayments to its shareholders through the recommencement of shareholder loan interest payments at 31 March 2023 with an overall payment of £50.1m. There is no proposed final dividend for the year ended 31 March 2023.

POST-BALANCE SHEET EVENTS

On 12 May 2023 MAG secured a bridge to bond facility that provides the Group with assurance that it will be able to refinance its bond for £360m by providing the facility to drawdown £360m up to 12 May 2024, with options to extend to 12 May 2025.

On 31 May 2023, MAG acquired 100% of the share capital of ParkCloud Holdings Limited, trading as ParkVia, a Manchester based ecommerce airport parking aggregator in the UK and EU market. Initial cash consideration of £8.4m was paid, subject to finalisation of the completion accounts, with further contingent consideration payable depending on financial performance in the first year following acquisition. As the completion accounts are yet to be finalised, no information has been disclosed at this time on the fair value of assets and liabilities acquired, and goodwill arising.

Jan Bramall
Group Chief Financial Officer

4 July 2023

Governance

GOVERNANCE

Board of Directors	56
Chair's statement on corporate governance	62
Corporate governance report	64
Nomination Committee report	66
CSR Committee report	67
Remuneration Committee report	68
Audit Committee report	72
S172 report	74
Internal controls and risk management	78
Task Force on Climate-Related Financial Disclosures (TCFD)	88
Directors' report	98
Statement of directors' responsibilities in respect of the Annual Report and the financial statements	103



Board of Directors

As at 31 March 2023, the Board of Manchester Airports Holdings Limited comprised the following individuals:



**SIR ADRIAN
MONTAGUE CBE**
NON-EXECUTIVE CHAIR¹

Sir Adrian was appointed Non-Executive Chair in 2014.

Sir Adrian is currently the chair of Cadent Gas Limited and the Porterbrook Group. He is also a trustee of the Commonwealth War Graves Foundation and Survivors of Bereavement by Suicide.

His previous chairmanships include Aviva plc, 3i plc, Anglian Water Group, London First, British Energy and TheCityUK Leadership Council.

Sir Adrian was awarded a CBE in 2001 and holds a Law degree from the University of Cambridge.



**CHARLIE
CORNISH**
CHIEF EXECUTIVE OFFICER¹

Charlie was appointed Group Chief Executive in October 2010.

Prior to joining MAG, Charlie was Managing Director of Utility Solutions, the commercial business of United Utilities (UU) with operations in the UK, the Middle East, Australia, Bulgaria, Poland, Estonia and the Philippines and was a Director of UU PLC.

Previously he worked for a number of manufacturing and service companies including Plessey Telecommunications, British Aerospace and ABF.

Appointment to the Board

2014

2010

Other current roles

Non-Executive Chair of Cadent Gas Limited

Director of The Northern Powerhouse Partnership Limited

Non-Executive Chair of the Porterbrook Group

Director of Manchester Central Convention Complex Limited

Trustee of the Commonwealth War Graves Foundation

Trustee of Survivors of Bereavement by Suicide

¹ Sir Adrian Montague will retire on 30 September 2023. Effective from 1 October 2023, Charlie Cornish will assume the role and responsibilities of the Group Chair and will be succeeded by Ken O'Toole as Group CEO.



**KEN
O'TOOLE FCA**
DEPUTY CHIEF EXECUTIVE OFFICER¹

Ken was appointed as Deputy Chief Executive Officer in 2022.

Prior to this he was the Group's Chief Development Officer, the Chief Executive of London Stansted Airport, and the Chief Executive of Manchester Airport, having joined MAG in 2012 as Chief Commercial Officer.

He spent six years with Ryanair Holdings plc, joining initially as Head of Revenue Management and latterly as Director of New Route Development.

Ken is a qualified Chartered Accountant and his previous experience includes roles with Musgrave Group, a leading Irish and UK based retailer, and Credit Suisse First Boston.

2013



**JAN
BRAMALL ACA**
CHIEF FINANCIAL OFFICER

Jan joined MAG in 2018 as Group Finance Director before taking on the role as Chief Financial Officer in December 2020.

She has previously held VP Finance roles across listed international businesses, including JCI and Tyco, with responsibility across Europe, North America, South America and Canada.

Jan qualified with PwC and specialised in Corporate Finance and M&A transactions.

2020



**JENNY
COCHRANE**
COMPANY SECRETARY

Jenny was appointed General Counsel and Company Secretary in April 2020.

She has been with MAG since 2013, having previously held the position of Legal Director with responsibility for the legal function across the Group.

Prior to joining MAG, Jenny worked in private practice and specialised in Corporate Finance.

2020

Board of Directors continued



COUNCILLOR
BEV CRAIG
VOTING SHAREHOLDER-APPOINTED
NON-EXECUTIVE DIRECTOR

Bev became Leader of Manchester City Council on 1 December 2021.

First elected in 2011 as a Burnage Councillor, she held a range of responsibilities on Manchester City Council, including serving for four years as Executive Member for Adult Social Care, Health and Wellbeing, then as Deputy Leader overseeing resources, capital programmes, social value and digital.

As Leader, her focus is on building a more inclusive and sustainable economy, children and young people, equalities, housing and zero carbon. She is also Greater Manchester Combined Authority portfolio lead for Economy, Business & Inclusive Growth.



COUNCILLOR
JOHN BLUNDELL
SHAREHOLDER-APPOINTED NON-
EXECUTIVE DIRECTOR

John is an economist at a large engineering and construction consultancy, focused on the strategic and economic cases for infrastructure and transport-related projects.

He is a councillor on Rochdale Borough Council, occupying the Regeneration cabinet post, and is a director of Rochdale Development Agency.

Appointment to the Board

2021

2018

Other current roles

Director of Rochdale Development Agency



CHRISTIAN
SEYMOUR

VOTING SHAREHOLDER-APPOINTED
NON-EXECUTIVE DIRECTOR

Christian is a Senior Advisor to the IFM Global infrastructure team and the former head of IFM's infrastructure business in Europe, having established their London office in 2006.

He has over 20 years of experience working for companies including Duke Energy, Santos, BHP Billiton, Bechtel, and Woodside, successfully delivering large-scale projects involving multidisciplinary teams.



MANOJ
MEHTA

VOTING SHAREHOLDER-APPOINTED
NON-EXECUTIVE DIRECTOR

Manoj is an Executive Director (Europe) for IFM Investors with responsibility for evaluating, implementing and managing European investments.

Prior to this, he held senior positions within Transport for London and the Infrastructure Advisory Group at Citigroup.

2013

2013

Board of Directors continued



**VANDA
MURRAY OBE**
INDEPENDENT NON-EXECUTIVE
DIRECTOR

Vanda is a fellow of the Chartered Institute of Marketing with extensive experience in both Executive and Non-Executive roles with a wide range of UK and international businesses.

Vanda is Non-Executive Chair of Marshalls plc and Yorkshire Water. She is also the Senior Independent Director and chair of the remuneration committee at Bunzl plc.

Prior to this she was CEO of Blick plc and Managing Director of Ultraframe plc.

Vanda was awarded an OBE in 2004 for services to industry and to export.



**PAUL
VENABLES**
INDEPENDENT NON-EXECUTIVE
DIRECTOR

A Chartered Accountant and US qualified. Paul started his career at Deloitte, where he was a senior manager in its USA practice.

He then spent 13 years at Exel plc where he held a number of senior roles including Deputy Finance Director, a member of the Executive Board and Chair of the Acquisitions and Project Review Board.

Following the acquisition of Exel plc by Deutsche Post, Paul joined Hays plc where he was Group Finance Director for 16 years, before retiring in September 2022.

Paul was also SID and Audit Chair of Wincanton plc.

Appointment to the Board

2013

2022

Other current roles

Chair and Non-Executive Director of Yorkshire Water

Director at The Chiltern Centre Ltd

Chair and Non-Executive Director of Marshalls plc

Member of the Royal Academy of Arts Finance and Performance Committee

Senior Independent Director and chair of the remuneration committee at Bunzl plc

Non-Executive Director of The Growth Company Ltd



**CATH
SCHEFER**

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Cath is the Chief Operating Officer – Global for Stantec, overseeing all operations outside of North America.

Cath has more than 30 years' experience in design, construction and programme management of major infrastructure projects and is a chartered civil engineer and a Fellow of the Institution of Civil Engineers.

2016

Chief Operating Officer – Global at Stantec



**JON
WRAGG**

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

Jon has a consumer sector background, having held leadership roles at Superdry plc, Asda WalMart and The Very Group.

He has broad international and UK experience within both D2C and D2B2C environments.

Jon's focus for the past 20 years has been in digital channels, where he has been responsible for delivering both digital transformation and growth.

Jon has previously held Non-Executive and board adviser roles at digital start-ups and is currently on the boards of Sosandar plc and Abel & Cole.

2016

Non-Executive Director of Sosandar plc

Non-Executive Director of Abel & Cole

Chair's statement on corporate governance

"Welcome to the corporate governance report for the year ended 31 March 2023 which I am pleased to introduce on behalf of the Board."

CHAIR'S STATEMENT ON CORPORATE GOVERNANCE

On behalf of the Board, I am pleased to present our Corporate Governance Report for the financial year ended 31 March 2023.

MAG considers strong corporate governance to be a core foundation of any successful business and is committed to maintaining high standards and adopting best practice as it emerges. In accordance with our requirement to provide a statement of corporate governance arrangements, I confirm that MAG has adopted the Wates Corporate Governance Principles for Large Private Companies ('Wates Principles') as its corporate governance code for the financial year ended 31 March 2023. This Corporate Governance Report describes how we have applied those

principles throughout the year. Details of the directors' performance of their duties under Section 172 of the Companies Act 2006, including important long-term considerations that direct the Board's overall thinking, can also be found on pages 74 to 77.

A clear area of focus for the Board this year has been on MAG's readiness for Summer 2023 and the performance of our airline partners across each of our airports. Alongside this, the Board has continued its oversight of the requirement to improve customer service across our sites, which I am pleased to report has seen a marked improvement. As recovery became evident over the course of the financial year, the Board engaged in an exercise to refresh our corporate strategy which is set out in full on pages 16 to 19.

Our Board Committees have once again played an important part in the detailed scrutiny of MAG's performance and the insight and challenge they have provided to the Board has been very welcome. The detailed work of each Committee is set out in the reports that follow on pages 66 to 73. In particular, I would like to highlight a busy year for the CSR Committee in implementing our 2020-2025 CSR Strategy, which is set out in full on pages 34 to 41.



MAG STRUCTURE AND GOVERNANCE ARRANGEMENTS

In ownership terms, the Group is structured as a joint venture between the ten local authorities of the Greater Manchester region and IFM Investors (IFM) (as illustrated below). Amongst those owners, The Council of the City of Manchester and IFM enjoy, in equal shares, the voting rights in general meetings of Manchester Airports Holdings Limited (the holding company of the Group), have certain matters reserved for their exclusive decision as shareholders, and make two appointments each to the Board.



We undertook an externally facilitated Board Effectiveness Evaluation this year which concluded that both the Board and Committees were viewed very positively with a strong alignment to governance. The small number of areas highlighted for further enhancement have been acted on and will be embedded over the next financial year.

Finally, I would like to acknowledge the contribution to MAG made by Robert Napier who retired as Non-Executive Director and Chair of the Audit Committee in June 2022. I am pleased to welcome Paul Venables to the Board as Non-Executive Director and Chair of the Audit Committee and look forward to his contribution over the coming year.

I hope that this report clearly shows the work the Board has undertaken during the year and how our governance and Board operations are aligned with the Group's strategy.

Sir Adrian Montague
Chair

* 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.

Corporate governance report

THE ROLE OF THE BOARD

The Board is accountable to our shareholders for developing, setting and delivering the Group's strategic objectives, safeguarding its reputation, managing its risks effectively, setting and overseeing its values and standards, and maximising its multiple stakeholder relationships (as set out further in the s172 statement on pages 74 to 77. The directors satisfy themselves that the necessary resources and controls are in place to do this.

The Board comprises of 12 directors¹. The names of the directors who served on the Board during the year and their biographical details are set out on pages 56 to 61.

The directors consider that the Board is an appropriate size for the requirements of the business and that there is a good balance of Executive, independent and shareholder-appointed Non-Executive Directors on the Board, with the shareholder representative groups being equally represented. The Board is provided with updates every month and meets formally six times a year. In addition, the Board meets on other occasions to consider specific business matters as and when they arise.

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

CHAIR AND CHIEF EXECUTIVE

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

The Chair is responsible for the leadership of the Board. They orchestrate its work (in close consultation with the Group Chief Executive) and plays a critical role in ensuring that it discharges its responsibilities effectively and that the diverse capabilities and experience of individual Board members are used to the best advantage of the Group to execute its long-term strategy successfully.

The Group Chief Executive is responsible for the day-to-day management of the Group, the development and implementation of strategy, the delivery of Group financial and operational objectives and ensuring that the Group achieves its climate change goals and commitments. They are supported by their Executive Committee which comprises: Deputy Chief Executive, Chief Financial Officer, Chief of Staff, General Counsel and Company Secretary, Chief Information Officer, Chief Development Officer, Chief People Officer and Chief Executive of CAVU.

NON-EXECUTIVE DIRECTORS

The Board's Non-Executive Directors bring extensive knowledge, skills and experience from both the private and public sectors, which supports the Executive team in the development and execution of strategy whilst ensuring that plans and proposals are scrutinised effectively and holds the Executive team to account in meeting agreed goals and objectives.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considers there to be four independent Non-Executive Directors, being Vanda Murray, Catherine (Cath) Schefer, Jonathan (Jon) Wragg and Paul Venables. Sir Adrian Montague also meets the independence criteria set out in the Code, both on his appointment as Chair, and at all times since. Vanda Murray has served on the Board for 10 years as of February 2023, and will retire off the Board in March 2024. The shareholder appointed Non-Executive Directors during the year were Cllr Bev Craig and Cllr John Blundell (representatives for the District Councils of Manchester) and Manoj Mehta and Christian Seymour (representatives for IFM GIF).

BOARD MEMBERS' BACKGROUND/ BIOGRAPHIES

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

BOARD EFFECTIVENESS

All directors receive a comprehensive suite of Executive reports and papers in advance of each Board meeting to support quality decision-making via an electronic board paper system which supports efficient dissemination of information in a safe and secure manner. These cover commercial, operational and health and safety matters across the Group, including updates from the Chief Executive Officer and the Chief Financial Officer which appraise the Group's key performance indicators, risks and opportunities, both strategic and financial. In the months when the Board does not meet, an abridged reporting pack is provided. The Board has established Audit, Corporate Social Responsibility and Remuneration Committees with specific delegated authorities (more information on the membership and remit of each of these is provided later in this report on pages 67 to 73). The Board also ensures, through the work of the Nomination Committee, that succession planning at Board, Executive and senior management levels reflects the changing needs of the Group's businesses.

DIRECTOR INDUCTIONS AND ONGOING TRAINING

It is important to the Board that Non-Executive Directors are in a position to influence and constructively challenge. The Group provides a formal and tailored induction programme for new directors comprising a combination of introductory meetings, site visits, briefing materials, and the opportunity to meet the shareholders, the external auditors and other key stakeholders. The induction content includes corporate strategy and structure; current and recent Board topics; sectoral and competitive context; key operations; financial performance and funding; reputation and brand; and stakeholder management.

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

BOARD EVALUATION

The Board understands the importance of Principle Two of the Wates Principles for regular evaluation of the Board to help the directors to contribute effectively and highlight the strengths and weaknesses of the Board as a whole. As part of this evaluation, Independent Audit Limited (IAL) was asked to facilitate a self-evaluation of the Board and Committees of the Group, the first time that assessments of this nature have been carried out since the beginning of the pandemic. Questionnaires for the Board and Committees were prepared by IAL in discussion with the General Counsel & Company Secretary. Directors did not complete questionnaires for committees which they do not routinely attend.

Overall, the Board feels positively about how it operates on a basis of trust, openness and inclusivity, with particular strength on the Covid-19 response and business planning and prioritisation. The Committees similarly feel very positively about how they operate. Only a few areas are highlighted to be considered for improvement, all of which have been implemented and will be embedded over the course of the year.

S172 COMPANIES ACT 2006

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

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

- considering the likely consequences of any decision in the long term;
- considering the interests of MAG employees;
- fostering and developing MAG business relationships with suppliers, customers and others;
- assessing the impact of the operation on the community and the environment (as further explored on pages 76 to 77 in the CSR Report);
- assisting MAG in maintaining a reputation for high standards of business conduct; and
- acting fairly as between members of MAG.

The separate Section 172 section on pages 74 to 77 illustrates how the Board and management have taken account of these matters in decision-making throughout the year. The impact of MAG's operations on the community and environment (including climate change) in particular is addressed in detail in the Strategic Report on pages 76 to 77.

WATES PRINCIPLES

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

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

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

¹ Please note that Paul Venables was appointed in February 2022 as Audit Committee Chair designate and assumed the role and responsibilities of the Audit Committee Chair when Robert Napier retired at the end of June 2022

Nomination Committee report



“Succession planning and talent were the key areas of focus for the Committee this year.”

The Committee held four meetings this year and spent a large part of its time considering the succession plans for the Group CEO. The succession plans were a regular agenda item over the year and the Committee was able to review the status of the structured development programme in place for Ken O'Toole to ultimately assess his capability to succeed into the role of Group CEO. The Committee also considered the suitability of Charlie Cornish succeeding into the role of Group Chair upon my retirement. Consideration was given to the scope and remit of both roles, the desire for continuity during an important time in our capital programmes and corporate governance principles. I am very pleased to report that the Committee felt able to recommend to the shareholders that Ken O'Toole succeed into the role of Group CEO and that Charlie succeed into the role of Group Chair effective from 1 October 2023.

The Committee maintained oversight of the development plans of senior Executives and succession options on critical posts which has been key to support the continuing recovery and transformation of the business. It is vital that the business has the right individuals in place at our Airports and, during the year, the Committee oversaw the appointment of Chris Woodroffe (MD of Manchester), Gareth Powell (MD of Stansted) alongside Steve Griffiths (MD of East Midlands).

A key priority for the Committee was to build bench strength and diversity of the Senior

Leadership teams across the business and the Committee considered other critical appointments in operational and commercial roles at the Airports (a mix of internal promotions and external appointments). Separately the Committee discussed the talent and succession pipelines for CAVU and endorsed the appointments of commercial directors to support the ambitions for growth. Looking forward, the Committee's focus on talent and succession planning will continue, ensuring that effective planning and development is in place for Executive and senior management teams to promote the success of the Company.

The Committee has begun the process of replacing Vanda Murray who is due to retire as Non-Executive Director and Remuneration Chair in March 2024. In our discussions, the Committee agreed the relevant expertise and experience required for this role. With the recruitment process in its final stages, the Committee expects to be able to recommend an appointment to the shareholders shortly.

The Committee closely follows and supports the efforts of the CSR Committee and the Management team to strengthen the presence of women across the Group and remains committed to promoting equity, diversity and inclusion in line with the Board approved ED&I Strategy. This will continue to form part of the Committee review of succession and talent in FY23. Indeed, the Committee was updated on the search for a permanent Chief People

Officer a female candidate due to start in September 2023.

The Nomination Committee plays an important role in ensuring that the structure, size and composition of the Board are appropriate, monitoring the balance of skills, knowledge, experience and diversity on the Board, leading the process for potential appointments to the Board and overseeing succession planning in respect of the directors (other than shareholder appointed directors) and senior Executives. In discharging its obligations, the Committee will take soundings from the Chief Executive Officer and seek guidance from other Executives and outside advisers and consultants, as appropriate.

I am satisfied that the Nomination Committee met its responsibilities this year.

Sir Adrian Montague CBE
Chair of the Nomination Committee

CSR Committee report

“As Chair of the CSR Committee, I am proud of the way MAG is committed to operating a responsible, forward-looking business and over the last year I have overseen another detailed programme of work to deliver the Group’s CSR Strategy – ‘Working together for a brighter future.’”



The CSR Committee met four times during the year. All members, which comprise my fellow Non-Executive Directors, Cath Schefer and Jon Wragg, attended all of those meetings. The meeting is also attended by the Non-Executive Chair, Managing Directors of each airport, the Chief of Staff, Group CSR and Airspace Change Director, plus other senior Executives and external speakers, as necessary.

The Committee is responsible for maintaining and reviewing the Group’s CSR Strategy, as well as offering advice where necessary and ensuring that the Strategy is effectively implemented. In addition to receiving regular reports on performance, this year the matters considered by the Committee included:

- The creation of five pledges as part of the Jet Zero Charter, to support the Government’s Strategy for the UK aviation industry to reach net zero by 2050
- The partnership between Manchester Airport and HyNet partners – Cadent and Progressive Energy – to become the first in the UK to secure a direct supply of hydrogen fuel
- The plans for a Solar Farm at London Stansted Airport
- Progress on the Airspace Modernisation programme which currently makes MAG the operator of the only two large airports to have passed Stage 2 of the CAA’s CAP1616 process
- The publication of a materiality & stakeholder trust study
- The approval of MAG’s Equity, Diversity and Inclusion (ED&I) Strategy in September, after which the Committee welcomed representatives from the Group’s Colleague Resource Groups who presented their work about improving ED&I across all areas of the business
- Marking significant milestones at our MAG Connect Aerozones – including the first anniversary of the facility at Manchester Airport, marking 30,000 visitors to East Midlands and 20,000 to London Stansted
- Developing the Youth Form pilot scheme to ensure MAG is listening to the more diverse range of local voices
- Celebrating the work of our Community Trust Funds and their eco garden competitions across the Group

More information about the Group’s commitment to corporate responsibility can be found on pages 34 to 41 and pages 88 to 97

Vanda Murray OBE
Chair of the CSR Committee

Remuneration Committee report



"I am pleased to set out the Remuneration Report for the year ended 31 March 2023. This sets out details of our remuneration policy and principles alongside key activities undertaken in the year."

WHAT ARE OUR REWARD PRINCIPLES AND HOW DO THESE LINK TO MAG'S STRATEGY?

The Committee considers the Group's key strategic priorities when setting remuneration and ensures that all remuneration packages are linked to the long-term sustainable financial performance of the Group. The Committee ensures that incentive structures drive performance that will enhance the experience of our customers, shareholders and our colleagues. The Committee's approach is to ensure a significant proportion of pay for Executives is linked to the performance of the Group rather than being fixed in base pay. For the CEO, 25% of compensation is fixed, with 75% variable and based on the achievement of financial metrics, personal performance and the achievement of key priorities. All Executives have not less than 60% of their remuneration linked to performance metrics each year (the proportion varies dependent on role).

The Short-Term Incentive Plan (STIP) is balanced between key financial performance measures (60%) and the achievement of personal objectives (40%). Personal objectives are specific to each Executive and are aligned to the achievement of specific in year actions and the achievement of our longer term priorities.

The Long-Term Incentive Plan (LTIP) is linked to the achievement of both financial measures and key priorities for MAG.

The Committee review and set targets each year details of which are set out below.

This approach of a basket of key measures each year ensures an approach which is focused on the long-term health of the Group as well as in year performance.

Outcomes for both the STIP and LTIP are determined based on threshold, targets and then stretch measures. Full vesting can only occur where all stretch targets are achieved across all measures.

Both schemes are discretionary, and in determining final awards the Committee considers the overall performance of the Group in determining final outcomes for participants.

To achieve further alignment with the long term performance of the Group, a new plan has been introduced, the Executive Investment Plan (EIP), which is designed to ensure that Executives are focused on sustainable growth in shareholder value through the retention of a proportion of their vested LTIP award each year. Retained monies attract a return only based on the performance of the Group, and such monies are generally only available one year after cessation of employment.

As one of the largest employers in the region, MAG is committed to being a good corporate citizen and doing the right thing for our colleagues and local communities and therefore supports the Corporate Social Responsibility (CSR) Committee in areas such as fairness, gender pay and diversity and inclusion. We are currently seeking and should shortly receive accreditation as a Real Living Wage (RLW) employer.

The Committee is guided by the following principles:

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

WHAT WERE THE COMMITTEE'S RESPONSIBILITIES AND KEY ACTIVITIES UNDERTAKEN IN FY23?

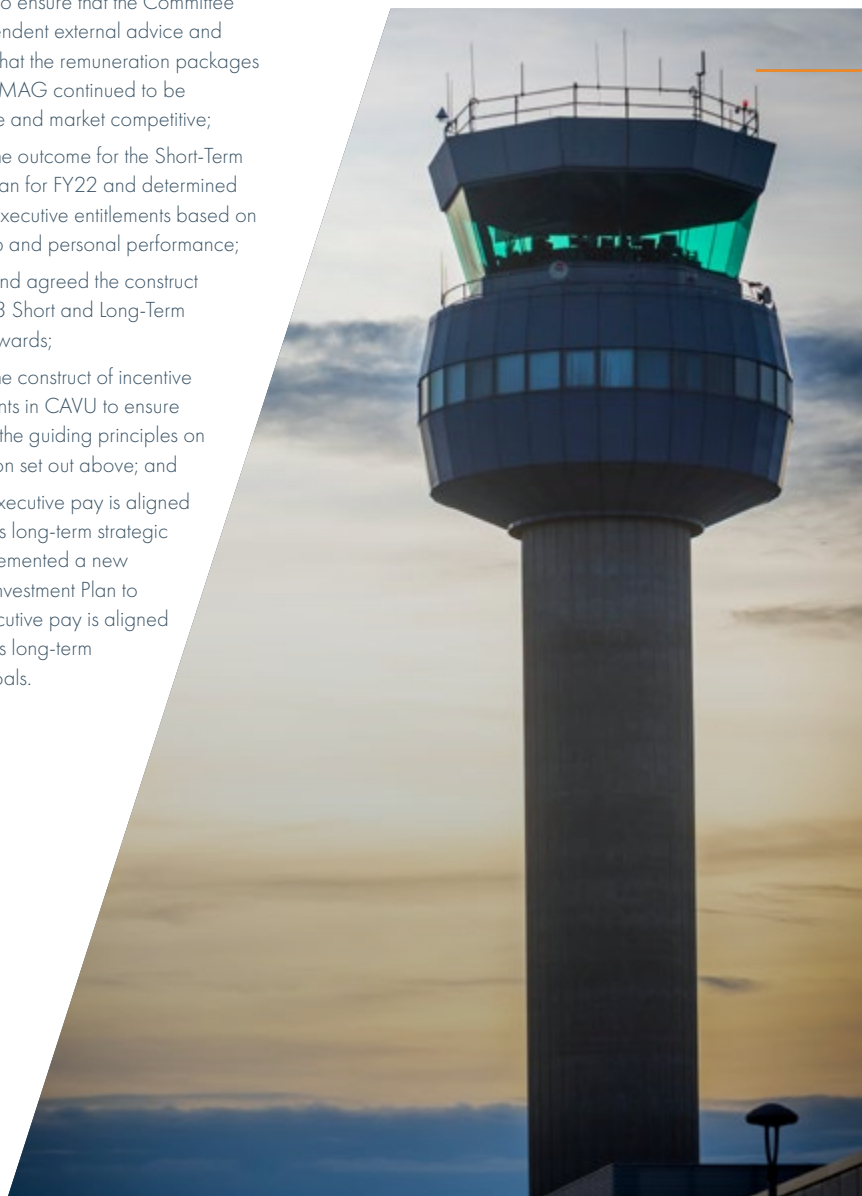
At the end of FY22, the exceptional steps taken during the Covid-19 pandemic in relation to pay ceased, and for FY23 our pay policies and practice returned to normal.

During the year, in addition to the regular duties the Committee performs year-on-year, the Committee undertook the following duties:

- determined that, in line with both market practice and overall affordability constraints, the Executive pay award be determined at a lower level than either leaders or colleagues;
- commissioned market reviews from FIT Remuneration Consultants of both Non-Executive and Executive pay during the period to ensure that the Committee had independent external advice and assurance that the remuneration packages offered by MAG continued to be appropriate and market competitive;
- reviewed the outcome for the Short-Term Incentive Plan for FY22 and determined individual Executive entitlements based on both Group and personal performance;
- reviewed and agreed the construct for the FY23 Short and Long-Term Incentive awards;
- reviewed the construct of incentive arrangements in CAVU to ensure these meet the guiding principles on remuneration set out above; and
- to ensure Executive pay is aligned with MAG's long-term strategic goals, implemented a new Executive Investment Plan to ensure executive pay is aligned with MAG's long-term strategic goals.

MEMBERSHIP OF THE COMMITTEE, REMIT AND ATTENDANCE AT MEETINGS

The Committee's members during the year were Vanda Murray (Chair), Christian Seymour, Cath Schefer and Bev Craig (all Non-Executive Directors, with Christian Seymour and Bev Craig being shareholder-appointed). The Committee met four times during the financial year.



Remuneration Committee report continued

HOW DO WE REWARD OUR EXECUTIVES AND HOW DOES THIS LINK TO THE GROUP'S STRATEGY?

Reward element and purpose in supporting the Group's strategy	Operation of reward element for Executive Directors and senior Executives
Basic Salary Support the recruitment and retention of Executive Directors and other senior Executives, recognising the size and scope of the role and the individual's skills and experience.	<p>The basic salaries of Executive Directors and senior Executives are reviewed annually and set based on:</p> <ul style="list-style-type: none"> • personal performance; • Group size and performance; • responsibility levels; • affordability; and • competitive market practice against a comparator group of similar sized organisations. <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher until the target positioning is achieved.</p> <p>In line with all employees a pay award was made during the year, but at a lower percentage than for all other employees.</p>
STIP Ensures a market-competitive remuneration package. Links total remuneration to achievement of the Group's strategy against measurable performance criteria in the short term, both driving individual performance and creating shareholder value.	<p>Short Term Incentive awards for FY23 were deployed during the year. These awards vest subject to the achievement of key performance measures as to 60% (EBITDA and cash), and personal objectives (40%).</p> <p>In addition to the performance targets, the Committee retains the discretion to defer or reduce STIP awards in part or in full for this year, based on an overall assessment of both Group and personal performance. In line with best practice, a clawback provision is included in the STIP. This provision enables the Group to reduce awards or reclaim payments made, in the event of a material misstatement or error in the financial results, where the Group has made an error in calculating the amount of award, or where there has been gross misconduct on the part of the participant.</p>
LTIP Designed to incentivise participants towards sustainable long-term growth and shareholder value, whilst acting as an effective retention mechanism.	<p>LTIP awards are subject to the achievement of a basket of targets.</p> <p>Details of conditions for current awards are set out below:</p> <p>LTIP vesting in FY23 and FY24 Financial measures are EBITDA, credit rating/financing; recurring efficiencies and shareholder payments. As an example, an element of the vesting of LTIP this year was determined through the delivery of recurring efficiencies of over £60m alongside the achievement of in year EBITDA performance.</p> <p>Key priorities are customer service index targets.</p> <p>LTIP vesting in FY25 Financial measures are shareholder returns, EBITDA, operating margin, and return on capital employed.</p> <p>Key priorities are ED&I targets on gender, age and ethnicity, customer service index and market share.</p> <p>The Committee reserves the discretion to reduce awards down to nil where it considers underlying performance is not at a satisfactory level during the performance period.</p>



Reward element and purpose in supporting the Group's strategy

EIP

Designed to ensure that Executives are focused on sustainable growth in shareholder value through the retention of a proportion of their LTIP award, the value of which is linked to the long-term financial performance of the Group.

Operation of reward element for Executive Directors and senior Executives

The EIP was implemented during FY23 and applies to all LTIP awards that vest in respect of FY23 onwards. The investment requirements for Executives are as follows:

Executive Directors required to invest 50% of each LTIP award until a threshold of 300% of salary is met in terms of invested monies; and
Other Executives required to invest 30% of each LTIP award until a threshold of 200% of salary is met.

Such monies cannot be accessed until, in general, one year after cessation of employment.

The Remuneration Committee has discretion to consider requests to both increase or decrease investment amounts, and to increase the holding period for Executives greater than one year post cessation of employment.

Pension

The pension arrangements comprise part of a competitive remuneration package and facilitate long-term retirement savings for Executive Directors and senior Executives.

The Company provides pension benefits to eligible employees through legacy defined benefit arrangements or the MAG Pension Savings Plan, which is a defined contribution (DC) arrangement. The DC arrangement is available for newly eligible employees and provides money purchase pension benefits.

Executive Directors and senior Executives are entitled to receive a salary supplement in lieu of pension contributions.

Additional benefits

Provide a market competitive benefits package that is consistent with Group values and supports Executives to carry out their duties effectively.

Other benefits include a car cash allowance, or an equivalent car, in addition to permanent health insurance, private health insurance, critical illness cover and death-in-service life cover.

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

HOW DOES THE COMMITTEE GIVE CONSIDERATION TO THE WIDER EMPLOYEE WORKFORCE?

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

More information about the Group's commitment to gender pay and diversity and inclusion can be found in the Sustainability section of the report on page 36. Examples of the initiatives MAG has implemented are:

- Establishment and operation of several Colleague Resource Groups, including the MAG Women's Network, Fly with Pride, Race & Ethnicity, the Carer's Network and Mens's Mental Health;
- Launch of the ED&I forum, chaired by the Deputy CEO, and launch of diversity training modules;
- We continue to offer a flexible benefits system that allows employees to choose the benefits most appropriate for their circumstances;
- We have produced a Gender Pay Report as set out in the Gender Pay Regulations; and
- Commitment to seek accreditation as a Real Living Wage employer.

Vanda Murray OBE
Chair



Audit Committee report



“The handover from KPMG to EY as Group Auditors in FY23 has gone very smoothly.”

I assumed the role of Audit Committee Chair from 1st July 2022 following the retirement of Robert Napier. I am pleased to present the Audit Committee's report for the year ended 31st March 2023 on behalf of all members. As at 31st March 2023, the Committee comprised of myself, Vanda Murray, Jon Wragg, Cllr John Blundell and Manoj Mehta (all Non-Executive Directors, with Manoj Mehta and John Blundell being shareholder appointed).

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

- reviewed the Interim and Annual Report and Accounts including significant judgements, going concern, impairment considerations and Management Representation Letter;
- reviewed and approved the Group's Tax Strategy;
- reviewed and approved compliance with the Group's Treasury Policy and financial risk limits;
- monitored the Group's cyber security activity and key controls, including developments in the external threat environment and progress required by the Network and Information System Regulations (NIS);
- considered the impact of changes to the accounting and financial reporting regimes applicable to the Group;
- considered and approved the results of an independent External Quality Assessment of MAG's Risk and Internal Audit functions;
- reviewed the Group's internal control and risk management framework, including: a biannual review of principal risks; regular updates on the status and completeness of MAG's corporate risk profile and associated control measures; and horizon scanning regarding new and emerging risk considerations;
- reviewed the results of risk-based and cyclical internal audit work and challenged management in relation to key findings and implementation of recommendations;
- considered internal audit skills and resources and satisfied itself that these are adequate to meet the needs of the business and will be supplemented with co-sourced independent specialist support as and when necessary;
- assessed the adequacy and basis of renewal of the Group's insurance provision; reviewed alternative performance measures and adjusted items;
- evaluated external audit activity, specifically in relation to the key risks (impairment of non-financial assets, going concern and valuation of investment property) and key judgemental areas (pensions and tax); and
- evaluated the impact of the final phase of the Manchester Transformation Programme and subsequent closure of Terminal 1;
- in the course of satisfying itself as to the independence and objectivity of the external auditor, analysed the level of fees paid to the external auditor for audit and non-audit work, and the performance of the external auditor.

The Audit Committee met three times during FY23 as part of its regular cycle, with meetings taking place in June 2022, November 2022 and March 2023. All members attended all meetings, with the exception of Vanda Murray who sent apologies for the November 2022 meeting.



Following a robust evaluation process in FY22, Ernst & Young LLP were appointed as statutory auditor for a five year period commencing from FY23. Mindset and culture were all key factors used in determining the appointment of MAG's external auditors and these factors, alongside judgement, collaboration and quality control, are all used on an ongoing basis to assess the quality of service provided.

The independence and objectivity of the external auditor are safeguarded by a number of control measures including:

- limiting the nature and extent of non-audit services;
- the rotation of the lead audit partner every five years;
- monitoring changes in legislation and best practice guidance related to auditor independence and objectivity;
- the external auditor's own internal safeguarding processes and procedures; and
- independent reporting lines from the external auditor to the Chair of the Audit Committee, along with regular in-person sessions with the full Audit Committee.

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

In the assessment of the draft FY23 Annual Report and Financial Statements, there was a continued robust focus upon the evidence supporting the ability of the Company to release its financial statements on a going concern basis, the viability of the Company and ensuring that the Annual Report was fair, balanced and understandable.

The directors consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company/Group's position and performance, business model and strategy.

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

Paul Venables
Chair – 1 July 2022 onwards

Robert Napier CBEDL FRCS (Hon)
Chair – until 30 June 2022

S172 report

Statement by the directors in performance of their statutory duties in accordance with S172(1) Companies Act 2006

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

The Company's key stakeholders, and our interaction with them, are summarised below.

Stakeholder	Why they matter to MAG	What matters to them	How the Board interacts
Shareholders	<p>Our shareholders provide the equity finance necessary to support the operation and future development of the business.</p> <p>Shareholders also appoint Non-Executive Directors who are critical to overall governance and make a valuable contribution to the working of the Board and developing the Company's strategy.</p>	<p>Our shareholders have invested in the long-term success of MAG. In return they seek predictable and sustainable returns on their investment.</p> <p>Our shareholders require high standards of governance, responsible business practices and transparent disclosure of information. This allows them to make informed decisions and to meet their own disclosure and reporting requirements.</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 Board sub-committees, including the CSR Committee, which considers responsible business practices, including environmental and community impacts, health, safety and wellbeing, modern slavery as well as equity, diversity and inclusion.</p>
Colleagues	<p>Colleagues are our greatest asset. They make our strategy a reality and deliver services to our customers. Their engagement, energy and ideas are critical to the continued innovation and improvement of the services we offer.</p>	<p>Our colleagues need a workplace that is safe, inclusive and offers them opportunities to develop their careers. They expect to be treated equitably 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 as a first priority and scrutinises safety performance. The CSR Committee, which is attended by the Chief People Officer, provides an opportunity for workplace issues, including fair pay, equity, diversity and inclusion, to be discussed.</p>
Passengers	<p>Passengers provide much of our income and 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 passengers want our airports to provide a safe, secure, clean and welcoming environment, and to experience an efficient service. Our customers expect us to make our services available to all by providing an accessible environment.</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 regular 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>Many of the environmental consequences of our operations, including noise, congestion and local air quality have greatest impact on communities closest to our airports, though some of the impacts of our operations, including climate change, have global 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 economy-wide target to reach net zero emissions by 2050.</p>	<p>The Board established the CSR Committee to allow extensive discussion of these issues. The Board regularly considers environmental impacts, including climate risks and considers the views of local communities through an independently facilitated materiality survey.</p>

Stakeholder	Why they matter to MAG	What matters to them	How the Board interacts
Customers, partners and suppliers	<p>We deliver our services with the support of our airline customers, business partners and suppliers across our entire value chain. Having effective and respectful 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>	<p>Our customers, partners and suppliers want to work with us to maximise mutual benefit.</p> <p>They require us to adopt high standards of governance, responsible business practices and transparent disclosure of information. This allows them to make informed decisions and to meet their own disclosure and reporting requirements.</p>	<p>We work collaboratively, including holding 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 business, 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 the risk of 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	<p>Our operations are highly regulated. The policy and regulatory framework determines how we operate including ensuring that we operate safely and securely, that competition is fair and that our environmental impacts remain within acceptable limits.</p>	<p>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. Regulators rely on clear and transparent disclosures.</p>	<p>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. Reporting to the Board highlights regulatory risk and any instances of non-compliance.</p>

S172 report continued

HAVING REGARD TO THE LIKELY CONSEQUENCES OF DECISIONS IN THE LONG TERM

As set out on page 80, the Board oversees a risk management process, including a dedicated Audit Committee that oversees the management and implementation of the risk framework. The regular review and assessment of risk that is shared with the Board protects the long-term interests of MAG. As reported on page 88, in recent years greater emphasis has been given to assessing the risks posed by climate change and MAG meets the provisions of the Task Force on Climate-Related Financial Disclosures. This year key risks identified included the risk of a safety and/or security incident; the mitigation of and adaptation to climate change; the recruitment and retention of talented people; the security of data and information and macro-economic uncertainty.

Whilst it has been necessary in some instances to rephase investment plans as the business has recovered from the pandemic, the Board has continued to support the measures necessary to secure the long-term growth of the business, including completing the £1.3bn transformation of Manchester Airport.

The Board has also supported investment in a Future Airspace Programme, to ensure that airspace arrangements can support the objective to make best use of the airports' physical infrastructure.

HAVING REGARD TO THE INTERESTS OF THE COMPANY'S EMPLOYEES

This has been another demanding year for our colleagues, as the business recovered from the pandemic and sought to accommodate pent up demand for flying, particularly over the peak Summer period. The large-scale recruitment necessary to respond to increased demand proved challenging, but the business is now fully resourced. The Board oversaw this process and received regular progress reports throughout.

Through the CSR Committee, the Board has continued to receive regular reports on a wide range of workplace issues, including gender pay gap, equity, diversity and inclusion and modern slavery. This year the Board approved a new Work Charter making clear the commitment to and support available to colleagues. Safety remains a critical priority for the Board and safety performance is closely and regularly scrutinised.

HAVING REGARD TO THE NEED TO FOSTER THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

We have mature and extensive consultation practices. Our regular consultation forums have been maintained and strengthened. Our airport consultative committees bring together customers, airport users, government and community groups. At an operational and commercial level, liaison groups and regular one-to-one account management meetings ensure timely exchange of information. This enables us to understand the priorities of these important stakeholders and to ensure we take account of their views in decision making. This year we were able to reinstate our 'Meet the Buyer' programme at Stansted and to extend the programme to Manchester. This has ensured that economic benefits of our operation and growth are increasingly shared with smaller local businesses.

We continue to regularly review our assessment of materiality and this year we undertook a survey focusing on local stakeholders. This review has helped to build our understanding and inform our decision making.

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

HAVING REGARD TO THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT

The Company continues to maintain certification to the environmental management systems standard ISO 14001 and to participate in the GRESB benchmark. Our 'five star' rating in this global ESG framework was retained this year. Through the CSR Committee, the Board receives regular reports on environmental performance, considering a wide range of performance indicators, including legislative compliance. The Board continues to oversee the implementation of the CSR Strategy and the detailed supporting programme of work to deliver the commitments that it contains.



MAG continues to play a prominent role in decarbonising aviation, through membership of the Government's Jet Zero Council and the industry coalition Sustainable Aviation. This year the Board received several reports on the issue of climate change, considering the developing policy framework, including the Government's Jet Zero Strategy and the measures we have taken to support its implementation, and our progress towards achieving net zero operations. The enhancements to our reporting of climate risks, consistent with the Task Force on Climate-Related Financial Disclosures, were also discussed by the Board.

HAVING REGARD TO THE DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The business continues to meet the requirements of the Global Reporting Initiative's fully disclosed standard, including reporting against the relevant sector supplement. The Board believes that full and transparent disclosure is important to build and maintain the confidence of stakeholders. MAG continues to maintain procedures to minimise the risk of bribery and corruption and to provide all colleagues with an anonymous service to report any instances of bullying or intimidation. This year all senior leaders received training on competition law, to ensure they remain aware of their obligations.

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

HAVING REGARD TO THE NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY

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



Internal controls and risk management

Internal controls

The directors are responsible for the Group's system of internal control, which aims to safeguard assets and shareholders' investment, and seeks to ensure that proper accounting records are maintained, that statutory and regulatory requirements are met, and that the Group's business is operated economically, effectively and efficiently.

It is acknowledged that any system of internal control is most likely to manage rather than eliminate risk, and can provide only reasonable, but not absolute, assurance against material misstatement or loss.

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

- clearly defined organisational structures, schemes of delegation and lines of responsibility;
- the involvement of qualified, professional employees with an appropriate level of experience (both in the Group's Finance function, relevant 2nd and 3rd Line assurance functions and throughout the business);
- regular meetings of the Board and the Chief Executive's Executive Committee;
- quarterly Airport, IT and CAVU Risk and Audit Boards meetings, chaired by the relevant MD or Executive member;
- Board approval of long-term business strategies, key business objectives and annual budgets (with an annual review being undertaken to update the business strategies and key business objectives);
- preparation, and Board approval, of revised financial forecasts during the year – monitoring financial performance on a monthly basis against budget, and the benchmarking of key performance indicators, with remedial action being taken where appropriate;
- monitoring annual performance against business plans;
- established procedures for planning, approving and monitoring capital projects, together with post project investment appraisal;
- regular review by the Group's Finance function of each business unit including a reconciliation to the management accounts on a segmental basis;
- the review by the Audit Committee and the Board of the draft consolidated financial statements, and receipt of and consideration by the Audit Committee of reports from management and the external auditor, on significant judgements and other pertinent matters relating to those statements;
- the activities of the Group Risk Team and Group 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 MAG's key risks are being well managed, and controls are adequately designed and operating effectively. Their methodology is based on the Chartered Institute of Internal Auditors Internal Audit Standards and best practice guidelines along with the updates as detailed in the 2020 Internal Audit Code of Practice.

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

Over the course of the year, the Internal Audit team carried out 25 reviews across a broad range of areas including treasury management and cashflow; fixed assets; recruitment controls and processes; operational rostering; business resilience; modern slavery governance; drones governance arrangements and environmental management systems. The IT audit plan this year remained focused on key cyber and information security risks, and deep dives were conducted into areas such as MAG's Airport Content Management Systems and Amazon Web Services Security.

In line with Internal Audit standards, Internal Audit activity has continued to focus on the adequacy and continuous improvement of MAG's 2nd Line functions and the associated controls, maturity 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 to identify any areas for improvement, based on the Chartered Institute of Internal Auditors Standards. In addition, in FY23, a full External Quality Assessment of MAG's Risk and Internal Audit functions was undertaken by BDO LLP which covered the five key areas of Purpose; Profile; Planning; Protocols; and Performance. The Internal Audit team was assessed as fully compliant with the Standards and graded as effective/leading in all six areas, with six minor improvement opportunities identified which were addressed at the time of the review.

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

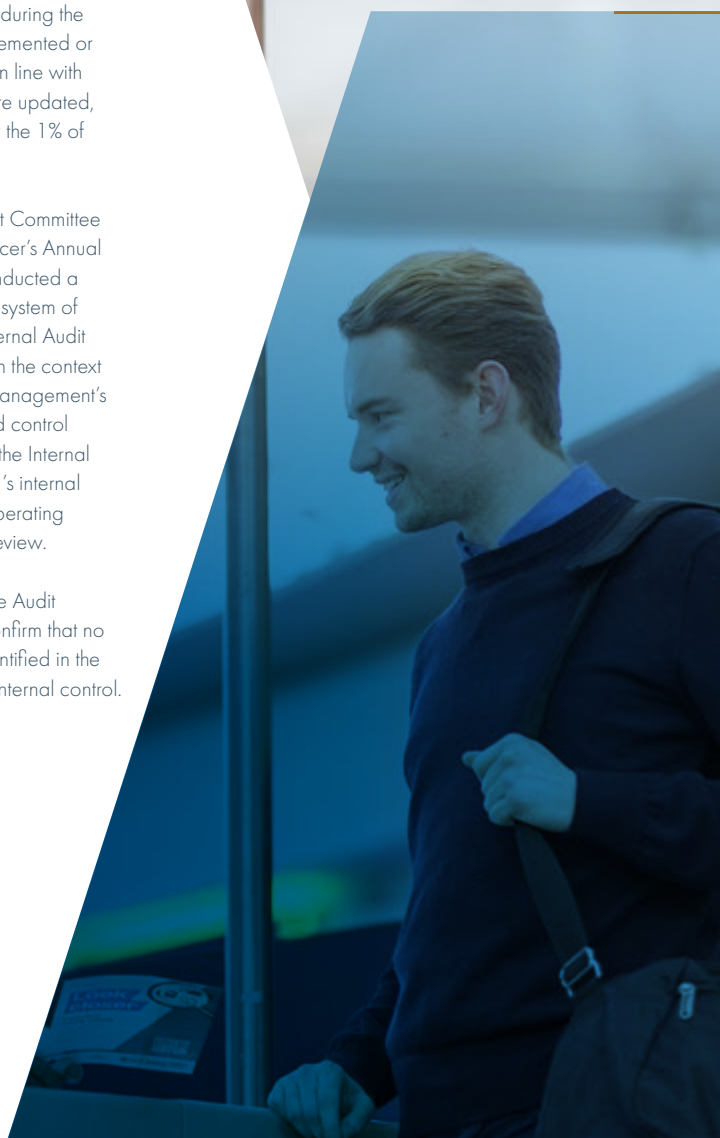
As standard, Internal Audit reviews consider the Group-wide application of policies and procedures with the aim of promoting best practice and standardisation across MAG. Any areas of non-compliance with policies and procedures are reported to appropriate

governance forums including Risk & Audit Boards, leadership team meetings and Audit Committee. There is full transparency in respect of MAG's strong framework of risk management and controls assurance, and attendance at key forums by the Head of Risk and Head of Internal Audit ensures that cultural aims in respect of tone from the top and risk appetite are instilled across the business.

Regular reports on control issues are presented to, and discussed with, the Audit Committee, and there is a process in place to ensure that audit recommendations are fully implemented by senior Executive management. As such, 99% of recommendations made during the period have now been fully implemented or are on track to be implemented in line with initial agreed deadlines. There are updated, risk-based deadlines in place for the 1% of overdue actions.

On behalf of the Board, the Audit Committee has received the Chief Audit Officer's Annual Report and Opinion and has conducted a review of the effectiveness of the system of internal control. Based on the Internal Audit work delivered during the year, in the context of materiality, and considering management's commitment to implement agreed control improvement recommendations, the Internal Audit team concluded that MAG's internal control and risk activities were operating effectively for the period under review.

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



Internal controls and risk management continued

Risk management

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

Risk Management Framework

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

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

MAG's Risk Management Framework is focused on providing management, the Audit Committee and the Board with a clear and current view of the organisation's risk profile and strategies in place to manage and mitigate material risks, and to identify emerging risks. The framework is structured to ensure that all aspects of the Group's risk profile are subject to regular review at a strategic, corporate and operational level. The

framework also supports the prompt escalation and assessment of material or emerging risks at the appropriate internal governance forums as they arise or are identified. This assessment process is underpinned through the delivery of an extensive programme of risk review workshops, facilitated by our 2nd Line team of risk specialists. MAG's risk specialists support management across the organisation in identifying and evaluating existing and emerging risks, and in the development of effective mitigation strategies designed to manage risk exposure to an acceptable level.

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

The Risk Management Framework provides a clear and comprehensive basis for a consistent approach to risk management across the business. This core foundation means that managers can respond with agility to new and emerging risks thanks to a clear understanding of how risks should be identified, measured,

monitored, and governed. This was facilitated in FY23 with the establishment of Risk and Audit Boards across the Group. These provide a forum for the escalation, discussion and governance of local airport and functional risks to ensure that they can be appropriately managed at the right level.

Having a well-embedded risk management process allows MAG to promptly identify the key uncertainties and challenges that our business faces alongside the mitigations and actions required to meet passenger needs and achieve our strategic objectives.

Risk appetite

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

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



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

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

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

The Audit Committee and our Executive receive regular detailed management information on the Group's risk profile through risk reports which highlight key risks, material changes to the risk profile and risks outside of appetite. In addition, Airport Leadership teams receive

regular risk reports with a focus on both the risk profile and management's progress in implementing agreed mitigating actions. Management is accustomed to regular constructive challenge on its strategies to manage key risk exposures and is held to target deadlines to implement agreed mitigating actions.

RISK CULTURE

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

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

To facilitate the consistent implementation of the Risk Management Framework, MAG uses a risk system to ensure accessibility to all colleagues of a single repository for all organisational risks.

This is a dynamic tool to manage and escalate risks, increasing the accountability and ownership of MAG colleagues and enhancing the visibility of risk and therefore our ability to govern them. The system also provides a mechanism to link risks, acknowledging the interdependency of risks and the need to govern them with a clear understanding that many risks do not sit in silo. This enhances colleagues' ability to make informed decisions.

EMERGING RISKS

The established processes outlined above mean that risk is considered at all levels of the organisation. Regular liaison with senior management provides a basis on which to consider new and emerging risks. Horizon scanning to consider potential emerging risks is the responsibility of all senior MAG officers, supported by the Risk team to ensure that they are recorded in a timely manner to underpin appropriate governance and attention. Any significant or strategic risks are supported by the establishment of programmes with their own risk registers.

Our Internal Audit team provides management and the Audit Committee with independent assurance over the management of MAG's risk profile through the delivery of a risk-based Internal Audit Plan which assesses the adequacy and effectiveness of MAG's internal control environment. The Plan is designed to provide appropriate and targeted assurance over the Group's risk profile across a rolling three-year period with a focus on prioritising the biggest risks. Findings from Internal Audit reports are reflected in the risk register to verify scoring, enhance the robustness of existing controls, identify new controls and ensure that any further actions are tracked through to completion.

Internal controls and risk management continued

PRINCIPAL RISKS

The table below summarises the key risks currently faced by MAG, with details of the strategies for managing them.

Key risk	Risk detail	Mitigation strategy
Principal risk: Major health & safety incident affecting our customers or colleagues	The health and safety of our customers, employees and stakeholders is a priority for us. The inherent nature of our business means that we are a thriving hub of activity centred around our people, third parties and the public. We recognise our responsibility to all our stakeholders and have a zero-tolerance policy to health and safety incidents involving our stakeholders. We understand our legal, regulatory, and moral obligations and recognise the importance of embedding best practice to mitigate the risk of failure to achieve these.	<p>MAG recognises within the Corporate risk register the potential risk around failure to design a strong Health & Safety management system that meets the legal framework that MAG operates in as well as third party accreditation to the ISO 45001 standard.</p> <p>Key to the mitigation of this risk includes:</p> <ul style="list-style-type: none"> • The provision of competent and sufficient resources within each of MAG's business areas to advise on health and safety. • Centralised experts establish compliant, best practice guidance to be implemented consistently across all MAG airports. Processes ensure that there is appropriate cross-Group collaboration which represents best practice and incorporates relevant feedback from subject matter experts. • Regular 2nd and 3rd line audits take place to verify compliance and assure management of the adequacy and effectiveness of controls. • The MAG Health and Safety Policy is supported by a documented Health and Safety Management System. This is aligned to ISO 45001 Standard which means that guidance reflects best practice. • The CAMMS system, initially rolled out across MAG to support risk management processes, has been embedded to underpin incident management governance in a consistent manner across the Group. The key benefits of this system include: consistency of data input leading to consistency of reporting; improved incident management; consolidation of data; ability to review and act upon lessons learned; and improved management information reportable to key governance forums. • As noted above, the Health and Safety governance process is supported by the establishment of 2nd line assurance roles which focus on both compliance and operational risk. Audit findings are reflected in the risk register in terms of both risk scoring and action tracking. This enables the business to monitor implementation and embedding of recommendations and their overall effect on the quality of MAG's control environment. • Health and safety training is provided to all employees at all levels and briefings are provided to contractors and other visitors to our sites to ensure that key health and safety risks are understood and effectively managed. Our health and safety governance structure is designed to ensure that there is appropriate oversight of our management of health and safety risk and enables material risks to be quickly escalated and addressed.
Principal risk: Security breach	The UK security threat level is substantial, meaning an attack is likely. We have an obligation to ensure that our systems, processes, assets, and operations are secure at all our sites in the context of the current threat level.	<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 existing and emerging 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 design and effectiveness of our security processes and controls.</p> <p>Security governance is embedded at all our airports and all security assurance activity is overseen by multi-agency governance forums. MAG subject matter experts liaise with third parties to review security risks and document the mitigation strategies in place to ensure the continued monitoring, development and discussion of key security risks.</p> <p>At MAG, as with the aviation sector in general, we recognise that failure to respond effectively to the threat of terrorism has the potential to significantly impact on safety and security, stakeholder confidence and regulatory compliance. MAG is able to demonstrate to customers and stakeholders robust comprehensive security controls across all of our airport sites, which are subject to frequent independent review by regulators, externally appointed auditors Redline and other stakeholder organisations, and overseen by multi-agency governance forums.</p>

Key risk	Risk detail	Mitigation strategy
Principal risk: Climate Change	<p>Climate change is a significant global risk that has implications across the sector. The principal risk centres around the impact of policies that governments implement to ensure aviation achieves net zero by 2050, as well as consumer and stakeholder confidence in the ability of the sector to decarbonise.</p>	<p>MAG has already taken significant action to reduce emissions associated with its own operations. Our operations are carbon neutral, and our CSR Strategy sets out how we will transition to a net zero carbon business no later than 2038.</p> <p>Under MAG's leadership of the Sustainable Aviation coalition, the UK aviation industry became the first in the world to commit to net zero aviation by 2050 and publish a plan to achieve this goal. The Sustainable Aviation Decarbonisation Roadmap sets out how emissions from aircraft will reduce to net zero by 2050. The Sustainable Aviation Roadmap represents joint working between airport operators, airlines, aerospace manufacturers and air navigation service providers. It provides a basis to tangibly reduce CO₂ emissions and influence positive public sentiment.</p> <p>MAG continues to work with industry partners to achieve this target, playing our full part in decarbonising the industry through membership of the Government's Jet Zero Council and working with Government to shape policy on relevant issues</p> <p>Our mature understanding of physical climate risks directly informs asset standards and infrastructure planning. Further work to consider the financial implications of climate change will position MAG well as economies more generally decarbonise. MAG has also undertaken two climate change adaptation assessments, considering the physical climate risks to MAG's infrastructure and airport operations. These reports, which were submitted to the Government to inform its National Adaptation Programme, will be updated this year as we complete our third assessment, making use of the Met Office's latest climate projections.</p> <p>Last year we enhanced our Annual Report reporting to more closely reflect the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD).</p>
Principal risk: People	<p>The lifting of Covid-related travel restrictions resulted in a rapid recovery in passenger demand which placed significant demands on operational colleagues.</p> <p>The competition for talent is increasing across many sectors as organisations build back following the pandemic. Jobs in the hospitality and travel sectors were significantly impacted, a situation exacerbated by lower availability of EU nationals resulting from Brexit. This has ultimately decreased the size of the available talent pool, which could impact MAG's ability to attract the right people at the right time to meet business needs as recovery continues.</p> <p>The same risk applies to the many third parties that provide essential services that support the day-to-day running of MAG's airports. We are dependent upon critical third parties including, Border Force and ground handlers. Their ability to recruit and retain the right number and quality of staff is a key element of the People risk to the business.</p>	<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.</p> <p>We are also adapting and enhancing our recruitment approach in key areas such as 'digital' to reflect the changing external environment, where the competition for talent is high.</p> <p>MAG leadership recognises the importance of People and understands that our colleagues underpin the operation and are at the heart of the success the organisation has enjoyed. As colleagues returned to work following the pandemic, there has been a focus on providing the necessary support and resources to enable them to thrive in their current roles and in their longer term careers.</p> <p>Specific measures include:</p> <ul style="list-style-type: none"> • The rollout of targeted sessions to re-engage colleagues and provide them with a framework and toolkit to promote a positive, engaging, collaborative culture at MAG. • The creation and communication of refreshed MAG values. These values represent the collaborative, passionate, sustainable culture that embodies MAG. • The delivery of employee engagement surveys to all staff to gauge the sentiment of our colleagues as they returned to work after a time of disruption and uncertainty. • Regular employee performance reviews, combined with regular communications from management and the use of pulse surveys enables MAG to remain proactive in developing initiatives to deliver any required ongoing improvements in the overall employee experience. • A significant focus on health and wellbeing to support colleague return to work and underpin the recovery process. • Increased governance, liaison and stakeholder management regarding MAG's critical third parties, including the introduction of formalised performance monitoring and resilience planning.

Internal controls and risk management continued

Key risk	Risk detail	Mitigation strategy
Principal risk: IT compliance, security and infrastructure	Compliance - MAG is subject to a number of regulations governing the protection of information systems (hardware, software and associated infrastructure), the data on them, and the services they provide. These include General Data Protection Regulation (GDPR) and Network and Information Systems (NIS). The financial and reputational penalties that relate to these are severe.	<p>Compliance</p> <p>MAG 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. MAG is defined as an Operator of Essential Service (OES). This change in legislation now sees cyber security controls being regulated by the Civil Aviation Authority (CAA) and MAG has to comply with this regulatory requirement that sees cyber security associated with aviation safety.</p> <p>MAG is committed to providing a world-class cyber security service and will continue to take its cyber security responsibilities with the utmost seriousness. MAG has adopted an in-depth approach to cyber security protection and has developed an embedded security culture through awareness, education and empowerment to ensure that we keep MAG's operations, customers, employees and stakeholders safe from cyber threats.</p> <p>MAG has a well-established approach to the governance of IT compliance. This is developed and designed by a team of specialists who ensure that ways of working are founded on best practice principles. The following outlines some of the ways in which compliance is embedded across the business:</p> <p>All colleagues undertake an annual mandatory DPA/GDPR training to increase their knowledge of GDPR risk and reporting requirements.</p> <p>MAG has developed a readily accessible Privacy Strategy. The Privacy Strategy is reviewed and updated annually and will take into account changes in legislation, case law and new guidance published by the ICO.</p> <p>MAG takes data breaches seriously and training sessions are made available to all staff in bitesize lessons which provide a succinct and focused summary of key points for colleagues to be aware of. Where breaches do occur, the relevant legal and governance processes are followed.</p> <p>Privacy impact assessments are undertaken as part of business-as-usual activity in line with the Data Protection Impact Assessment Standard. All DPIA's are reviewed and approved by the Data Protection Team. This means any projects processing personal data will meet GDPR requirements. This is reviewed by MAG's DPO as and when new guidance is released by the ICO to ensure compliance.</p> <p>MAG has a suite of DPA policies and procedures in place. This includes a Tier one policy (signed off by MAG's CEO) which gives an overview of GDPR processes and compliance. This is reviewed annually and is supported by 11 standards which define more detail as to how individuals should comply with GDPR. The guidance is accessible to all MAG colleagues.</p>

Key risk	Risk detail	Mitigation strategy
Principal risk: IT compliance, security and infrastructure continued	<p>Security - MAG is part of the Critical National Infrastructure and holds valuable customer, employee, financial and intellectual property, making it a valuable target to cyber criminals. Furthermore, the cyber-attack threat level has increased due to the conflict in Ukraine. We are conscious at MAG that the nature of our operations means that there is a risk that MAG is subject to either a direct or indirect cyber-attack / loss that results in a loss of confidentiality, integrity and availability of critical MAG data.</p>	<p>Security</p> <p>MAG has an Information Security Management System (ISMS) in place which is supported by a suite of policies and standards that define the security controls required to mitigate cyber risks. The ISMS is governed by the Group's Cyber Security Steering Committee (CSSC).</p> <p>MAG's Information Security Risk and Audit Compliance regime audits against the ISMS standards to ensure compliance with ISO27001. This is part of MAG's annual certification to ISO27001. Audits are performed annually and cover all aspects of MAG's Statement of Applicability.</p> <p>A policy and robust procedure for minimising the ongoing risk from IT vulnerabilities is in place at MAG. This Standard is part of MAG's ISMS and is reviewed annually as part of MAG's ISO27001 certification / internal policy governance.</p> <p>Vulnerability scanning and penetration testing takes place at appropriate frequencies to identify potential vulnerabilities and enable risk-based decision making. The Patch Vulnerability Group (PVG) governs the activities to ensure they are compliant and, where non-compliance is identified, action is taken to remedy this where required.</p> <p>The ISMS is aligned to ISO 27001 and is audited both internally by the Cyber Risk and Compliance Team, and externally on an annual basis. Additional high-level audits are conducted as required.</p>
	<p>Infrastructure - MAG is increasingly dependent upon technology for improved operational efficiency, passenger and colleague experience, safety and security. Increased digitalisation and connectivity bring with them greater scope for vulnerability and associated business impact in the event of failure.</p>	<p>Infrastructure</p> <p>MAG has a Group Technology Strategy which sets out priorities and plans to address identified technology needs across the business. The Technology Operating Model has evolved to align with MAG's Empowered Airports model. This has been designed to ensure a business-partner-led approach to technology strategy development and prioritisation.</p> <p>The Technology department have adopted the ITIL Framework for service management, aligning to industry best practice. This includes detailed processes for change, problem and incident management, as well as a robust delivery framework which includes rigorous testing and where necessary, third-party assurance of critical projects.</p> <p>In addition, a comprehensive Technology Governance Model is in place encompassing a Business Design Authority (responsible for ensuring delivery is aligned to strategy), a Technical Design Authority (responsible for ensuring designs meet necessary standards) and an overarching Technology Governance Board which tracks Technology risk, assurance and audit findings, reporting outputs to the Audit Committee as required.</p> <p>As MAG's airports are part of UK Critical National Infrastructure, critical systems are covered under the Network and Information Systems Regulations 2018 and are subjected to annual audit and assurance, with results and action items reported to the Civil Aviation Authority (CAA).</p>

Internal controls and risk management continued

Key risk	Risk detail	Mitigation strategy
Principal risk: Macroeconomic, political and geopolitical uncertainty	<p>The nature of our operations and size of the organisation mean that we are impacted by external factors that are inherently outside of our control to directly manage. Understanding these factors allows us to consider the possible impact to the business and take the required steps to minimise the impact and ensure that MAG can successfully respond to national and global uncertainties.</p> <p>Macroeconomic, political and geopolitical factors have the potential to reduce demand for air travel and thereby restrict growth throughout the industry. There could be multiple consequences arising from this, including the risk of airline failure and reduction in consumer spending. The impact of this could prevent MAG airports from delivering forecast traffic volumes.</p> <p>A weak economic outlook and/or recession, alongside cost of living pressures could impact on consumer demand and ability to travel in the way the public would wish to due to personal cost pressures and the lack of disposable funds. A natural consequence of this is a reduction in airline capacity and growth which, as we have seen in the recent past, can lead to airline failure, particularly when combined with an increased cost base.</p> <p>Furthermore, macroeconomic, political and geopolitical factors currently at play increase the costs associated with operating and developing MAG airports. This includes, but is not limited to, an increase in operating and capital costs as a result of supply chain issues, labour shortages, continued weakness in sterling and high energy costs.</p>	<p>As noted above, whilst the factors impacting on MAG are inherently outside of our control, we take a proactive approach to assessing the market and the implications of uncertainties on our business. By taking early and decisive action, we are able to navigate these uncertainties and continue to flourish. We also incorporate appropriate flexibility into our long term plans and strategies to enable us to respond to changes in circumstances.</p> <p>Examples of this include:</p> <ul style="list-style-type: none"> • We maintain a manageable level of external debt, it is primarily long term and as evidenced in the pandemic, we have supportive shareholders. • During the pandemic, we were able to pause the Manchester Airport transformation programme because of the phasing we had incorporated into the planning and delivery of the project. With the recovery now established, we are pressing ahead with second phase of the programme. • We have developed and maintained close relationships with our airline partners. This is further enhanced by strong route development, particularly among the Low-Cost Carriers who have seen the fastest recovery in operations. This diversity of offering, alongside robust key account management, enables MAG airports to remain competitive and ensures that routes remain attractive and exciting to customers, even during times of economic uncertainty. • We have also focused on ensuring that we have the right skills, resources and organisational design in place to grow back better following the disruption caused by the pandemic. We undertake a robust process of modelling resource requirements to align to forecast demand levels. • MAG is a diverse business and we consider our product and geographical diversification when making business decisions. We undertake regular reviews of economic growth prospects for the UK and the world economy, and implications for demand forecasts for MAG airports. We support this approach to sound economic planning by ensuring that our corporate and airport strategies incorporate sensitivities for economic shocks and broader world events such as the current conflict in Ukraine. In this way, we have the information to be able to make business decisions that incorporate the information at our disposal to ensure it is considered, appropriate and ensures the best short, medium and long term outlook for the Group.

Key risk	Risk detail	Mitigation strategy
Principal risk: Government aviation strategy	<p>Government policy support is an essential part of the continued growth of the aviation industry as we recover from the pandemic. Government policy changes could limit MAG's ability to make best use of its airports, impose additional costs on the business and impact shareholder value, and adversely affect colleagues, stakeholders and passengers who use our airports.</p>	<p>We work closely with Government to shape policies and decisions that affect our airports to ensure they take full account of the impacts on our airports, their customers and our stakeholders, and recognise the contribution the growth of MAG airports can make to the delivery of policy objectives.</p> <p>We invest time across the business to work with partners, stakeholders and advocates to ensure that the strategic significance of MAG airports is communicated to decision makers. We also work to build relationships with a range of political stakeholders to ensure that emerging policies take into account MAG issues.</p> <p>We take an active role in Sustainable Aviation and the Jet Zero Council to ensure that the Government maintains an appropriate policy framework to deliver net zero for aviation.</p> <p>We take a proactive approach to engaging with Government, the CAA and stakeholders to support the delivery of airspace modernisation at our airports and across the UK more generally, highlighting the range of benefits the programme will deliver.</p>
Principal risk: Delivery of major capital programmes	<p>Major capital programmes will play a key role in enabling future growth in passenger volumes, as well improvements in customer service and operational efficiency.</p> <p>Failure to deliver transformational benefits from major capital programmes may impact MAG's ability to grow and sustain investment across our airports.</p> <p>It will be critical for MAG to have appropriate funding in place to enable major capital programmes to be delivered in line with customer needs and market demand.</p> <p>High levels of inflation may also impact the affordability and fundability of major transformation programmes, and MAG's ability to deliver the benefits associated with these investments.</p>	<p>Works already delivered in connection with the Manchester Airport Transformation Programme provide new facilities and infrastructure to enhance customer experience. Phase 2 of the programme which is underway will transform the original part of Terminal 2, significantly increasing capacity and further enhancing customer experience.</p> <p>We are working closely with airline partners to ensure that transformation programmes underway and in plan at both Manchester and Stansted deliver benefits for users and meet customer needs. We engage with airlines and critical third parties to ensure that they are on board with the works we propose to undertake and have visibility of the latest design proposals.</p> <p>We have established strong Group-wide programme management controls and these are subject to regular 2nd and 3rd line assurance reviews. There is ongoing cross-functional involvement in all programmes to ensure that capex projects meet MAG's operational and commercial requirements, as well as continuing to enhance the passenger experience into the future.</p>
Principal Risk: Failure to grow the CAVU business	<p>Founded by MAG, CAVU aims to revolutionise airport travel, driving value for passengers and growing non-aeronautical revenue for clients and partners around the world.</p> <p>As a newly formed business, there is an inherent risk around the failure to grow at pace and achieve sufficient scale. This would result in dilution of competitive advantage and shortfalls against the CAVU business plan, impacting MAG's wider financial performance and diversification strategy.</p>	<p>The CAVU business has been formed with an appropriate leadership structure to oversee the implementation of robust governance arrangements. This is an important foundation for the future success of the business. Specific ongoing activities to embed best practice include:</p> <ul style="list-style-type: none"> • The establishment of appropriate Business Development and eCommerce teams within the CAVU structure to maximise growth opportunities (adding channels and inventory). These are adapted to market conditions as required. • Putting in place appropriate Customer teams within the CAVU structure to maximise commercial opportunities (lifetime value, advocacy, loyalty and membership), which can be adapted to market conditions as required. • Significant work since the establishment of CAVU to deliver a single platform that will provide competitive advantage in the market to leverage capabilities and gain market share. • Monthly review of the business development pipeline and progress with the senior CAVU team. • Regular review (weekly) of trading performance, financial outcomes and forecasts across all revenue streams at EXCO level.

Task Force on Climate-Related Financial Disclosures (TCFD)

We recognise climate change as a global societal and environmental challenge that poses both risks and opportunities to our business. After becoming the UK's first carbon neutral airport group in 2016, in 2020 we announced a flagship environmental commitment to address our residual emissions by transitioning to net zero carbon operations (for our Scope 1 & 2 emissions) no later than 2038, 12 years ahead of the Government's national target. Through our Corporate Social Responsibility (CSR) Strategy, working together for a brighter future, we position climate change at the forefront of our approach to ensure we deliver as a sustainable business.

This year, we were pleased to welcome the UK Government's Jet Zero Strategy and – at the United Nations' International Civil Aviation Organisation – international agreement to a long-term aspirational goal to make global aviation net zero by 2050. MAG recognises the importance of our role in supporting and enabling the industry to achieve these goals.

We support the UK Government's decision to implement mandatory climate risk reporting in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Recognising the importance of climate change and the need to understand and mitigate climate risk, we began reporting against the TCFD recommendations in 2021. This year, we have enhanced our reporting by developing our approach to assessing climate-related risks and opportunities with a particular focus on transition risks and the financial impact of key climate-related risks.

An overview of our disclosures against the TCFD recommendations is provided below. Our reporting is in line with the TCFD recommendations and disclosures. This includes the four TCFD recommendations and the 11 recommended disclosures outlined in Figure 4 of Section C of the TCFD's published report titled "Recommendations of the Task Force on Climate-Related Financial Disclosures" published by the TCFD in 2017. We divide our risks and opportunities into those related to the transition to a low-carbon economy and those related to the physical impacts of climate change.

Disclosure recommendation	Section reference
Governance	
a) Describe the Board's oversight of climate-related risks and opportunities	2022/23 Annual Report – Leadership and Governance (Page 67) 2022/23 Annual Report – TCFD section (this section)
b) Describe management's role in assessing and managing climate-related risks and opportunities	2022/23 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	2022/23 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	2022/23 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	2022/23 Annual Report – TCFD section (this section)
Risk management	
a) Describe the organisation's processes for identifying and assessing climate-related risks	2022/23 Annual Report – Internal Controls and Risk Management (Page 83)
b) Describe the organisation's processes for managing climate-related risks	2022/23 Annual Report – Internal Controls and Risk Management (Page 83)
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	2022/23 Annual Report – Internal Controls and Risk Management (Page 83)
Metrics and targets	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities	2022/23 Annual Report – Internal Controls and Risk Management (Page 83)
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3* greenhouse gas emissions and the related risks	Scope 1 & 2: 2022/23 Annual Report – Corporate Social Responsibility (Page 38) Scope 1, 2 and 3: Annual CSR Report, to be published later in 2023/24
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	2022/23 Annual Report – Internal Controls and Risk Management (Page 83)

* '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>

GOVERNANCE

Governance Board

Climate change is regarded as a principal risk for MAG and forms part of our Strategic Risk Register which means it is considered as a significant risk to the achievement of our objectives and strategic goals. The register is considered by the Board through the Audit Committee twice yearly with climate issues also discussed at the CSR Committee meetings every quarter. Where relevant, climate-related matters are presented directly at Board meetings. With climate change presenting a financial risk to the business, our Non-Executive Director Vanda Murray OBE, in her role as Chair of the Corporate Social Responsibility (CSR) Committee (a sub-committee of the MAG Board), has been assigned specific accountability for climate change. The Corporate Social Responsibility (CSR) Committee provides regular updates to the Group Board regarding our CSR Strategy, ensuring that the Group Board is well-informed about the CSR Committee's activities and performance against agreed targets. Moreover, climate and CSR-related matters that hold significant importance are duly considered within the standard Group Board agenda cycles and specifically during business planning processes.

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

Management

Charlie Cornish, our Chief Executive Officer, is responsible for ensuring that MAG achieves its climate change goals and commitments. Tim Hawkins, MAG Chief of Staff, reports to Charlie Cornish and is also the Chair of the CSR Coordination, Programme Management and Strategy Board which comprises of senior leaders from across the business. This Board is responsible for executing our CSR Strategy and programmes, and Tim holds accountability for the progress of our CSR initiatives.

Neil Robinson, the Group CSR & Future Airspace Director, who reports into Tim Hawkins, leads our response to climate change and is supported by business leaders and experts across the organisation.

MAG has a centralised team of experts to manage, review and monitor the delivery of our climate strategy across our airports and wider business. The team provides climate change and emission reports to senior leadership which are reviewed and updated regularly to provide adequate coverage of performance and ensure progress towards our CSR Strategy.

Strategy

As a business, we recognise that climate change poses a significant set of strategic risks for us and the aviation sector as a whole. As an operator of critical national infrastructure, our climate change physical adaptation assessments need to align with the assessments conducted by other operators. By harmonising our reporting with other operators, we contribute to the development of the UK Government's national infrastructure adaptation plan. We assess our climate-related risks over the short, medium, and long term: short term, covering the time period up until 2030; medium-term, covering the time period 2031-2050; and, long-term, covering the time period 2051-2070. The risks identified feed into how we set the business strategy and associated plans. If a physical risk was to materialise, we make use of emergency and business continuity plans to address and adapt to it. Our analysis shows that transitioning to a low-carbon economy poses a higher risk in the short and medium term, as MAG strives to achieve net zero operations by no later than 2038. Whereas climate-related physical risks pose significant business impacts to MAG over the medium to longer term as this is when the physical impacts of climate change become more frequent and severe.

Scenario analysis has been used to assess the climate-related physical and transition risks and opportunities under the climate scenarios outlined below.

For physical risks and opportunities, we have considered the following scenarios:

- A medium-emission scenario: associated with Representative Concentration Pathway (RCP) 6.0, this scenario approximates an outcome in line with a 3-4°C warming by 2100. In this scenario, greenhouse gas emissions peak around 2080 and then start to decline.
- A high-emission scenario: associated with RCP 8.5, this scenario approximates an outcome in line with a 4°C warming by 2100. In this scenario, greenhouse gas emissions continue to grow unmitigated.

For transition risks and opportunities, we have considered the following scenarios:

- A high-ambition emission scenario: associated with RCP 2.6, this scenario approximates an outcome in line with a 1.5°C warming by 2100.
- An ambitious-emission scenario: associated with RCP 4.5, this scenario approximates an outcome in line with a 2 to 3°C warming by 2100. In this scenario, greenhouse gas emissions peak around 2040 and reach roughly half the levels of 2050 by 2100.
- A high-emission scenario: associated with RCP 8.5, this scenario approximates an outcome in line with 4°C warming by 2100. In this scenario, greenhouse gas emissions continue to grow unmitigated.

Task Force on Climate-Related Financial Disclosures (TCFD)

continued

Strategy (continued)

Our CSR Strategy¹ sets out our strategic approach to climate change. In addition to reducing the climate impact of our own operations, a fundamental part of our climate strategy is to proactively contribute towards the decarbonisation of the wider aviation industry. We recognise that the challenges posted by climate change cannot be tackled alone, and we continue to engage directly with stakeholders and the wider industry. MAG was a founding member of the UK aviation industry coalition, Sustainable Aviation, and remains a member of the managing council. Our CEO, Charlie Cornish, is one of two airport members of the Government's Jet Zero Council, with MAG also an active member of the environmental committees of the regional and global environment committees of our trade association Airports Council International (ACI).

We recognise the critical importance of climate-related topics and issues in shaping the future of our business. We proactively incorporate climate considerations into our business strategy reviews and when making other business decisions.

Our strategy also considers climate change adaptation and resilience. In accordance with the TCFD recommendations we have considered the impact of a 1.5 degree scenario (i.e. 2 degrees or lower) in this section and have forecast the business remains resilient from both a liquidity and a regulatory perspective. For more than a decade, MAG has comprehensively considered climate change adaptation. In December 2021, we submitted our third Climate Change Adaptation Report² to the Government, including the results of our third adaptation risk assessment.

Risk management

We recognise climate change as a key risk to our business and it forms part of our organisational strategic (principal) risk register which is reported to the Audit Committee twice a year. The CSR Committee further engages in the identification, assessment, and management of climate-related risks.

Over the past ten years, MAG has issued three reports on Climate Change Adaptation. Our adaptation reports contribute to the Government's national adaptation risk assessments and National Adaptation Programme. This report represents a comprehensive evaluation that aligns our climate change adaptation risk assessment approach with MAG's overarching Risk Management Framework methodology. This year, we further refined our approach to identifying climate-related transition risks (see 'transition risks' below). The findings from both climate change risk assessments contribute to our corporate assessment of risk and ensure that climate change is discussed regularly at the highest level within the organisation.

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

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

¹ <https://www.magairports.com/responsible-business/our-responsibility-plans/>

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 below.

Climate-related physical risk	Business impact to MAG	Current and future actions
<p>Increased frequency and severity of storm events including high winds, intense rainfall and icy conditions.</p> <ul style="list-style-type: none"> • Expected to materialise: short term. 	<ul style="list-style-type: none"> • Operational disruption resulting from physical impacts to infrastructure at MAG's airports. • Business disruption and reduced revenue due to lost time. • Increased likelihood of airfield safety accidents and incidents as a result of hazardous conditions posing health risks to MAG's staff and passengers. 	<ul style="list-style-type: none"> • Emergency and business continuity plans for the loss of services. • Safety measures for ramp workers in the event of increased storms and lightning events. • Maintenance of climate-change watching briefs using the latest climate change projections.
<p>Increased frequency and intensity of winter rainfall events resulting in the release of contaminated surface water.</p> <ul style="list-style-type: none"> • Expected to materialise: short term. 	<ul style="list-style-type: none"> • Increased likelihood of contaminated surface water, due to more intense precipitation, may lead to the overspill of balancing ponds containing de-icing chemicals. • Negative impacts on the natural environment around the airports. • Potential health risks to MAG's airport operators, passengers, employees and third party staff. 	<ul style="list-style-type: none"> • Full review of the existing drainage networks to improve data capture and inform decisions on future improvements to the system. • Monitoring of balancing pond performance ongoing. Extreme weather conditions can overwhelm pond capacity in a short period of time. All site developments now required to include onsite attenuation to alleviate impacts on balancing ponds. Asset standards have been updated to reflect these additional requirements.
<p>Disruption to flight schedules as a result of adverse weather events, sea level rise and storm surges at and enroute to destination airports.</p> <ul style="list-style-type: none"> • Expected to materialise: short term. 	<ul style="list-style-type: none"> • Atmospheric disruption may affect the routing of aircraft between arrival and departure. • Delays to landing times and enhanced fuel burning, resulting in business disruption and enhanced operating costs for airlines. • Sea level rise and storm surges at destination airports may reduce the viability of future destinations being available to passengers, thereby reducing passenger demand, profitability and revenue for MAG's airports. 	<ul style="list-style-type: none"> • Performance-based navigation (PBN) to address the risk of extremities of wet and dry conditions affecting ground reflection or navigational aids. • Engaging with emerging research through partnerships with EUROCONTROL and Airports Council International (i.e. being a member of the European Aviation Climate Change Adaptation Working Group). • 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 the 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"> • Expected to materialise: medium term. 	<ul style="list-style-type: none"> • Prohibition of certain non-critical activities such as washing of infrastructure and assets. • Financial impact arising from the 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. • Planned development of a formal airport water drought management plan to respond to the four levels of drought trigger.

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

- Improved staff and passenger comfort as well as wellbeing protections delivered through the design of low-carbon buildings with climate-resilient heating and cooling 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.

Task Force on Climate-Related Financial Disclosures (TCFD)

continued

CLIMATE-RELATED TRANSITION RISKS AND OPPORTUNITIES

In 2023, 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.

In accordance with recommendations from the TCFD, we categorise transition risks in 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 detraction from the transition to a low-carbon economy.

The key climate-related transition risks and associated business impacts to MAG are outlined below.

POLICY AND LEGAL

Climate-related transition risk	Business impact to MAG	Current and future actions
<p>Policy misalignment, including between climate policy developed by national and regional stakeholders, requiring a greater level of decarbonisation than national policy.</p> <ul style="list-style-type: none"> • Expected to materialise: short term. 	<ul style="list-style-type: none"> • Protracted planning applications owing to stringent policy and regulations posing potentially complex legal challenges relating to expansion and development. • 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. 	<ul style="list-style-type: none"> • Regular engagement on policy and legislative changes through participation in regional collaborations (such as the Manchester Climate Change Partnership). • Direct engagement with policy officers and elected members.
<p>Policy changes regarding non-CO₂ climate impacts of aviation. This may result in the realignment of carbon budgets for aviation emissions.</p> <ul style="list-style-type: none"> • Expected to materialise: short term. 	<ul style="list-style-type: none"> • Increased demand and urgency for the rapid decarbonisation of the aviation industry which may lead to accelerated investment in airport infrastructure. • Increased climate-related operating costs for airlines which could reduce the overall demand for aviation due to increased ticket prices. 	<ul style="list-style-type: none"> • Initiatives to support sustainable aviation fuels and alternatively fuelled aircraft which would reduce both the climate impact of CO₂ and non-CO₂ emissions. • Monitoring, engagement and support with academic research which aims to lead to the consensus on how to best mitigate non-CO₂ impacts and incorporate the findings into policy.

Following global agreement to a Long-Term Aspirational Goal to make international aviation net zero by 2050 at the 41st General Assembly of the International Civil Aviation Organisation (ICAO), we have closed the previously reported risk of failure to reach an international agreement on aviation decarbonisation, leading to the differentiation between UK, EU and international policy.

TECHNOLOGY

Climate-related transition risk	Business impact to MAG	Current and future actions
<p>The introduction of alternatively fuelled, zero-carbon aircraft will require new airport infrastructure and could reduce airport capacity.</p> <ul style="list-style-type: none"> Expected to materialise: long term. 	<ul style="list-style-type: none"> The need to invest in new infrastructure to support the turnaround of alternatively fuelled aircraft. Reduced passenger throughput due to business disruption resulting from lower aircraft capacity owing, in turn, to longer refuelling turnaround times. 	<ul style="list-style-type: none"> Participation in UK and international trade associations, with a focus on the development of national and international decarbonisation roadmaps. Engagement with UK policymakers through, for example, the Government's Jet Zero Council (JZC) and the JZC's Zero Emission Flight Infrastructure subgroup. 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 enough or at sufficient scale to support aviation decarbonisation.</p> <ul style="list-style-type: none"> Expected to materialise: medium term. 	<ul style="list-style-type: none"> Increased expenditure associated with the cost of increasing carbon emissions and therefore enhanced carbon taxes faced by the aviation sector. 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) 	<ul style="list-style-type: none"> Participation in UK and international trade associations, with a focus on the development of national and international decarbonisation roadmaps. The Sustainable Aviation Coalition and the Jet Zero Council are working with industry and government 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 2023 Sustainable Aviation Decarbonisation Roadmap, we will continue our focus on improving market-based measures to support the transition to net zero.

MARKET

Climate-related transition risk	Business impact to MAG	Current and future actions
<p>Failure of UK and international policy to deliver effective carbon markets which could lead to higher ticket prices and reduced passenger demand.</p> <ul style="list-style-type: none"> Expected to materialise: short term. 	<ul style="list-style-type: none"> 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. Reduced availability and increased cost of carbon credits. 	<ul style="list-style-type: none"> Participation in UK and international trade associations, including those focused upon the development of national and international decarbonisation roadmaps. Engagement with UK policymakers through, for example, the Government's Jet Zero Council. Delivery of MAG's decarbonisation programmes, including a focus on enabling aviation decarbonisation.
<p>Changes in societal behaviours and attitudes towards climate change may reduce passenger demand due to increased 'flight shame' and wider behavioural changes.</p> <ul style="list-style-type: none"> Expected to materialise: medium term. 	<ul style="list-style-type: none"> Reduction in passenger demand (and, therefore, revenue) may reduce the attractiveness of MAG to investors and shareholders, thereby posing challenges to accessing competitively priced finance. Challenges for employee retention and recruitment owing to reduced market attractiveness. 	<ul style="list-style-type: none"> MAG's CSR Strategy places net zero carbon airports at the forefront of its approach towards delivering a sustainable business (with a target for net zero carbon by 2038). MAG airports are already certified carbon neutral (through Airport Carbon Accreditation) with programmes to deliver further decarbonisation and net zero. Continued engagement with the Government's Jet Zero Council to understand and influence policy.

Task Force on Climate-Related Financial Disclosures (TCFD)

continued

REPUTATION

Climate-related transition risk	Business impact to MAG	Current and future actions
Investors shifting capital allocation and finance in favour of low-carbon and climate-resilient businesses. Increased scrutiny from investors for businesses not having and/or meeting a science-based net zero target.	<ul style="list-style-type: none"> • MAG's failure to align with changed investor priorities may result in a lack of capital and investment. • Reduced revenue and associated reputational risks for the business may impact upon investment opportunities. • Reduced market attractiveness to the current and future workforce, as well as prospective passengers. 	<ul style="list-style-type: none"> • MAG's CSR Strategy focuses on the delivery of net zero carbon airports and outlines initiatives and commitments to the decarbonisation of its operations and the wider aviation sector. • MAG will continue to report progress against this commitment to its key stakeholders and investors.
<ul style="list-style-type: none"> • Expected to materialise: short term. 		
Risk of not meeting MAG's net zero commitment for 2038 through a lack of investment in measures to reduce Scope 1 and 2 emissions associated with fuel and energy consumption. Passengers and airlines may move to other airports that are taking faster, proactive climate action.	<ul style="list-style-type: none"> • Higher expenditure associated with the cost of increasing carbon emissions from the organisation. • Reduced capital and financing from current and future investors due to negative stakeholder perceptions. • Reduced passenger demand, leading to a reduction in airline networks. 	<ul style="list-style-type: none"> • MAG's CSR Strategy focuses on the delivery of net zero carbon airports and outlines initiatives and commitments to the decarbonisation of its operations and the wider aviation sector. • Engagement with the UK Government and industry partners on the Sustainable Aviation Decarbonisation Roadmap and Jet Zero Council.
<ul style="list-style-type: none"> • Expected to materialise: short term. 		

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

- Positioning the business as a thought-leader in the aviation sector for decarbonisation through continued engagement in policy dialogue, UK and international trade associations and industry working groups.
- Promote green skills transformation and development through employee participation in green training, education, and skills decision-making which may result in improved innovation and business performance.
- Increased supply chain reliability through ongoing engagement with MAG's supply chain partners to understand the ability of the supply chain to operate under various conditions and its resilience to adverse shocks (to the market and supply trends).

FINANCIAL QUANTIFICATION OF CLIMATE RISK

To advance our reporting of climate risk, we have outlined the financial impacts of the key risks identified through our risk assessment processes. To streamline the report and provide a clearer understanding of their implications we have grouped similar risks together. In this section, we focus on the risks we consider most material, assessing the highest impact scenario for each risk identified below.

By quantifying these risks, we gain insights into the possible financial consequences of climate change and can make more informed decisions about how we address climate-related risks. We are committed to continually improving our understanding of climate-related risks and their financial dimensions. We believe that by quantifying these risks, we enhance our ability to make informed decisions, allocate resources effectively, and seize opportunities in a rapidly changing business landscape. In December 2021, we submitted our third Climate Change Adaptation Report ¹ to the Government, which further explains how the outputs of this exercise inform our financial planning process.

In assessing the financial materiality of the identified risks, we have employed a scale ranging from 1 to 5. This method of scoring is derived from our corporate risk assessment methodology and is consistent with the way we assess other business risks. This impact scale allows us to quantitatively evaluate the magnitude of the risks and their potential financial consequences. The table below illustrates the scoring scale we have used, providing a framework for categorising the risks based on their financial significance:

FINANCIAL MATERIALITY

Impact Score	Financial Impact
1	£
2	££
3	£££
4	££££
5	£££££

We strive to provide accurate and informative assessments of the risks we identify. It is important to note that the following tables, which provide an overview of the risks identified, their potential impact on MAG, and the corresponding financial materiality scores, reflect our initial assessments. Our analysis considered the impact each risk had on areas such as operating costs, revenues and capital expenditures. They represent the information available to us at this time, and include a number of assumptions. As we develop our knowledge and understanding of climate-related risks, these assessments will be refined and updated accordingly. We remain committed to regularly reviewing our assessments as our knowledge increases, ensuring that our risk management strategies are robust and aligned with the evolving landscape.

Risk description	Business impact to MAG	Current and future actions	Financial materiality score
Building Damage – Potential damage to buildings due to thermal expansion or subsidence caused by extreme weather events and changes in ground conditions. • Expected to materialise: medium term.	<ul style="list-style-type: none"> Financial implications of repair or replacement of affected infrastructure Operational disruptions and airport closure Reputational damage Additional construction costs incurred during the development of new buildings, including factors such as the BREEAM premium and compliance with evolving building regulations 	<ul style="list-style-type: none"> Implementation of structural inspection programme Development and execution of asset maintenance schemes Ensuring conformity with asset standards and building regulations. 	£
Increased heat risk for staff and customers – Upgrading of cooling systems in our airports due to increased temperatures and heat waves. Use of preconditioned air (PCA) for aircraft cooling whilst on stand • Expected to materialise: medium term.	<ul style="list-style-type: none"> Decline in revenue and passenger numbers Reputational damage Possible increase in staff absence rates Potential rise in passenger health issues 	<ul style="list-style-type: none"> Management and maintenance of heating, ventilation, and air-conditioning (HVAC) systems Capital planning for the acquisition of new assets and replacement of existing ones 	£££
Water Supply – Increased probability of periodic drought orders necessitating infrastructure repairs (e.g. leakages) and investment in water-efficient systems • Expected to materialise: medium term.	<ul style="list-style-type: none"> Financial implications associated with equipment repair or replacement Operational disruptions Reputational damage 	<ul style="list-style-type: none"> Implementation of a comprehensive monitoring and maintenance regime for critical assets Incorporation of design requirements that address and consider potential impacts of flooding 	£

Task Force on Climate-Related Financial Disclosures (TCFD)

continued

Risk description	Business impact to MAG	Current and future actions	Financial materiality score
<p>Reduced Passenger Demand – Reduced demand for business travel, the rise of sustainable travel alternatives, and the unpredictable occurrence of geopolitical events</p> <p>• Expected to materialise: long term.</p>	<ul style="list-style-type: none"> • Reduced competitive positioning compared to other modes of travel and ways of working (e.g. increase in virtual conferences, meetings etc.) • Reduced revenue • Loss of customers and less revenue, affecting investment opportunities. 	<ul style="list-style-type: none"> • Net zero operational target • Carbon Neutrality across the Group • Encouraging low-carbon action (e.g. through offering free landing fees for five years to the first zero-emission commercial plane based at one of our airports) • Working with Government and industry partners on the decarbonisation of aviation e.g. Jet Zero Council, Sustainable Aviation and FlyZero 	££££ to £££
<p>Taxation – The impact of the emergence of new climate regulations such as increased carbon pricing and taxation for the aviation sector</p> <p>• Expected to materialise: short term.</p>	<ul style="list-style-type: none"> • Additional expenditures due to higher cost of capital • Reduced capital and financing from investors • Reduced revenue due to passengers choosing other modes of transport 	<ul style="list-style-type: none"> • Alignment to ISO14001 Environmental Management Systems • Working with Government and industry partners on the topics relating to taxation and aviation decarbonisation • Engagement with industrial research such as FlyZero and partnerships with HyNet on hydrogen fuel 	£
<p>Fossil fuel replacement – Provision of low carbon energy and associated infrastructure at the airport to enable the decarbonisation of aircraft and airport operations</p> <p>• Expected to materialise: medium term.</p>	<ul style="list-style-type: none"> • Reduced passenger throughput due to business disruption resulting from lower aircraft capacity owing, in turn, to longer refuelling turnaround times. • Potential operational disruptions as a result of potential market-inability to scale up, therefore, affecting the availability and increasing the price of alternative fuels. • Negative stakeholder perceptions of airlines may also arise if the airport is less able to position itself favourably. 	<ul style="list-style-type: none"> • Working with Government and industry partners on the decarbonisation of aviation e.g. Jet Zero Council, Sustainable Aviation and FlyZero • Updating Sustainable Development Plans (SDP) for each of our airports 	£
<p>Reduced financing – Investor movement towards de-carbonisation options may lead to higher borrowing costs and challenges with refinancing</p> <p>• Expected to materialise: short term.</p>	<ul style="list-style-type: none"> • Reduced capital and financing • Increased expenditure due to potential higher rates on lending • Reduced revenue (e.g. from delayed planning approvals as a result of new or stricter policies) 	<ul style="list-style-type: none"> • Working with Government and industry partners on the decarbonisation of aviation e.g. Jet Zero Council, Sustainable Aviation and FlyZero • Active member of the European and World Trade Association Airports Council International • Engaging with investors and lenders & ensuring transparent carbon reporting 	£

In conclusion, our analysis of climate-related financial risks has been a crucial step in our commitment to sustainability and we are proud to report on our progress so far. By assessing these risks, we have gained valuable insights that enable us to take proactive measures to mitigate them effectively.

We understand that our journey towards sustainability is ongoing and we remain dedicated to refining our understanding of climate risks and their impact. Moving forward, we will continue our analysis and research, working closely with industry partners to deepen our knowledge and build confidence in quantifying more complex risks. This includes assessing the infrastructure changes required to support future hydrogen and electric aircraft, as we believe these technologies will play a vital role in shaping the sustainable future of aviation.

Furthermore, we aim to evaluate and quantify climate-related opportunities identified through the TCFD process. We understand that tackling climate change not only presents risks but also opens doors to innovative solutions and business prospects. By harnessing these opportunities, we can drive positive change and contribute to a greener and more sustainable aviation sector.

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 we have a strategic priority to achieve net zero carbon emissions from our airport operations by 2038 at the latest. To achieve this commitment, our progress against our CSR Strategy is regularly reviewed and reported on to relevant stakeholders.

We measure, monitor and disclose our emissions from sources that we own or control (Scope 1), emissions from the energy we purchase (Scope 2) and emissions from our value chain (Scope 3) annually in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) and following the guidance of Greenhouse Gas Protocol Corporate Standard. We disclose absolute greenhouse gas emissions and an industry-specific carbon intensity measure, which is emissions per traffic unit (where traffic units are equivalent to 1,000 passengers or 100 tonnes of freight and mail).

We ensure 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 independent third party TÜV Nord. In addition to this, we further discuss our progress against our CSR Strategy 'Working together for a brighter future' and its climate-related targets in our dedicated CSR Report and Greenhouse Gas Emissions Report¹. Further details of our SECR emissions can be found on page 38.

We are committed to achieving net zero carbon operations by 2038. To bridge the gap towards our net zero target, we have set ambitious commitments that form part of our CSR Strategy Working together for a brighter future. By 2030, all our airport infrastructure will run on renewable energy, reducing our carbon footprint and contributing to a greener future. Additionally, we are transitioning our vehicle fleet to ultra-low emission vehicles. A process with a target completion date of 2030. We are also implementing a comprehensive charging infrastructure for electric vehicles across our airports.

Furthermore, we recognise the importance of alternative heating solutions. We are actively exploring innovative technologies to reduce and ultimately eliminate our reliance on traditional gas-fired systems for heating and hot water. This commitment underscores our dedication to sustainable practices and reducing carbon emissions throughout our operations.

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

As we move forward, we remain committed to our ongoing efforts to address climate change. We are closely monitoring emerging interdependencies related to both physical and transitional climate risks and opportunities. Working closely with local authorities, the Environment Agency, water supply companies, and transportation providers, we are striving to better understand and address these complex issues. Our engagement with local forums is ongoing, and we remain committed to exploring opportunities for partnership and collaboration both within and beyond the aviation sector.

At the same time, we are focused on assessing the financial risks associated with climate change and the transition to a low-carbon economy. We are determined to take proactive steps to mitigate these risks, and progress in this area will be closely monitored and reported to our Audit and CSR Committees. We are also working to measure our financial risk against the transition and physical climate-related risks to our business. Progress against these actions will be reported to the Audit Committee and CSR Committee and included in our next Annual Report.

¹ A copy of the Report can be found in the following location on the MAG website <https://www.magairports.com/responsible-business/csr-reports>

Directors' report

The directors present their Annual Report on the affairs of Manchester Airports Holdings Limited ('the Company'), together with the audited financial statements, for the year ended 31 March 2023.

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 and the operation of airport related activities in the UK and North America. 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 123. 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. The Group has successfully navigated the Covid-19 pandemic and the operational challenges of the recovery phase starting in early 2022. With firm financial foundations due to prudent stewardship and the Group's operating model, MAG will look at new investment opportunities, and delivering new facilities and enhanced service levels. A more detailed review of the Group's principal activities, results and future developments is provided in the Chair's and CEO's reviews, the overview of the period and finance statements sections of the Strategic report.

DIVIDENDS AND TRANSFERS TO RESERVES

The retained loss for the year of £159.5m (2022: loss of £321.3m) after dividends paid of £nil (2022: £nil) will be transferred to reserves. In addition, the retained loss reserves also included a gain of £137.9m relating to revision of actuarial assumptions on the Group's defined benefit pension schemes net of tax, £7.0m loss relating to effect of change in rate of corporation tax and a foreign exchange gain of £5.7m on MAG's US investments, net of tax.

BOARD OF DIRECTORS

The Company directors during the year are detailed on pages 56 to 61.

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 Act 2006, 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

In accordance with section 418 of the Companies Act 2006, the directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

CONTRACTS OF SIGNIFICANCE

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

RISK MANAGEMENT

The Board as a whole, including the Audit Committee members, consider the nature and extent of the risk management framework, and the risk profile that is acceptable in order to achieve the Group's strategic objectives. The Audit Committee has reviewed the work done by internal audit, 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 82 to 87.

Horizon scanning regarding new and emerging risks takes place at relevant governance forums, Risk and Audit Boards and Board and Audit Committee meetings; where relevant, the risk detail and mitigation strategies have been included in the narrative below.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

As detailed on page 38.

GOING CONCERN

The directors have prepared the Group and Company financial statements on a going concern basis. In assessing the going concern position of the Group, the directors have considered the cash flow and liquidity of the Group, for the period to 30 September 2024, and the corresponding impact of cash headroom and financial covenants associated with the Group's financing arrangements.

In assessing going concern the directors have considered:

- the Group's business plan forecast where passenger numbers increase to 95% of pre-Covid-19 levels in FY24 and include planned mitigating actions that are within management's control;
- the successful refinancing of a £360m bond due to mature on 2 April 2024; and
- a downside scenario where passenger numbers in FY24 are 88% of pre-Covid-19 levels.

The Group is expected to maintain positive cash headroom in excess of £315m for the period to 30 September 2024 in the business plan case which reduces to £198m in the downside scenario. In all cases, the Group complies with its covenant testing throughout the going concern period.

The directors have concluded that the Group can maintain sufficient liquidity over the period to 30 September 2024 and will comply with the covenant financial testing at each reporting date. This, coupled with the successful securing of a commitment of a bridge to bond facility for the refinancing of the bond maturing in 2024, has resulted in the directors concluding that it is appropriate to continue to account for the Group as a going concern.

Further detail of the directors' assessment of going concern is detailed in the Basis of Preparation note in the accounting policies on page 109.

Directors' report continued

THE GROUP'S PROSPECTS

The directors have included the following statement with regards to the Group's prospects to comply with the Wates Principle Six to provide a fair, balance and understandable statement of the Group's position and prospects.

The directors have assessed the prospects 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 82 to 87. These risks include macroeconomic, political and geopolitical uncertainty (and their impact on the post-Covid-19 recovery), climate change and the delivery of its the major capital projects. 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 2026.

The directors have determined that a three-year period to 31 March 2026 constitutes an appropriate period over which it is to provide its prospects statement. This is the period focused on by the Board during the strategic planning process, is aligned to 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, it is believed that this presents users of the Annual Report with a reasonable degree of confidence while still providing a longer-term perspective.

In making this assessment the directors confirm that they have a reasonable expectation that the Group can continue in operation and meet its liabilities throughout the period. The directors have considered the potential impact of the current macroeconomic climate 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 EBITDA¹) and interest cover (adjusted EBITDA¹ less tax/net finance charges). The covenants are tested half yearly on 31 March and 30 September.

The Group's committed facilities at 31 March 2023 comprised: £1,460.0m of bonds, £902.0m of shareholder loans, and a £500.0m Secured Revolving Credit Facility ('RCF'), of which £nil was drawn at the year-end. In addition, the Group also has access to a committed £90.0m Liquidity Facility. In May 2022, the Group renegotiated the RCF and Liquidity Facilities with their maturity dates extending to May 2028, and subsequently exercised an option for a further 12 month maturity extension, taking these facilities to May 2028. Additionally, a committed bridge to bond facility secured by the Group provides assurance around the refinancing of the £360.0m bond which matures in April 2024. The remaining £1,100.0m of Group bonds will mature between 2034 and 2044. These facilities provide a Group liquidity position with headroom as at 31 March 2023 amounting to £561.6m, comprising £67.6m net cash in hand, undrawn RCF of £484.0m and a £10.0m undrawn available overdraft facility.

The recovery from Covid-19 during FY23 saw passenger numbers increase overall from 33.0% of pre-Covid-19 levels experienced in FY22 to 86% in FY23. The impact of this bounce back in activity levels has been reflected in business performance, which, when measured at the adjusted EBITDA¹ level, increased by 229.8% from a £125.6m profit in FY22 to a profit of £412.0m in FY23. As a result of this recovery MAG has been able to relaunch the Group's Transformation Programmes and recommencement payment of shareholder loan interest. Management will continue to monitor the impact of the economic environment on demand levels in order that mitigating cash and cost measures can be adapted to reflect activity levels.

Based upon this strong trading position from FY23, the assessment of the Group's prospects undertaken by the directors considered industry expectations of demand levels in FY24 and beyond. Current expectations are that passenger levels will return to 95% of pre-Covid-19 levels in FY24 with pre-Covid-19 activity levels being attained in FY25. The forecasts estimate covenant compliance during the three year period and a liquidity headroom in excess of £100m throughout. The Basis of Preparation on page 109 sets out the Group's going concern conclusion. The assessment has also considered the impact of climate change in a separate scenario which aligns with the Group's TCFD reporting on page 88. The impact has been considered in the Group's going concern, viability and impairment assessments.

In addition, the Group also recognised the risk that the rate of infrastructure spending to support the re-launched Transformation Programmes at Manchester and Stansted is partly funded by the raising of two additional c. £300m bonds within the three year period. Management's current expectation is that the Group will be able to obtain additional funding as required and the continued appetite to provide funding to the sector is supported by both MAG's recent raising of a committed bridge to bond facility, its RCF and Liquidity Facilities as well as other debt issuance by comparable UK and European peer airports.

The Group can, where necessary, also undertake potential mitigating actions within its control. This can include cutting of further discretionary expenditure and delaying of capital expenditure. Having considered all the relevant requirements, including MAG's financial position, forecast and reasonable downsides, together with actions available to mitigate impacts, the directors deem it appropriate that the Group remain viable over the three year period to 31 March 2026.

Employment policies

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

Apprentices and the National Living Wage

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

Consultation and communication

Consultation with employees or their trade union/elected 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 agreements various employee forums exist for each business area, and more information on consultation is provided in the annual CSR report.

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

¹ As explained in Other Information of the financial statements on page 173.

Directors' report continued

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 Payment 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 2023 was 27 days (2022: 21 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 is the definitions set out in the Modern Slavery Act 2015. We recognise that slavery and human trafficking can occur in many forms such as forced labour, child labour, domestic servitude, sex trafficking and workplace abuse. We are also aware that forced labour as a form of slavery includes debt bondage and the restriction of a person's freedom of movement, whether that be physical or non-physical, for example, by the withholding of a worker's identity papers. We use the terms 'slavery' and 'human trafficking' to encompass all of these various forms of coerced labour.

We understand the important role that MAG has to play and as a socially responsible organisation, so we adopt the highest professional standards and comply with all laws, regulations and codes applicable to our business. No form of modern slavery is acceptable in our operations, or in those companies who work with us or on our behalf.

We continue to take steps to improve our practices to identify and eliminate modern slavery which may occur within our business, supply chains and across our airport operations. As our airports are a gateway for both entry into and exit from the United Kingdom, this presents additional challenges in our approach to preventing modern slavery. Consequently, we take our responsibilities very seriously and partner with Slave-Free Alliance, border and police forces who support us in our approach to tackling modern slavery, and our progress is reviewed with our CSR Committee to ensure Board oversight. Keeping everyone safe, treating everyone with respect and doing the right things are core to 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/1803/modern-slavery-transparency-statement-2022-final.pdf>

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the Group during the year totalled £1.3m (2022: £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

The Group assesses 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 compliance with both the Group's policy and the FRC's ethical guidance.

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

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

Charlie Cornish Chief Executive MAG

For and on behalf of the Board of Directors of the Company
4 July 2023

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK adopted international accounting standards;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Financial Statements

FINANCIAL STATEMENTS

Independent auditor's report	106
Accounting policies.....	109
Consolidated income statement.....	123
Consolidated statement of financial position.....	124
Consolidated statement of comprehensive income	125
Consolidated statement of changes in equity ...	126
Consolidated statement of cash flows	127
Notes to the financial statements.....	128

Company Financial Statements

Accounting policies	180
Statement of financial position.....	181
Statement of changes in equity.....	182
Notes to the financial statements.....	183



Independent auditor's report

OPINION

We have audited the financial statements of Manchester Airports Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 39, including a summary of significant accounting policies and the Company Statement of Financial Position, Company Statement of Changes in Equity and the related notes 1 to 9, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2023 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 United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We obtained management's Going Concern assessment including the cash forecast and forecast covenant calculation which covers the period to 30 September 2024. The Group has modelled a base scenario and downside scenario in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the Group. A reverse stress test was also modelled to demonstrate what factors would lead to the Group utilising all liquidity or breaching the financial covenant during the going concern period;
- We challenged the appropriateness of the methods used to calculate the cash forecasts and covenant calculations to determine they were appropriately sophisticated to be able to make an assessment on going concern;
- We assessed the appropriateness of the going concern assessment period and considered whether any events or conditions foreseeable after the period indicate a longer review period is required;
- We performed procedures over the integrity of the modelling, verifying the arithmetical accuracy of the cash flow forecast models and vouching the calculation of headroom in respect of the financial covenant test ratios;
- We analysed the Group's historical forecasting accuracy to evaluate potential optimism in future forecasts and compared the forecasts to post year-end actual results;
- We tested the assumptions included in each modelled scenario for the cash forecast and covenant calculation by comparing to historical actual results and third party industry forecasts;
- We inspected the financing agreements in place and understood the terms and conditions including those related to covenant test ratio requirements;
- We involved EY Debt Advisory specialists to read and evaluate the Barclays bridge to bond commitment letter and facilities agreement in place to ensure that the £360m bond due to mature in April 2024 can be repaid.
- We considered the mitigating factors identified by management, in particular, regarding the deferral of capital expenditure, to ensure that they are within control of the Group;
- We compared the forecasts used in the going concern assessment to those used for other purposes (i.e., impairment);
- We reviewed the company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

CONCLUSIONS RELATING TO GOING CONCERN CONTINUED

Management have modelled a base case and downside scenario, neither of which indicate a liquidity or covenant breach. They have also modelled a reverse stress test which is considered remote based on current passenger levels and industry predictions. A bridge to bond facility is available and sufficient to ensure the £360m bond maturing in April 2024 can be repaid if a new bond issue should not take place in advance of that date.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 30 September 2024.

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

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 188, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 103 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report continued

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are Companies Act 2006, Financial Conduct Authority Listing Rules, 2018 UK Corporate Governance Code, European Securities and Markets Authority regulations, UK taxation legislation, Civil Aviation Act 2012 and Air Navigation Order 2016.
- We understood how Manchester Airports Holdings Limited is complying with those frameworks by making enquiries with management, those charged with governance, internal audit and those responsible for legal and compliance matters and also reviewing the entity code of conduct and whistle-blower hotline.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying the controls which are in place at the entity level and whether the design of these controls is sufficient for the prevention and detection of fraud. We also consider the risk of management override and consider the design and implementation of controls at the financial statement level to prevent this.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included involving our forensics team to assess any potential areas of higher risk. We followed up on these areas to perform further procedures to assess if there was any risk of fraud. We also read minutes of key boards and committees, read communications with regulators and legal advisors, inquired of management and those charged with governance, and performed targeted journal entry testing for journals with fraudulent characteristics.

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

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

4 July 2023

Accounting policies

GENERAL INFORMATION

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

The principal activities of the Group are set out within the Directors' Report. These consolidated financial statements were approved for issue by the Board of Directors on 4 July 2023.

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

BASIS OF PREPARATION

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

The Group financial statements have been prepared and approved by the directors in accordance with 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 181 to 189.

The group has changed the format of the income statement presentation to include the operating expenses line and also present separately finance income and finance cost. The comparative information has been restated. There is no impact on the operating profit, profit after taxes, equity, cash flows and earnings per share.

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 macro-economic factors such as the impact of the present high inflationary economic environment (e.g increased energy costs arising from the Ukraine conflict, wage inflation) and rising interest rates. The resultant impact on the Group's cash flow and liquidity, for the period to 30 September 2024 (being the going concern assessment period) has been assessed, as has 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 173. The covenants are tested half yearly on 31 March and 30 September.

At 31 March 2023, the Group had available £67.6m of net cash and committed facilities comprised of: £1,460.0m of bonds, £902.0m of shareholder loans, and a £500.0m Secured Revolving Credit Facility (RCF), of which £nil was drawn at the year-end. In addition, the Group also has access to a committed £90.0m Liquidity Facility. In May 2022, the Group renegotiated the RCF and Liquidity Facilities with their maturity dates extending to May 2027 and subsequently exercised an option for a further 12 month maturity extension, taking these facilities to May 2028. The Group's borrowing facilities, contain a £360.0m bond which matures in April 2024. The directors' current expectation is that the Group will be able to successfully issue a replacement bond in Q3 FY24 and the continued appetite of the market to provide funding to the sector is supported by both MAG's re-financing in the prior year as well as other debt issuance by comparable UK and European peer airports. However, since the bond has not yet been issued at the date of signing of these financial statements the directors have secured a binding bridge to bond commitment which provides assurance that the Group will be able to repay the £360.0m bond when it falls due. The remaining £1,100.0m of Group bonds will mature between 2034 and 2044.

Whilst the Annual Report for the year ended 31 March 2022 was prepared on a going concern basis it contained a material uncertainty as the Group, under a severe but plausible scenario, forecasted a potential breach of a financial covenant at 31 March 2023. The strong recovery in passenger numbers experienced by the Group over the past 12 months and the forecasts produced to cover the going concern assessment period have provided confidence that a material uncertainty no longer exists. The directors will continue to closely monitor the macro-economic factors to assess the impact upon demand levels and flex the business response accordingly.

Accounting policies continued

GOING CONCERN CONTINUED

The directors' going concern assessment considers the Group forecasts for the period to 30 September 2024. The recovery from Covid-19 during FY23 saw passenger numbers increase overall from 33% of pre-Covid-19 levels experienced in FY22 to 86% in FY23 and 92% for the month of March 2023.

The impact of this bounce back in activity levels has been reflected in business performance, which, when measured at the adjusted EBITDA¹ level, increased by 229.8% from a £125.6m profit in FY22 to a profit of £412.0m in FY23. As a result of this recovery MAG has been able to relaunch the Group's Transformation Programmes and recommencement of payment of shareholder loan interest. The Group's base case forecast of passenger number projections include a business plan of 95% of pre-Covid-19 (defined as FY20) levels for FY24 and returning to pre-Covid-19 levels in FY25. The levels of passenger demand in the forecast reflects the directors' anticipated rate of recovery and is aligned with industry expectations.

The forecasts include the successful refinancing of the Group's £360.0m bond and result in a minimum liquidity headroom of £315.0m during the going concern assessment period and compliance with MAG's financial covenants when tested at September 2023; March 2024; and September 2024. The forecasts also include the raising of additional finance for discretionary expansionary capital expenditure. The directors expect to be able to access this finance, as described above. However, should the finance not be available, the expansionary capital expenditure would be deferred.

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

Downside scenario:

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

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

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

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

Based upon their assessments of the business plan case and the downside scenario detailed above, together with the bridge to bond commitment they have obtained to ensure that the £360.0m maturing in the going concern period can be repaid, the directors have concluded that the Group can meet its covenant requirements and maintain sufficient liquidity throughout the going concern period and as such, it is appropriate for the Group to continue to adopt the going concern basis for the preparation of these accounts.

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

There are no new adopted IFRSs, 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:

- Onerous Contracts (amendments to IAS 37) – clarification that the costs included in calculating an onerous contract should include the allocation of any costs directly attributable to completing the contract and not restricted to incremental expenditure;
- Clarification on definition of assets and liabilities when used in business combinations;
- Proceeds before Intended Use (Amendments to IAS 16) clarified that any income earned prior to Plant, Property & Equipment being brought into use should be recognised in the income statement as opposed to netted off against the cost of the asset; and
- Minor amendments to IFRS 1; IFRS 16; IFRS 9 (clarifying which fees can be included in the assessment of a financial instrument modification) and IAS 41.

None of the amendments had a material impact upon the Group's results.

¹ As explained in Other Information of the financial statements on page 173.

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

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 2023:

- IFRS 17 – Insurance contracts;
- Disclosure of accounting policies – changes requirement from disclosing significant to material policies;
- Clarification on the distinguishing changes of accounting policy to change of accounting estimates; and
- Treatment of deferred tax assets and liabilities arising from a single transaction.

The Group'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 FY24 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 impact variable returns to which they have rights or are exposed. 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.

Where a Company's interest in a subsidiary is not 100% attributable to the shareholders of the Group then in accordance with the requirements of IFRS 10, 100% of the income, expenses, assets and liabilities are reflected in the primary financial statements. The split of the profit and net assets attributable to the Group's shareholders and the non-controlling interest are detailed in the statement of comprehensive income and the Group's equity and reserves.

Interests in associate

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

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

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

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; and
- Any exchange differences arising from other than the translation of the results and financial position of foreign operations are recognised through the income statement.

Accounting policies continued

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 recognised in any period is based on the satisfaction 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 satisfied (so 'point in time' recognition) or 'over time' as control of the goods or services 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 complex in nature including 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 and commercial 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 has considered whether IFRS 15 or 16 applies to retail income but have determined that MAG controls the retail unit space and as a result applies IFRS 15.
- Income from airport lounges is recognised at the point of usage.

Car park income:

- Contract parking, pre-book parking and turn-up parking is recognised over the period to which it relates on a straight-line basis. The Group considers the performance obligation is satisfied through the provision of a car park space for each day the car is parked.
- Where car parking is booked through a third party and MAG own airport parking, income and related commissions are accounted for on a gross basis as the Group is acting as a principal, rather than an agent, as MAG maintain control over how the performance obligation to the customer is satisfied.
- Income and related commissions from the CAVU businesses:
- Where sales are made on behalf of a third party, they are accounted for on a net basis, as the Group does not obtain control over how the performance obligation is satisfied to the customer. Revenue is recognised at the point of booking as CAVU's performance obligation has been completed in full at that point in time; and
- Where CAVU is selling on behalf of the Group's car parks the revenue is recognised on a gross basis, straight-line over the booking period.

Property income (IFRS 16):

- 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.

Other income:

- Passenger-related activities, such as travel services, check-in desks and in-flight catering;
- Utilities recovery (electricity, gas, water) from tenants recognised on an incurred basis under the terms of recharge agreements with customers; and
- Income from refuelling activity.

Revenue is disaggregated at the income stream level, the three airport segments generate revenue from all of the Group's income streams, CAVU generates only car parking, retail and other income, and the Group, consolidation and other segment generates property and other 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 company financial statements.

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 North America and Australia by the CAVU segment.

REVENUE CONTINUED

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled. 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/rebates upon achieving certain pre-determined volumes. Revenue is only recognised to the extent it is not highly probable to reverse.

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

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. when the Group assumes control. Control exists when the Group has the power to direct relevant activities of an entity so as 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 2020, the Company has determined whether a particular set of activities and assets is a business by assessing whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

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

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.

INTANGIBLE ASSETS

Internally generated intangible assets

Development expenditure incurred in respect of individual projects is capitalised where the asset is identifiable and only when the future economic benefit of the project is probable. It 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;
- the Group can demonstrate how the intangible asset created will generate future economic benefits;
- the Group has available the resources to complete the asset;
- 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.

Accounting policies continued

INTANGIBLE ASSETS CONTINUED

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	30
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 of the asset, then the recoverable amount is estimated and compared to the carrying amount.

PROPERTY, PLANT AND EQUIPMENT

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

The Group has elected to use the cost model under IAS 16 'Property, plant and equipment', as modified by the transitional exemption to account for assets at deemed cost that were revalued previously under UK GAAP. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently, property, plant and equipment is stated at cost or deemed cost, less accumulated depreciation. Cost includes directly attributable own labour. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The Group capitalises borrowing costs into the cost of property, plant and equipment, if the criteria under IAS 23 are met. Depreciation is provided to write off the cost of an asset on a straight-line basis over the expected useful economic life of the relevant asset.

Expected useful lives are set out below:

	Years
Other land and buildings*	10-50
Airport infrastructure	
Runway base course	50
Steelwork, civils and earthworks	30-50
Main apron and taxiway assets	25-50
Utility lighting and pipework	5-20
Runway, taxiway and apron surfacing	5-15
Airfield lighting and equipment	5-15
Plant, fixtures and equipment	
Escalators, elevators and substations	15-30
Baggage systems, IT equipment and X-ray scanners	5-15
Fixtures, fittings, tools and equipment	5-10
Motor vehicles	3-10

* No depreciation is charged on freehold land.

PROPERTY, PLANT AND EQUIPMENT CONTINUED

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 in accordance with the requirements of IAS 36. Carrying amounts are also 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. If an investment property is partially owner-occupied and the non-owner-occupied component can be separately sold or leased out under a finance lease then the relevant proportions will be classified as investment property and property, plant and equipment. If the non-owner-occupied portion cannot be sold separately then the property will only continue to be classified as an investment property if the owner-occupied portion is immaterial.

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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management are satisfied that this methodology results in a materially similar value in use quantification as would have been arrived at if calculated under a pre-tax discount rate basis as required by IAS 38. 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.

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.

At the point of transition to IFRS16 the Group opted to apply the practical expedient not to reassess whether contracts contain a lease.

Accounting policies continued

LEASES CONTINUED

Initial measurement

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

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

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

Subsequent measurement

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

The liability is remeasured when:

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

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

Low value and short lease exemption

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

Covid-19 related rent concessions

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

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 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 with cost being purchase cost on a first in/first out basis.

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. Grant 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: initially at fair value, and then subsequently measured at amortised cost; Fair Value through Profit or Loss (FVPL); or Fair Value through Other Comprehensive Income (FVOCI).

The Group's treatment of financial assets and liabilities:

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

Expected credit loss

The Group applies IFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, the Group has 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.

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.

Accounting policies continued

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 whilst they are classified as held for sale and equity-accounted investee is no longer equity accounted. The assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet.

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

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, bank deposits and short-term deposits, which have an original 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.

Transaction costs are considered as incurred, for the unit of account to which they relate, on new borrowings or a re-financing. If the costs relate to the borrowing/ loan then they are recognised in accordance with IFRS 9 as part of the net effective interest rate. However, if they relate to the facility itself then it is regarded as an executory contract, and as such, outside the scope of IFRS 9, and are capitalised and amortised over the facility term.

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.

Where the Group has entered a contract where the unavoidable attributable costs of fulfilling the contract exceed the economic benefit derived from it then the Group will book an onerous contract provision. The calculation of the provision will reflect the least cost approach of exiting the contract.

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 carrying value 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.

TAXATION CONTINUED

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 substantively 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 2023 (2022: 19%). Deferred tax assets and liabilities reflect the 25% tax rate that will become effective from 1 April 2023. Deferred tax assets and liabilities are shown separately in the accounts.

EMPLOYEE BENEFIT COSTS

The Group still participates in three defined benefit schemes, following MAG's exit from the Greater Manchester Pension Fund (GMPF) as detailed in note 30 at page 158, 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.

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. If no such unconditional right exists an asset ceiling is applied and no asset surplus is recognised in the accounts. An unconditional right would not exist when the availability of the refund or the reduction in future contribution would be contingent upon factors beyond the entity's control (for example, approval by third parties such as plan trustees). To the extent that a right is contingent no asset would be recognised.

In the event of a settlement of a defined benefit pension scheme, the profit or loss on settlement is calculated with reference to the net scheme assets/liabilities without the impact of the asset ceiling (i.e. the unrecognised surplus). This settlement profit or loss is recognised in the income statement. The resultant reduction in asset ceiling as a result of the settlement is recognised in the statement of comprehensive income.

DIVIDENDS

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

ALTERNATIVE PERFORMANCE MEASURES (APMS)

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

- Adjusted EBITDA¹;
- Results from operations;
- Adjusted net cash generated from operations;
- Net debt; and
- Net cash and cash equivalents
- Net senior Debt/adjusted frozen GAAP

¹ Adjusted Earnings before Interest, Tax, Depreciation (including any impairment) and amortisation

Many of MAG's APMs are defined as 'adjusted' (such as adjusted EBITDA) signifying that they are calculated before transactions that are deemed to be adjusted items. The definition of MAG's accounting policies is also detailed below. Other Information on page 173 provides a definition of each of all APMs; the purpose for which it is used; and a reconciliation to the nearest IFRS equivalent.

Accounting policies continued

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.

- **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.

- **Curtailment gain or loss**

Curtailment gain or loss 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, the treatment of the Group's defined benefit pension schemes and the impact of recommencing the transformation programmes on the Group's fixed asset balances contain the more significant judgements impacting these financial statements.

i. Going concern

The impact of: the ability of the Group to refinance a £360m bond due to mature in April 2024; and the impact upon activity levels of current macro-economic considerations (including the cost of living crisis and the Ukraine conflict) have been considered in the Basis of Preparation.

The directors have evaluated whether the actions already undertaken to secure a credit facility and the mitigating actions that the Group can undertake against any reductions in activity levels are sufficient to ensure that MAG will continue as a going concern for plausible future trading scenarios. Based upon this assessment outlined at page 109 the directors have concluded to regard MAG as a going concern for the purpose of these financial statements.

As part of its IAS 19 assessment MAG has had to consider whether it has the right to the accounting surplus for the STAL and EMA defined benefit schemes and the timing of a surplus under the exit basis of the GMPF scheme which would permit the recognition of the accounting surplus on that scheme in determining the settlement loss.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

A. Judgements continued

The Group's exit from its deferred debt arrangement with GMPF on 2 September 2022 constituted a settlement of the defined benefit scheme. The exit only occurred once the scheme was no longer in deficit when calculated on a prudent 'exit basis'. Prior to settlement, the accounting basis of calculation, under IAS 19, demonstrated a surplus. However, the asset ceiling requirements of IFRIC 14 resulted in this surplus not being shown in the accounts as no right to refund existed.

Under the requirements of IAS 19, the settlement loss is calculated based upon the accounting surplus at the time of settlement, without accounting for the impact of the asset ceiling, and presented in the income statement. The compensating reduction in asset ceiling impact is shown as a credit to reserves.

For the surpluses on the Group's STAL and EMA defined benefit pension schemes, management has concluded that there exists a right to a refund of such a surplus and consequently, under IFRIC 14 there would be no asset ceiling impact and an accounting surplus can be presented in the financial statements.

iii. Impact of transformation recommencement on fixed asset balances

As part of the recovery from Covid-19, MAG has recommenced its transformation programmes at both Manchester and Stansted airports. MAG has considered how the revised programmes going forward impact upon the fixed asset balances held relating to impacted assets.

The key considerations have related to:

- the decision to moth-ball Terminal 1 at Manchester following the Board approval to proceed with MAN-TP phase 2 in December 2022 with the resultant accelerated depreciation and provision recognition relating to the closure of Terminal 1; and
- the judgement on the likely route to be pursued for expanding the Terminal infrastructure at Stansted and the impact on design costs already incurred.

Both of these items are commented upon in more detail at the property, plant and equipment note at page 139.

B. Assumptions and estimation uncertainty

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

i. Investment properties

Investment properties were valued at fair value at 31 March 2023 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 advisers. Further details of the basis of estimation for the valuation of the Group's investment properties is detailed on note 15.

ii. Pensions

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

Accounting policies continued

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

B. Assumptions and estimation uncertainty continued

iii. Modification of financial instruments

The carrying value of the Group's shareholder loan liabilities are calculated by management's estimate of the future cashflows (see financial instruments note 26). As a result of MAG's strategic finance response in to the pandemic, the payment of interest on the shareholder loans has been deferred until the Group is in compliance with its loan covenant requirements.

Consequently, management's estimate of the date that deferred interest will be repaid is an accounting estimate that will impact the quantification of the shareholder loan liability. Any revisions in the cashflow estimates will result in a modification gain or loss which is recognised in the income statement at the time that the revision takes place.

The repayment of shareholder loan deferred interest has now commenced on 31 March 2023 and is estimated to conclude in March 2030.

iv. Impairment of non-financial assets

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

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

The Group has considered future traffic levels projections issued by other industry participants in arriving at its own projections which were used for both the impairment review and the Group's going concern assessment. These projections considered the timing and rate of growth in the post-Covid-19 environment considering the current economic headwinds and the impact of climate change on longer-term growth.

For impairment purposes, long-term projections beyond the 5-year business plan time horizon were based upon long-term growth rates. Downside scenarios included low-growth assumptions in considering risks around recoverability of the assets carrying value and the reduction in terminal value growth rate/increase in discount rate that would be required in order to bring a CGU into impairment. Further details of these scenarios are detailed at note 16.

Consolidated income statement

Year ended 31 March 2023

	Note	2023 £m Total before adjusted items	2023 £m Adjusted items	2023 £m Total after adjusted items	2022 £m Total before adjusted items	2022 £m Adjusted items	2022 £m Total after adjusted items
Continuing operations							
Revenue	1	1,029.0	–	1,029.0	462.1	–	462.1
Operating expenses		(859.2)	–	(859.2)	(575.3)	–	(575.3)
Operating profit/(loss) before adjusted items	4	169.8	–	169.8	(113.2)	–	(113.2)
Adjusted items							
Adjusted items	3	–	(141.2)	(141.2)	–	(17.1)	(17.1)
Operating profit/(loss)		169.8	(141.2)	28.6	(113.2)	(17.1)	(130.3)
Share of result of associate	17	0.1	–	0.1	0.4	–	0.4
Gains and losses on sales and valuation of investment properties	15	(26.3)	–	(26.3)	22.6	–	22.6
Finance income	7	7.0	–	7.0	–	–	–
Finance costs	7	(201.1)	(5.7)	(206.8)	(190.1)	8.8	(181.3)
Loss before taxation		(50.5)	(146.9)	(197.4)	(280.3)	(8.3)	(288.6)
Taxation	9	1.9	31.3	33.2	(31.3)	0.3	(31.0)
Loss after taxation		(48.6)	(115.6)	(164.2)	(311.6)	(8.0)	(319.6)
Discontinued operations							
Result from discontinued operation (net of tax)	10	–	4.7	4.7	–	(1.7)	(1.7)
Loss for the year		(48.6)	(110.9)	(159.5)	(311.6)	(9.7)	(321.3)
Attributable to:							
Equity holders of the Group		(48.7)	(110.9)	(159.6)	–	–	–
Non-controlling interests		0.1	–	0.1	–	–	–
Earnings per share expressed in pence per ordinary share¹							
Continuing operations	12	(15.7)	(36.5)	(52.2)	–	–	(100.9)
Discontinued operations	12	–	1.5	1.5	–	–	(0.5)

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

¹ Earnings attributable to C share holders can be found in note 12 to the financial statements.

Consolidated statement of financial position

Year ended 31 March 2023

	Note	2023 £m	2022 £m
Non-current assets			
Goodwill	16	210.1	207.7
Intangible assets	16	88.3	88.5
Property, plant and equipment	13	3,107.2	3,140.9
Right-of-use assets	14	437.0	417.7
Long term lease receivable	14	11.2	11.2
Investment properties	15	155.1	188.9
Investment in associate	17	7.1	11.8
Other long term asset	10	–	4.3
Retirement benefit assets	30	90.7	28.3
		4,106.7	4,099.3
Current assets			
Assets held for sale	18	–	2.1
Inventories	19	4.1	4.0
Trade and other receivables	20	122.7	86.3
Cash and cash equivalents	21	172.8	488.6
		299.6	581.0
Current liabilities			
Bank loans and overdrafts	23	(105.2)	(25.7)
Liabilities directly associated with assets held for sale	18	–	(0.5)
Trade and other payables	27	(254.4)	(189.4)
Deferred income	28	(35.7)	(28.2)
Provisions	29	(20.0)	(16.8)
Current lease liabilities	31	(9.4)	(9.8)
Current tax liabilities		–	(8.9)
		(424.7)	(279.3)
Net current (liabilities)/assets		(125.1)	301.7
Non-current liabilities			
Borrowings	22-26	(2,568.1)	(2,983.2)
Retirement benefit liabilities	30	(4.1)	(6.2)
Non-current lease liabilities	31	(448.8)	(426.0)
Deferred tax liabilities	32	(235.2)	(238.3)
Provisions	29	(2.1)	(2.1)
Other non-current liabilities	33	(20.3)	(20.3)
		(3,278.6)	(3,676.1)
Net assets		703.0	724.9
Shareholders' equity			
Share capital	34	316.6	316.6
Share premium	34	743.3	743.3
Hedging reserve		–	–
Foreign currency reserve		4.4	(1.3)
Retained earnings	35	(362.4)	(333.7)
Equity attributable to equity holders of the Group		701.9	724.9
Non-controlling interest		1.1	–
Total equity		703.0	724.9

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

The financial statements were approved by the Board of Directors on 4 July 2023 and signed on its behalf by:

Charlie Cornish
Group Chief Executive
MAG

Consolidated statement of comprehensive income

Year ended 31 March 2023

	Note	2023 £m	2022 £m
Result for the year ¹		(159.6)	(321.3)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit liabilities	30	177.4	63.0
Deferred tax on remeasurement of retirement benefit liabilities	9	(39.5)	(14.6)
Effect of change in rate of corporation tax on deferred tax	9	(7.0)	(1.3)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange movement		6.0	1.3
Taxation on foreign exchange movement		(0.3)	(0.1)
Other comprehensive income for the year		136.6	48.3
Total comprehensive loss for the year¹		(23.0)	(273.0)

¹ Attributable to the owners of the parent.

Consolidated statement of changes in equity

Year ended 31 March 2023

	Note	Attributable to equity holders of the Group					
		Share capital £m	Share premium £m	Foreign currency reserve ² £m	Retained earnings £m	Total £m	Non-controlling interests ¹ £m
Balance at 1 April 2022		316.6	743.3	(1.3)	(333.7)	724.9	–
Total comprehensive income for the year							
Result for the year		–	–	–	(159.6)	(159.6)	0.1
Acquisition of non-controlling interests		–	–	–	–	–	1.0
Foreign exchange movement, net of tax		–	–	5.7	–	5.7	–
Remeasurement of retirement benefit liabilities, net of tax	9, 30	–	–	–	137.9	137.9	–
Effect of change in rate of corporation tax		–	–	–	(7.0)	(7.0)	–
		–	–	5.7	(28.7)	(23.0)	1.1
Balance at 31 March 2023		316.6	743.3	4.4	(362.4)	701.9	1.1

Consolidated statement of changes in equity

for the year ended 31 March 2022

	Note	Attributable to equity holders of the Group					
		Share capital £m	Share premium £m	Hedging reserve ³ £m	Foreign currency reserve ² £m	Retained earnings £m	Total £m
Balance at 1 April 2021		316.6	743.3	1.0	(3.5)	(59.5)	997.9
Total comprehensive loss for the year							
Result for the year		–	–	–	–	(321.3)	(321.3)
Foreign exchange movement, net of tax		–	–	–	1.2	–	1.2
Hedging gain	9, 30	–	–	(1.0)	1.0	–	–
Remeasurement of retirement benefit liabilities, net of tax	9	–	–	–	–	48.4	48.4
Effect of change in rate of corporation tax on deferred tax		–	–	–	–	(1.3)	(1.3)
		–	–	(1.0)	2.2	(274.2)	(273.0)
Balance at 31 March 2022		316.6	743.3	–	(1.3)	(333.7)	724.9

¹ During the period the Group acquired a majority interest in a concession in a lounge. MAG has assessed that it controls the concession in the lounge and has consolidated 100% of the revenue, expenses, assets and liabilities in the income statement and balance sheet. The profit for the year and other reserve movements have been split between those attributable to MAG's equity holders and those attributable to non-controlling interests.

² 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 The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Hedging gain transferred to foreign currency reserve following the completion of the foreign currency hedge during the year and due to having no open positions.

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

Consolidated statement of cash flows

for the year ended 31 March 2023

	Note	2023 £m Before adjusted items	2023 £m Adjusted items	2023 £m After adjusted items	2022 £m Before adjusted items	2022 £m Adjusted items	2022 £m After adjusted items
Cash flows from operating activities							
Result from continuing operations		(48.6)	(115.6)	(164.2)	(311.6)	(8.0)	(319.6)
Taxation	9	(1.9)	(31.3)	(33.2)	31.3	(0.3)	31.0
Gains and losses on sale and valuation of investment properties	15	26.3	–	26.3	(22.6)	–	(22.6)
Finance income	7	(7.0)	–	(7.0)	–	–	–
Finance costs	7	201.1	5.7	206.8	190.1	(8.8)	181.3
Share of loss in associate	17	(0.1)	–	(0.1)	(0.4)	–	(0.4)
Depreciation, amortisation and impairment	2	242.2	15.9	258.1	238.8	11.0	249.8
Increase in trade and other receivables and inventories		(21.1)	–	(21.1)	(20.8)	–	(20.8)
Increase/(decrease) in trade and other payables		62.6	1.0	63.6	61.9	(6.6)	55.3
Increase/(decrease) in retirement benefits provision ¹		1.5	119.7	121.2	(0.2)	(8.1)	(8.3)
Cash generated from continuing operations		455.0	(4.6)	450.4	166.5	(20.8)	145.7
Result before taxation - discontinued operations	10	–	–	5.8	–	–	(1.7)
Working capital - discontinued operations		–	–	(5.8)	–	–	1.7
Interest paid		–	–	(138.3)	–	–	(83.7)
Interest received		–	–	7.0	–	–	–
Tax paid		–	–	(32.1)	–	–	(0.4)
Net cash from operating activities		–	–	287.0	–	–	61.6
Cash flows from investing activities							
Purchase of property, plant and equipment		–	–	(174.4)	–	–	(98.3)
Purchase of intangible fixed assets		–	–	(8.2)	–	–	–
Distributions from/(investment in) associate	17	–	–	4.8	–	–	(1.3)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties		–	–	1.3	–	–	0.8
Payment of contingent consideration on prior acquisitions	27	–	–	(7.8)	–	–	(19.6)
Net cash used in investing activities - continuing activities		–	–	(184.3)	–	–	(118.4)
Cash flows from financing activities							
Repayment of bank loan borrowings	23	–	–	(484.0)	–	–	–
Transaction costs related to loans and borrowings		–	–	(4.3)	–	–	(2.4)
Payment of principal on lease liabilities		–	–	(9.7)	–	–	(8.1)
Net cash used in financing activities		–	–	(498.0)	–	–	(10.5)
Net decrease in cash and cash equivalents	38	–	–	(395.3)	–	–	(67.3)
Net cash and cash equivalents at beginning of the period		–	–	462.9	–	–	530.2
Net cash and cash equivalents at end of the period	21	–	–	67.6	–	–	462.9

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

¹ This includes the settlement of the Deferred Debt Arrangement (DDA) (note 30).

Notes to the financial statements

for the year ended 31 March 2023

1. REVENUE

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

	2023 £m	2022 £m
Aviation income	355.9	179.9
Commercial income		
Retail concessions	234.5	81.2
Car parking	325.1	126.7
Property and property related income	20.2	21.1
Other	93.3	53.2
Total commercial income	673.1	282.2
Total income	1,029.0	462.1

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

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

Other income includes utilities recovery £28.1m (2022: £19.3m), refuelling £11.2m (2022: £6.6m) and retail travel services income £14.2m (2022: £4.3m).

As at 31 March 2023 there was no revenue recognised relating to performance obligations that were unsatisfied as at the year end. Any revenue where performance obligations were not satisfied is held in deferred income.

The amount of accrued income at 31 March 2023 was £40.4m (2022: £26.1m) and the amount of deferred income at 31 March 2023 was £35.7m (2022: £28.2m). Both of these balances have increased significantly due to the return in passenger demand, and balances are expected to settle within the next 12 months.

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

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 CAVU.

The reportable segments are consistent with how information is presented to the Group Chief Executive Officer (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.

With the exception of CAVU, the primary business of all of these Operating Divisions is the operation and development of airport facilities in the UK. CAVU's US revenue is less than 10% of total Group revenue. Consequently, no geographical split of performance has been included.

Year ended 31 March 2023	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	CAVU ¹ £m	Group, consolidation and other ² £m	Consolidated – continuing operations £m	Discontinued operations ³ £m
Revenue							
Total Revenue	430.4	373.2	81.3	142.1	3.4	1,030.4	–
Inter-segment sales ⁴	(1.4)	–	–	–	–	(1.4)	–
External Revenue	429.0	373.2	81.3	142.1	3.4	1,029.0	–
Result							
Segment operating profit/(loss) before adjusted items	29.5	93.5	14.8	24.4	7.6	169.8	–
Adjusted items	(134.2)	(2.5)	(1.4)	(2.6)	(0.5)	(141.2)	5.8
Segment operating profit/(loss) after adjusted items	(104.7)	91.0	13.4	21.8	7.1	28.6	5.8
Share of result of associate	–	–	–	–	–	0.1	–
Gains and losses on sales and valuation of investment properties	–	–	–	–	–	(26.3)	–
Finance income	–	–	–	–	–	7.0	–
Finance costs	–	–	–	–	–	(201.1)	–
Finance costs – adjusted	–	–	–	–	–	(5.7)	–
Result before taxation						(197.4)	5.8
Other information							
Segment assets ⁵	2,069.3	1,666.2	297.1	190.6	183.2	4,406.3	–
Segment liabilities ⁵	(1,377.7)	(315.4)	(115.1)	(67.0)	(1,828.1)	(3,703.3)	–
Capital expenditure (property, plant and equipment)	121.9	45.7	9.5	6.1	10.5	193.7	–
Capital expenditure (intangible assets)	0.8	–	0.3	3.0	4.1	8.2	–
Depreciation	123.4	70.2	17.9	5.7	11.5	228.7	–
Depreciation – adjusted	4.5	–	–	–	–	4.5	–
Impairment	6.4	2.4	1.2	1.4	–	11.4	–
Amortisation	4.4	0.8	0.1	5.1	3.1	13.5	–
Taxation	18.5	(15.2)	0.2	(6.9)	36.6	33.2	(1.1)
Segment operating profit/(loss) before adjusted items	29.5	93.5	14.8	24.4	7.6	169.8	–

Notes to the financial statements continued

for the year ended 31 March 2023

2. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

Year ended 31 March 2022 (restated)	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	CAVU ¹ £m	Group, consolidation and other ² £m	Consolidated – continuing operations £m	Discontinued operations ³ £m
Revenue							
Total Revenue	192.0	180.8	57.6	33.3	2.8	466.5	–
Inter-segment sales ⁴	(3.5)	–	–	(0.9)	–	(4.4)	–
External Revenue	188.5	180.8	57.6	32.4	2.8	462.1	–
Result							
Segment operating profit/(loss) before adjusted items	(80.6)	(44.1)	8.5	0.3	2.7	(113.2)	–
Adjusted items	(16.1)	2.1	(0.7)	(1.8)	(0.6)	(17.1)	(1.7)
Segment operating profit/(loss) after adjusted items	(96.7)	(42.0)	7.8	(1.5)	2.1	(130.3)	(1.7)
Share of result of associate	–	–	–	–	–	0.4	–
Gains and losses on sales and valuation of investment properties	–	–	–	–	–	22.6	–
Finance income	–	–	–	–	–	–	–
Finance costs	–	–	–	–	–	(190.1)	–
Finance costs – adjusted	–	–	–	–	–	8.8	–
Result before taxation						(288.6)	(1.7)
Other information							
Segment assets ⁵	2,031.1	1,590.3	307.3	121.7	629.9	4,680.3	–
Segment liabilities ⁵	(1,359.3)	(267.9)	(110.7)	(20.6)	(2,197.0)	(3,955.4)	–
Capital expenditure (property, plant and equipment & intangible assets)	38.1	12.4	5.7	6.7	13.8	76.7	–
Depreciation	110.6	81.8	13.3	4.9	9.3	219.9	–
Amortisation	6.1	2.0	0.2	3.1	7.5	18.9	–
Taxation	(17.3)	(10.0)	(18.1)	(1.7)	16.1	(31.0)	–
Segment operating profit/(loss) before adjusted items	(80.6)	(44.1)	8.5	0.3	2.7	(113.2)	–

¹ As reported in the Annual Report for the year ended 31 March 2022, MAG launched its online division, CAVU, on 1 April 2022. CAVU has combined MAG's US businesses with the MAG online and UK distribution businesses and this is now run as a separate business segment. The Group's review of the operating and reportable segmentals have replaced the MAG US reporting segment with CAVU. Prior year comparatives have been restated in line with IFRS 8. The CAVU segment is split between online businesses servicing the North American market and those servicing the UK and European market.

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

³ MAG's non-core property has been disclosed separately as discontinued operations, which was disposed of the Group on 7 August 2020. The ongoing post-sale disclosure reflects changes in conditional balances that have changed since the date of disposal.

⁴ Sales between segments are at arm's length.

⁵ Reflects the segment's assets and liabilities which are external to the Group.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

Restatements

The business and geographical segments at 31 March 2022 have been restated in order to correct an error in relation to the allocation of certain costs and the group tax charge across the segments. This restatement has no impact on net assets, the result for the year or cash flows.

Adjustments made to business and geographical segments note as at 31 March 2022

Income Statement	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	CAVU £m	Group £m	Total – Continuing operations £m
Segment result from operations before adjusted items	(10.9)	(12.0)	(2.2)	(0.2)	25.3	–
Adjusted items - operating costs	(0.9)	(2.3)	(0.4)	–	3.6	–
Segment result from operations after adjusted items	(11.8)	(14.3)	(2.6)	(0.2)	28.9	–
Other info						
Segment assets	(10.8)	(1.4)	(1.1)	–	13.3	–
Segment liabilities	(7.4)	(13.9)	(30.3)	(0.2)	51.7	–
Taxation (charge)/credit	7.5	(13.1)	(11.0)	–	16.6	–
Segment operating (loss)/profit before adjusted items	(10.9)	(12.0)	(2.2)	(0.2)	25.3	–

Notes to the financial statements continued

for the year ended 31 March 2023

3. ADJUSTED ITEMS

	2023 £m	2022 £m
Recorded in operating profit		
Adjusted items – operating costs	141.2	17.1
Total adjusted items recorded in operating profit¹	141.2	17.1
Adjusted items – finance costs/(income) (see note 7)	5.7	(8.8)
Total significant items recorded in finance costs	5.7	(8.8)
Total adjusted charge recorded before taxation²	146.9	8.3
Recorded in result from discontinued operations		
Adjusted items recorded in discontinued operations (before tax) (see note 7)	(5.8)	1.7
Total (credit)/charge recorded in profit before tax from discontinued operations³	(5.8)	1.7
Total (charge)/credit before tax	141.1	10.0

¹ Adjusted items recorded in operating profit: The Group has recognised an overall cost of £141.2m in adjusted items for the year ended 31 March 2023 (2022: cost of £17.1m). This is made up of the following:

- An expense of £119.7 has been recognised following the extinguishment of the Group's deferred debt agreement (DDA) for the exit from the GMPF pension scheme.
- During the year management have undertaken a review of the lives of certain fixed and intangible assets in addition to the annual impairment reviews in line with IAS36, with review of airfield asset useful economic lives and US contract assets. This exercise has resulted in a total expense of £15.9m being recognised, £11.4m in relation to impairment of assets and £4.5m accelerated depreciation relating to the decision to mothball T1 as a result of the announcement to launch MAN-TP Phase 2. All impairments, depreciation and write offs are non-cash in nature.
- Expenditure on other operational transformation schemes of £4.1m has been recognised in relation to initiatives to improve the airport environment.
- Legal fees, that are in line with our accounting policy on adjusted items, of £1.3m and foreign exchange differences of £0.2m have been recognised in the period.

During the year ended 31 March 2022, management carried out an impairment review of the fixed assets and as a result an impairment of £9.2m was recognised, restructuring costs completed in the year of £2.6m across the Group was recognised and acquisition costs of £0.9m for the purchase of the three online aggregator and distribution businesses acquired in FY21. Included in 31 March 2022 was a £10.4m curtailment gain due to the closure of GMPF, STAL and EMIA and a settlement of liabilities in the GMPF, offset by costs of £12.0m. Additional costs of £1.8m were recognised in relation to a lounge contract in the US which is no longer operated by the Group. Legal costs of £1.0m were recognised.

² Adjusted items from continuing operations – finance costs – A charge of £5.7m (2022: £8.8m income) relating to finance costs arose during the period due to the deferral of shareholder loan interest owed including the impact of the rise in UK interest rates on the deferred interest balance and the corresponding modification loss which has arisen in the repayment profile of the deferred balance (see note 7).

³ Adjusted items from discontinued operations for the year ended 31 March 2023 is income of £5.8m, excluding tax, (2022: costs of £1.7m) relating to a further update to the escrow provision in relation to the sale of non-core property.

All adjusted items are made in line with our accounting policy which can be found on page 123.

4. RESULT FROM CONTINUING OPERATIONS BEFORE ADJUSTED ITEMS

	2023 £m	2022 £m
Turnover	1,029.0	462.1
Wages and salaries	(257.2)	(156.6)
Social security costs	(22.0)	(14.7)
Pension costs	(12.5)	(11.6)
Coronavirus Job Retention Scheme	–	18.2
Employee benefit costs	(291.7)	(164.7)
Depreciation and amortisation	(242.2)	(238.8)
Profit on disposal of property, plant and equipment	–	0.3
Other operating charges ¹	(325.3)	(189.9)
Airport and Ground Operations Support Scheme	–	17.8
Result from continuing operations before adjusted items	169.8	(113.2)
Result from operations before adjusted items – total business	169.8	(113.2)

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

The increase in wages and salaries is directly linked to an increase in headcount as trading levels start to return to pre-Covid levels. During FY23 the Group has received £nil (2022: £18.2m) of government support from the Coronavirus Job Retention Scheme, and utilised £nil (2022: £17.8m) from the Airport and Ground Operations Support Scheme.

5. EMPLOYEE INFORMATION

The average number of persons (including executive directors) employed by the Group during the year was:

	2023 Number of FTEs	2022 Number of FTEs
By location		
Manchester Airport	2,716	2,148
London Stansted Airport	1,759	1,479
East Midlands Airport	601	516
CAVU	533	153
	5,609	4,296

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 for both 2023 and 2022 reflects full-time equivalent (FTEs) employees.

Notes to the financial statements continued

for the year ended 31 March 2023

6. DIRECTORS' EMOLUMENTS

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 68 to 71 in the Remuneration Report.

	2023 £m	2022 £m
Directors' emoluments		
Number of directors (not in £m)	9.0	9.0
Aggregate emoluments	6.0	4.1

Consistent with the treatment in prior years the amounts above include STIP payments during the year of £1.4m paid relating to prior periods and LTIP amounts accrued of £2.6m. The LTIP amount accrued in the financial statements 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, and the introduction of the Group's FY23 – FY25 LTIP scheme.

	2023 £m	2022 £m
Key management compensation		
Number of key management (not in £m)	12.0	9.0
Aggregate emoluments	11.5	7.4

Key management for the Group are the Board of Directors and members of the Executive Committee 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 £0.9m paid relating to prior periods. The LTIP amounts included in the current year are amounts accrued in the financial statements driven by the Group's FY21 – FY24 LTIP scheme which was introduced to closely align participants to key recovery metrics following Covid-19 over the period to FY24 and the Group's FY23 – FY25 scheme, amounting to £1.8m.

The key management compensation for the current year comprised: Short term employee benefits £7.2m (2022: £4.5m); Other long-term benefits £4.3m (2022: £2.5m).

	2023 £m	2022 £m
Highest paid director		
Aggregate emoluments	2.4	1.9

The £2.4m (2022: £1.9m) includes salary, benefits, STIP payment of £0.2m during the year relating to a prior period, and an accrued LTIP under the Group's FY21 – FY24 LTIP scheme.

7. FINANCE COSTS

	Note	2023 £m	2022 £m
Interest receivable on deposits		(5.6)	–
Interest income on long-term lease receivable		(1.4)	–
Finance income		(7.0)	–
Interest payable on bank loans and overdrafts		10.9	7.6
Interest payable on bonds		56.8	56.8
Interest payable on other borrowings		115.0	103.2
Interest cost on defined benefit pension schemes	30	(0.5)	0.9
Interest expense on lease liabilities	31	23.8	22.1
Capitalisation of borrowing costs	13	(4.9)	(0.6)
Unwind of deferred consideration		–	0.1
Total finance costs		201.1	190.1
Adjusted items		5.7	(8.8)
Total finance costs after adjusted items		206.8	181.3

As part of MAG's strategic financial response to the Covid-19 pandemic, the Group agreed with its shareholders to a deferral of interest charges in relation to the shareholder loans. At the end of FY23, the Group recommenced the payment of shareholder loan interest on 31 March 2023, and, paid £47.6m of regular SHL interest payments as well as £2.5m of deferred interest payment.

Under IFRS 9, the change in estimated cashflows of shareholder loans, as a result of the deferral of interest payments, gave rise to a £5.3m modification loss in FY23. The modification loss was calculated by the change in amortised cost of the shareholder loans which discount the estimated cashflows at the effective interest rate of the loans (between 10% and 12%). As the interest accruing on the deferred interest payments is 3% over the bank deposit rate, and the Bank of England base rate has increased over the year, interest accrues at a higher rate than in the prior year and the carrying value of the liability has increased, giving rise to a modification loss.

In FY23, the directors have calculated a modification loss of £5.3m at the reporting date based upon the projected repayment profile of the shareholder loan interest in the FY24 business plan. This is not deemed a substantial modification and as such, the change in timing and amount is reflected in the increased carrying value of the loan in the period with the corresponding loss being recognised in the income statement. To remain consistent with the treatment in FY22 and in line with accounting policy, management have presented the modification loss within adjusted items (note 3). The directors are currently expecting the deferred interest to be repaid between 31 March 2024 and 31 March 2030. The key inputs into the calculation of the loss/(gain) are:

- the timing of the payments of the loan – the payments vary depending upon the period of time that shareholder loan interest is accrued and the period of time that the deferred shareholder loan interest is repaid. Shareholder loan interest can only be paid when, and to the extent that, the Group are in compliance with its financial covenants. Accordingly, the timing of the payments are ultimately dependent upon the trading performance of the Group as it recovered from the Covid-19 pandemic. For the purposes of the estimation the Group has used the business projections from its approved business plan which are consistent with those used for both going concern and impairment purposes.
- the effective rate of interest of the loan, and;
- the interest rate chargeable on deferred interest payments.

If the trading performance of the Group improved and the Board decided to pay the deferred interest payments six months earlier, then the modification loss would increase by £5.5m (2022: gain would decrease by £16.7m).

If the prevailing interest rate due on the deferred interest payments increased by 1%, then the modification loss would increase by £7.8m (2022: gain would decrease by £5.4m).

MAG capitalises borrowing costs in accordance with IAS 23. FY23 saw higher capitalisation of borrowing costs of £4.9m (2022: £0.6m) following the relaunch of the Group Transformation Programme at Manchester Airport.

An expense of £0.4m (2022: £nil) was charged to adjusted finance costs during the period due to reversal of capitalised interest on impaired capital projects. Including the £5.3m modification loss during the year (2022: £8.8m modification gain), the total adjusted finance costs in the year was a charge of £5.7m (2022: a credit of £8.8m).

Notes to the financial statements continued

for the year ended 31 March 2023

8. RESULT BEFORE TAXATION

	Note	2023 Continuing operations £m	2023 Discontinued operations £m	2022 Continuing operations £m	2022 Discontinued operations £m
Result before taxation has been arrived at after charging/(crediting):					
Depreciation and amortisation: ¹					
Depreciation of property, plant and equipment	13	215.6	–	209.5	–
Depreciation of right-of-use assets	14	13.3	–	11.0	–
Amortisation of intangible assets	16	13.5	–	18.9	–
Release on capital grants		(0.2)	–	(0.6)	–
Depreciation and amortisation		242.2	–	238.8	–
Impairment of property, plant and equipment	13	10.0	–	–	–
Impairment of right-of-use assets	14	1.4	–	–	–
Depreciation of property, plant and equipment – adjusted	13	4.5	–	–	–
Depreciation, amortisation and impairment – adjusted		15.9	–	–	–
Total depreciation, amortisation and impairment		258.1	–	238.8	–
Profit on disposal of property, plant and equipment		–	–	(0.3)	–
Adjusted Items ²	3	146.9	(5.8)	8.3	1.7
Gains and losses on sales and valuation of investment properties	2, 15	26.3	–	(22.6)	–
Interest charged on lease liabilities	31	23.8	–	22.7	–
Interest income on long-term lease receivable		(0.6)	–	(0.6)	–
Employee benefit costs	4	291.7	–	164.7	–
Auditor's remuneration³					
Audit of these financial statements		0.8	–	0.7	–
Amounts receivable by the Company's Auditor and its associates in respect of:					
Audit of subsidiaries' financial statements		0.3	–	0.3	–
Total auditor's remuneration		1.1	–	1.0	–

¹ The overall depreciation charge relating to property, plant and equipment, right-of-use assets under IFRS 16 and intangible assets is in aggregate £0.2m higher than the total depreciation charge of £246.7m in the income statement, due to £0.2m of release of capital grants being offset against depreciation in the year.

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

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

9. TAXATION

Analysis of (credit)/charge in the year

	2023 £m Total before adjusted items	2023 £m Adjusted items	2023 £m Total after adjusted items	2022 £m Total before adjusted items	2022 £m Adjusted items	2022 £m Total after adjusted items
Current taxation						
UK corporation tax on profits for the year	21.9	(0.3)	21.6	3.0	(0.3)	2.7
Adjustment in respect of prior year	(3.3)	–	(3.3)	(3.4)	–	(3.4)
Total current taxation	18.6	(0.3)	18.3	(0.4)	(0.3)	(0.7)
Deferred taxation						
Temporary differences arising in the year	(8.4)	(22.7)	(31.1)	(6.4)	–	(6.4)
Adjustment in respect of prior year	(15.1)	–	(15.1)	(17.4)	–	(17.4)
Effect of change in rate of corporation tax	3.0	(7.2)	(4.2)	55.5	–	55.5
Total ordinary deferred taxation	(20.5)	(29.9)	(50.4)	31.7	–	31.7
Total taxation (credit)/charge	(1.9)	(30.2)	(32.1)	31.3	(0.3)	31.0

The total tax credit of £32.1m is comprised of a credit from continuing operations of £33.2m, and a charge for discontinued operations of £1.1m.

Taxation on items charged to equity

	2023 £m	2022 £m
Deferred taxation on remeasurement of retirement benefit liabilities	39.5	14.6
Effect of change in rate of corporation tax	7.0	1.3
Deferred tax on foreign exchange movement	0.3	0.1
Total taxation charge	46.8	16.0

Factors affecting the taxation (credit)/charge for the year

The total taxation charge for the year ended 31 March 2023 is higher (2022: higher) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below.

	2023 £m Total before adjusted items	2023 £m Adjusted items	2023 £m Total after adjusted items	2022 £m Total before adjusted items	2022 £m Adjusted items	2022 £m Total after adjusted items
Result before taxation (including discontinued items)	(50.5)	(141.1)	(191.6)	(280.3)	(10.0)	(290.3)
Result before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	(9.6)	(26.8)	(36.4)	(53.3)	(1.9)	(55.2)
Effect of:						
Non-taxable items/non-deductible items	23.1	3.8	26.9	49.9	1.6	51.5
Adjustments to prior year taxation charge	(18.4)	–	(18.4)	(20.8)	–	(20.8)
Effect of change in rate of corporation tax	3.0	(7.2)	(4.2)	55.5	–	55.5
Total taxation (credit)/charge	(1.9)	(30.2)	(32.1)	31.3	(0.3)	31.0

Notes to the financial statements continued

for the year ended 31 March 2023

10. DISCONTINUED OPERATIONS

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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Adjusted items	5.8	(1.7)
Attributable tax expense	(1.1)	–
Result from discontinued operations (net of tax)	4.7	(1.7)
Net profit attributable to discontinued operation (attributable to owners of the Company)	4.7	(1.7)

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 £5.8m for the year ended 31 March 2023 relates to movements in the estimate relating to the post sale receivable. The receivable, net of discounting, is £10.1m (2022: £4.3m). In 2023 the balance is disclosed in other receivables, within current assets as all amounts fall due within 12 months (whereas in 2022 the balances were non-current and disclosed as 'Other long term asset' in the statement of financial position).

During the year, a tax charge of £1.1m was attributable to discontinued operations.

11. DIVIDENDS

No ordinary dividends were paid or proposed in either the current or prior year.

12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The Group does not have any dilutive equity instruments in issue, therefore diluted earnings per share is the same as basic earnings per share.

	2023					2022				
	Earnings		Weighted average number of shares	Per share amount		Earnings		Weighted average number of shares	Per share amount	
	Continuing operations	Dis-continued operations		Continuing operations	Dis-continued operations	Continuing operations	Dis-continued operations		Continuing operations	Dis-continued operations
	£m	£m	m	Pence	Pence	£m	£m	m	Pence	Pence
EPS attributable to ordinary shareholders – before adjusted items	(49.8)	–	316.6	(15.7)	–	(311.6)	–	316.6	(98.4)	–
EPS attributable to ordinary shareholders – after adjusted items	(165.4)	4.7	316.6	(52.2)	1.5	(319.6)	(1.7)	316.6	(100.9)	(0.5)
	£m	£m	#	£m	£m	£m	£m	#	£m	£m
EPS attributable to C shareholders – before adjusted items	1.2	–	3	0.4	–	–	–	3	–	–
EPS attributable to C shareholders – after adjusted items	1.2	–	3	0.4	–	–	–	3	–	–

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and property £m	Other land and buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
2023						
Cost						
At 1 April 2022 restated	178.3	1,022.5	2,733.9	1,040.0	137.8	5,112.5
Additions	–	–	–	–	193.7	193.7
Reclassification from assets in the course of construction	–	6.5	28.4	41.1	(76.0)	–
Reclassification to right-of-use assets (note 14)	–	–	(3.7)	–	–	(3.7)
Reclassification to/from investment properties (note 15)	–	8.5	–	–	–	8.5
Reclassification to intangible assets (note 16)	–	–	(1.7)	(4.2)	0.9	(5.0)
Impairment	–	–	(7.6)	–	(2.4)	(10.0)
Disposals	–	–	(18.6)	(4.8)	–	(23.4)
At 31 March 2023	178.3	1,037.5	2,730.7	1,072.1	254.0	5,272.6
Depreciation						
At 1 April 2022 restated	64.5	408.5	884.8	613.8	–	1,971.6
Charge for the period	–	36.4	94.7	89.0	–	220.1
Reclassifications to intangible assets (note 16)	–	–	(0.3)	(0.4)	–	(0.7)
Reclassification to right-of-use assets (note 14)	–	–	(2.2)	–	–	(2.2)
Depreciation on disposals	–	–	(18.6)	(4.8)	–	(23.4)
At 31 March 2023	64.5	444.9	958.4	697.6	–	2,165.4
Carrying amount						
At 31 March 2023	113.8	592.6	1,772.3	374.5	254.0	3,107.2
At 31 March 2022	113.8	614.0	1,849.1	426.2	137.8	3,140.9

Notes to the financial statements continued

for the year ended 31 March 2023

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

2022	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
Cost						
At 1 April 2021	178.5	676.4	2,386.0	840.8	900.5	4,982.2
Restatement	–	162.6	205.6	103.1	–	471.3
At 1 April 2021 - restated	178.5	839.0	2,591.6	943.9	900.5	5,453.5
Additions	–	–	–	–	68.7	68.7
Reclassification from assets in the course of construction	–	189.1	330.1	311.5	(830.7)	–
Reclassification to intangible assets (note 16)	–	–	(9.0)	–	(0.7)	(9.7)
Disposals	(0.2)	(5.6)	(178.8)	(215.4)	–	(400.0)
At 31 March 2022	178.3	1,022.5	2,733.9	1,040.0	137.8	5,112.5
Depreciation						
At 1 April 2021	64.5	222.6	755.3	643.3	–	1,685.7
Restatement	–	162.6	205.6	103.1	–	471.3
At 1 April 2021 - restated	64.5	385.2	960.9	746.4	–	2,157.0
Charge for the period	–	25.8	101.1	82.6	–	209.5
Reclassifications to intangible assets (note 16)	–	–	(0.3)	(10.4)	–	(10.7)
Depreciation on disposals	–	(2.5)	(176.9)	(204.8)	–	(384.2)
At 31 March 2022	64.5	408.5	884.8	613.8	–	1,971.6
Carrying amount						
At 31 March 2022	113.8	614.0	1,849.1	426.2	137.8	3,140.9
At 31 March 2021	114.0	453.8	1,630.7	197.5	900.5	3,296.5

The carrying amount of land not depreciated as at 31 March 2023 is £215.1m (2022: £215.6m).

During the year the Group's carrying value of property, plant and equipment increased by £0.9m as a result of foreign exchange rate changes upon translation of the Group's US operations into GBP. The impact of the foreign exchange adjustment is included within the additions and depreciation categories. In addition during the year certain investment properties became occupied by the Group, these properties were transferred into property, plant and equipment from investment properties (note 15) and certain property, plant and equipment assets were moved into right of use assets (note 14).

Capitalised borrowing costs

During the year ended 31 March 2023, borrowing costs of £4.9m were capitalised (2022: £0.6m), relating to borrowing costs incurred in FY23. 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 2023 was 6.11% (2022: 5.58%). Capitalised borrowing costs of £0.4m (31 March 2022: £nil) were reversed during the year, relating to capitalised interest on impaired capital projects.

Borrowing costs are capitalised on significant capital projects, such as the Manchester Transformation Programme and large-scale implementation of future security requirements.

The value of borrowing costs capitalised during the year has increased substantially in comparison to prior year due to ramp-up of the next phase of the Manchester Transformation Programme, and increases in underlying interest rates.

The cumulative balance of interest capitalised at 31 March 2023 is £71.9m (2022: £67.4m), which includes additions of £4.9m and a write-off of £0.4m as included in adjusted items in note 3. At 31 March 2023, the net book value of the capitalised interest is £64.1m (2022: £63.1m).

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Specific impairment review

During the year ended 31 March 2023, management have carried out an impairment review of the fixed assets, including the useful economic lives of assets. A total charge of £14.5m has been recognised in the year within adjusted items:

- £10.0m within 'impairment', comprised of £2.4m of design costs capitalised in relation to the Stansted Transformation Programme, and £7.6m relating to write-down of airfield assets at Manchester Airport (£6.4m) and East Midlands Airport (£1.2m)
- £4.5m within 'charge for the period' comprised of accelerated depreciation following the decision to mothball T1 as a result of the announcement to launch MAN-TP phase 2.

The decision to mothball T1 and consequently revise the useful economic lives (UEL) of these assets has resulted in a change of accounting estimate to bring the UEL in line with the expected closure of T1. The impact of this change of estimate in future periods is expected to be additional depreciation of £29.3m.

Assets in the course of construction

Assets in the course of construction is £254.0m at 31 March 2023 (2022: £137.8m). The increase in the year is primarily due to the movement into the second phase of the Manchester Transformation Programme. Key capital projects held within this balance are: capital expenditure in relation to the next phase of the Manchester Transformation Programme (£103.5m), projects relating to airfield expansion, refurbishment and associated planning costs (£48.4m), implementation of future security regulations (£28.5m), capital expenditure in relation to Stansted Transformation Programme (£21.6m), enhancement of IT infrastructure (£16.5m), buildings refurbishment and renewals (£8.3m) and fit-out of lounges in the US operated by MAG (£3.5m).

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.

Restatement of 1 April 2021 cost and accumulated depreciation

A restatement has been made to cost and accumulated depreciation at 1 April 2021 to correct an error relating to fair value uplifts arising from the acquisitions of the Stansted and East Midlands airports. These fair value uplifts were incorrectly recorded as a debit to accumulated depreciation at the time of the acquisitions. The impact of this adjustment increases cost and accumulated depreciation by £471.3m. There is no impact on net assets, result for the year or cash flows.

14. RIGHT-OF-USE ASSETS

	Land and buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Cost				
At 1 April 2022	230.4	203.5	13.7	447.6
Reclassification from property, plant and equipment (note 13) ⁴	–	–	3.7	3.7
Additions	6.5	–	0.7	7.2
Remeasurement	9.7	15.3	0.2	25.2
Modification ¹	(0.1)	–	–	(0.1)
Disposals ²	(0.2)	–	–	(0.2)
FX	0.3	–	0.1	0.4
At 31 March 2023	246.6	218.8	18.4	483.8
Depreciation				
At 1 April 2022	16.6	9.4	3.9	29.9
Reclassification from property, plant and equipment (note 13) ⁴	–	–	2.2	2.2
Charge for the period	6.8	3.4	3.1	13.3
Impairment ³	–	–	1.4	1.4
At 31 March 2023	23.4	12.8	10.6	46.8
Carrying amount				
At 31 March 2023	223.2	206.0	7.8	437.0
At 31 March 2022	213.8	194.1	9.8	417.7

Notes to the financial statements continued

for the year ended 31 March 2023

14. RIGHT-OF-USE ASSETS CONTINUED

	Land and buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Cost				
At 1 April 2021	226.9	200.8	10.7	438.4
Additions	1.8	–	3.1	4.9
Remeasurement	(0.1)	2.7	–	2.6
Modification 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

¹ Modifications: Relating to lounges leased and operated by MAG in the US – see note 31 for more detail.

² Disposals: Disposal of lease asset due to lease termination at Manchester by landlord at break date.

³ 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. As part of this review, leased plant fixtures and equipment was identified to have no future value in use and therefore the remaining net book value of £1.4m was charged to adjusted items – operating costs.

⁴ Transfer from PPE: During the period certain assets were transferred from property plant and equipment into right of use assets (note 13).

Key lease arrangements

Key lease arrangements are detailed in note 31.

Income from subleasing right-of-use assets

During the year to 31 March 2023, the income generated from subleasing right-of-use assets was £1.0m (2022: £1.3m), generated solely from sublets of land and buildings.

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 2023 is £11.2m (2022: £11.2m). 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 pass through of rental income is recognised as interest income on the long-term lease receivable.

14. RIGHT-OF-USE ASSETS CONTINUED

The amounts receivable under this agreement are as follows:

	Undiscounted Cash Flows £m	Discounted (relating to principal balances) £m
Within 1 year	0.6	–
1 to 2 years	0.6	–
2 to 5 years	1.8	–
Over 5 years	156.4	11.2
Total	159.4	11.2

15. INVESTMENT PROPERTIES

	Investment properties £m
2023	
Valuation	
At 1 April 2022	188.9
Transfer to property, plant and equipment (note 13)	(8.5)
Transfer from assets held for sale	2.1
Disposals	(0.7)
Revaluation	(26.7)
At 31 March 2023	155.1
Carrying amount	
At 31 March 2023	155.1
At 31 March 2022	188.9
2022	
Valuation	
At 1 April 2021	166.9
Disposals	(0.4)
Revaluation	22.4
At 31 March 2022	188.9
Carrying amount	
At 31 March 2022	188.9
At 31 March 2021	166.9

Notes to the financial statements continued

for the year ended 31 March 2023

15. INVESTMENT PROPERTIES CONTINUED

Investment properties

The fair value of the Group's commercial and residential investment property at 31 March 2023 has been arrived at on the basis of a valuation carried out at that date by JLL Ltd. 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. During the year certain investment properties became occupied by the Group, these properties were transferred into property, plant and equipment (note 13), under IAS 40 a fair value method has been adopted to revalue investment properties that become occupied by the Group and are transferred to property, plant and equipment.

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

Commercial Property

Valuation Technique	Significant Unobservable Inputs Investment property	Inter-relationship between key unobservable inputs and fair value measurements
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Yields Enterprise rental values 	<p>The estimated fair value would increase if:</p> <ul style="list-style-type: none"> Yields were lower Enterprise rental values were higher <p>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:</p> <ul style="list-style-type: none"> A 5% increase/decrease in enterprise rental value gives rise to an increase/decrease of £5.3m and £5.2m respectively; and A 0.25% increase/decrease in yield gives rise to a decrease/increase of £3.9m and £4.2m respectively.

Residential Property

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurements
Valuation is completed on a comparable basis of similar properties in the vicinity.	Where comparable evidence is hard to obtain, adjusted information is used to reflect differences in location, size, aspect and condition.	<p>The estimated fair value would increase if the property was:</p> <ul style="list-style-type: none"> larger in a preferred location in a better condition

The rental income earned by the Group from its investment property amounted to £6.5m (2022: £8.5m), of which £nil was attributable to discontinued operations (2022: £nil). Direct operating expenses arising on the investment property in the year amounted to £1.5m (2022: £1.9m), all relating to income generating investment property.

The Group disposed of two properties from the investment property portfolio in the year, the combined value of which was £0.7m.

Gains and losses on sale and valuation of investment properties reported in the consolidated income statement of £26.3m in the year (2022: £22.6m) includes £26.7m of valuation losses on investment property (2022: £22.4m), £nil of valuation gains on assets held for sale (2022: £0.1m) and £0.4m of gains on sale of properties (2022: £0.1m).

16. INTANGIBLE ASSETS

	Goodwill £m	Software costs £m	Other intangible assets £m	Total £m
Cost				
At 1 April 2022	207.7	74.8	74.6	357.1
Additions in the year	–	7.2	1.0	8.2
Reclassification from property, plant and equipment (note 13)	–	5.0	–	5.0
Foreign exchange	2.4	0.1	1.0	3.5
Disposals	–	(12.7)	–	(12.7)
At 31 March 2023	210.1	74.4	76.6	361.1
Amortisation				
At 1 April 2022	–	35.3	25.6	60.9
Reclassification from property, plant and equipment (note 13)	–	0.7	–	0.7
Charge for the year	–	9.0	4.5	13.5
Foreign exchange	–	–	0.3	0.3
Depreciation on disposals	–	(12.7)	–	(12.7)
At 31 March 2023	–	32.3	30.4	62.7
Carrying amount				
At 31 March 2023	210.1	42.1	46.2	298.4
At 31 March 2022	207.7	39.5	49.0	296.2

	Goodwill £m	Software costs £m	Other intangible assets £m	Total £m
Cost				
At 1 April 2021	206.2	59.0	77.9	343.1
Additions in the year	–	8.0	–	8.0
Reclassification from/(to) property, plant and equipment (note 13)	–	13.5	(3.8)	9.7
Foreign exchange	1.5	–	0.5	2.0
Disposals	–	(5.7)	–	(5.7)
At 31 March 2022	207.7	74.8	74.6	357.1
Amortisation				
At 1 April 2021	–	16.5	20.5	37.0
Reclassification from property, plant and equipment (note 13)	–	10.7	–	10.7
Charge for the year	–	13.8	5.1	18.9
Amortisation on disposals	–	(5.7)	–	(5.7)
At 31 March 2022	–	35.3	25.6	60.9
Carrying amount				
At 31 March 2022	207.7	39.5	49.0	296.2
At 31 March 2021	206.2	42.5	57.4	306.1

Notes to the financial statements continued

for the year ended 31 March 2023

16. INTANGIBLE ASSETS CONTINUED

Goodwill

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

Of the goodwill total of £210.1m that has been allocated to each of the Group's CGUs, £166.3m is attributable to the acquisition of London Stansted Airport, £4.5m is attributable to the acquisition of the UK distribution companies, with the remaining £39.3m attributable to goodwill from the acquisitions of airportparkingreservations.com LLC, ParkSleepFly.com and its subsidiary shuttlefinder.net. The goodwill relating to the acquisitions of the three US based entities is denominated in US dollars and as a consequence of the USD:GBP exchange rate at the year end, the goodwill attributable to these entities in the year end accounts has increased from £36.9m to £39.3m.

Other intangible assets

Other intangible assets with carrying value of £46.2m are attributable to Metrolink £30.5m, (discussed in more detail below), airspace redesign £5.1m, the acquisition of the UK distribution companies £2.0m and the remaining £8.6m relates to the operator and trade names acquired in FY21 from airportparkingreservations.com LLC (APR), ParkSleepFly.com (PSF) and shuttlefinder.net (SF).

Software costs

£42.1m of capitalised computer software costs relate to operating systems throughout the airports £21.2m, ERP systems £13.3m and car parking booking systems £7.6m. During the year, assets with cost and accumulated amortisation of £2.7m were disposed of, relating to legacy ERP systems assets no longer in use.

Impairment

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

- Manchester Airport where the recoverable amount provided a £711.8m headroom over the assets carrying value of £1,827.6m;
- London Stansted Airport where the recoverable amount provided £430.2m of headroom over the assets carrying value of £1,541.2m;
- East Midlands International Airport where the recoverable amount provided £154.9m of headroom over the assets carrying value of £194.7m;
- CAVU AMER, where each lounge and car park constitutes a CGU, the overall recoverable amount exceeded the carrying value of £18.8m by £19.7m;
- MAG's UK Distribution Companies (where the CGU's are the Looking4Parking and SkyParkSecure businesses) where the recoverable amount for each business is £42.0m in excess of the asset carrying values (combined carrying value for both businesses (£10.5m)); and
- The 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 £17.7m (Downside scenarios analysed would not give rise to impairment);
 - Parksleeptly.com – where the recoverable amount provided a £29.8m headroom over the asset carrying value of £16.1m (Downside scenarios analysed would not give rise to impairment); and
 - Shuttlefinder.net – where the recoverable amount provided a £0.6m headroom over the asset carrying value of £0.4m (Downside scenarios analysed would not give rise to impairment).

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

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board in March 2023 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 FY24 passenger levels at 88% of pre-Covid-19 levels, which is lower than the low end of industry expectations. The business plan estimates UK passenger levels in FY24 at 95% of pre-Covid-19 levels. No additional impairments arose as a result of considering this downside.

16. INTANGIBLE ASSETS CONTINUED

These projections and downside sensitivities for the timing and rate of passenger volume recoveries are in line with the projections used for going concern. For the purposes of the impairment assessment the business reflected the budget for the first five 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 period of five years as recommended under IAS 36 but appreciates that an 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 pre-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: Post-tax: 8.85% (2022: 7.36%), Long-term growth rate: 2.00% (2022: 2.00%);
- Looking4Parking and SkyParkSecure: Post-tax: 13.02% (2022: 12.22%), Long-term growth rate: 2.00% (2022: 2.00%);
- US legacy lounge & car parking business: Post-tax: 13.00% (2022: 13.00%), Long-term growth rate: N/A due to contracts having a finite life (2022: N/A); and
- US previously acquired online car parking aggregator businesses: Post-tax: 13.00% (2022: 13.00%), Long-term growth rate: 2.00% (2022: 2.00%).

The discount rates applied still deliver a substantial headroom for each business segment, requiring a significant increase in the discount rate for the headroom to be removed. The discount rates required to remove the headrooms are as follows: - UK Airport CGU's: Manchester Airport (11.21%), Stansted Airport (10.6%), and East Midlands Airport (12.65%); Looking4Parking (60.86%); SkyParkSecure (38.21%); and – US legacy lounge & car parking business: Airportparkingreservations.com (36.21%), and Parksleefly.com (33.33%).

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

Disposal of nil net book value assets no longer in use

During the year, a review of the intangible fixed asset records was carried out to identify fully depreciated assets no longer in use by MAG with material historical cost. Therefore, the fixed asset balances disclosed above better reflect assets still actively operated by MAG. The results of the review is a disposal of £12.7m of cost and £12.7m accumulated depreciation for assets no longer in use.

17. INVESTMENT IN ASSOCIATE

	2023 £m
Cost and carrying value	
At 1 April 2022	11.8
Investment in associate	0.1
Distributions from associate ¹	(4.9)
Group's share of associate's result	0.1
At 31 March 2023	7.1

¹ Following completion of a major construction contract in the year, the Airport City joint venture was paid a completion payment of £24.8m which was subsequently distributed to the joint venture partners, with MAG receiving £4.9m, a 20% share of the proceeds.

The investment in associate relates to the Group's 20% investment in Airport City. Included within the investment in associate balance is an amount of £0.6m (31 March 2022: £0.7m) relating to MAG's own costs incurred in the setting up of its share in Airport City. These costs are released to the consolidated income statement on a proportional basis on the sale of plots within the Airport City development.

Airport City, a partnership with three other partners to develop part of the land around Manchester Airport for hotels, offices and logistics and advanced manufacturing, was formally constituted on 8 October 2014.

Notes to the financial statements continued

for the year ended 31 March 2023

17. INVESTMENT IN ASSOCIATE CONTINUED

Airport City's year end date is coterminous with the Group's year end, and the financial information detailed below is consistent with the Airport City financial statements prepared to the same date. Summarised financial information of the Group's investment in Airport City is as follows.

	2023 £m	2022 £m
Current assets	43.2	61.4
Current liabilities	(10.5)	(6.2)
Net assets	32.7	55.2
Group's share of associate's net assets	6.5	11.0
Revenue	25.1	36.1
Result for the period	1.2	2.0
Share of result for the period	0.2	0.4
Amortisation of set up costs	(0.1)	–
Group's share of associate's result for the period	0.1	0.4

As part of its investment in Airport City, the Group has agreed to pay an equity contribution up to a maximum of £12.0m if required, of which £3.4m was drawn down at 31 March 2023 (2022: £8.2m)

Airport City has no significant contingent liabilities to which the Group is exposed, and there are no restrictions that would prevent the transfer of funds to the Group (2022: none).

18. ASSETS AND LIABILITIES HELD FOR SALE

	2023 £m	2022 £m
Assets held for sale		
Current assets		
Investment properties	–	2.1
Total	–	2.1

	2023 £m	2022 £m
Associated liabilities		
Current liabilities		
Deferred tax liabilities	–	(0.5)
Total	–	(0.5)

No assets were held for sale at 31 March 2023 (2022: £0.5m).

19. INVENTORIES

	2023 £m	2022 £m
Consumables	4.1	4.0
	4.1	4.0

Amount of inventory charged to operating costs in the year amounted to £12.1m (2022: £2.0m).

20. TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Trade receivables	53.8	47.5
Other receivables	13.3	3.8
Corporation tax recoverable	5.3	–
Prepayments	9.9	8.9
Accrued income	40.4	26.1
	122.7	86.3

The average credit period taken on sales is 19 days (2022: 38 days). Provisions for expected credit losses within trade receivables have been made, totalling £6.0m (2022: £5.8m). This includes reserves against specific debts estimated as irrecoverable, and an additional provision of £0.5m (2022: £0.5m).

The significant increase in accrued income versus 2022 is attributable to the significant increase in passenger volumes.

The directors consider that the carrying amount of trade and other receivables approximates to fair value. Trade receivables are non-interest bearing and are generally on 30 day terms. The level of past due debt over 90 days old based on due date:

	2023 £m	2022 £m
Debt due over 90 days	5.9	0.7
Total	5.9	0.7

Movement in the provision for impairment of trade receivables is as follows:

	£m
Balance at 1 April 2022	5.8
Decrease in allowance for impaired receivables	(1.2)
Additional provision during the year	1.4
Balance at 31 March 2023	6.0

The creation and release of provisions for impaired receivables have been included in 'operating expenses' in the consolidated income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovery. The ageing of these receivables is as follows:

	2023 £m	2022 £m
Less than 60 days	1.7	0.6
60 to 90 days	0.3	0.3
Over 90 days	4.0	4.9
Total	6.0	5.8

The Group has limited exposure to foreign currency exchange risk with trade and other receivables including £16.6m held in US dollars by the MAG US business. All other receivables amounts are denominated in pounds sterling. There are no credit quality issues with receivables that are not past their due date. Additional disclosure on financial risk is included in note 26.

Notes to the financial statements continued

for the year ended 31 March 2023

21. CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash at bank and in hand	172.8	488.6
	172.8	488.6

The directors consider that the carrying value of cash and cash equivalents approximates to their fair value. Balances above exclude overdraft balances, and the Consolidated Statement of Cash Flows presents the movement in net cash, inclusive of overdrafts. Overdraft balances can be found in note 23 to the financial statements.

22. BORROWINGS

	Note	2023 £m	2022 £m
Bank loans and overdrafts	23	105.2	25.7
Current borrowings		105.2	25.7
Bank loans and overdrafts	23	(3.7)	483.2
Bonds	24	1,439.8	1,438.0
Other borrowings	25	1,132.0	1,062.0
Non-current borrowings		2,568.1	2,983.2
Total borrowings		2,673.3	3,008.9

Borrowings are repayable as follows:

	Note	2023 £m	2022 £m
In one year or less, or on demand			
Overdrafts	23	105.2	25.7
		105.2	25.7
In more than one year, but no more than two years			
Bank loans		–	483.2
Bonds	24	359.0	–
		359.0	483.2
In more than two years, but no more than five years			
Bank loans	23	(3.7)	–
Bonds	24	–	358.1
Other borrowings	25	119.8	221.7
		116.1	579.8
In more than five years – due other than by instalments			
Bonds	24	1,080.8	1,079.9
Other borrowings	25	1,012.2	840.3
		2,093.0	1,920.2
Non current borrowings		2,568.1	2,983.2
Total borrowings		2,673.3	3,008.9

22. BORROWINGS CONTINUED

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 Amended and Restated LF Agreement has total facilities of £90.0m and is sized to cover 12 months interest on secured debt. The LF Agreement is a 364-day revolving facility with a five year term on each annual renewal. The LF, along with the RCF, were refinanced in May 2022 with the revised maturity date of May 2027.

The Group issued a £450.0m publicly listed fixed rate secured bond on 14 February 2014 with a scheduled and legal maturity of 2034.¹

The Group issued a £360.0m publicly listed fixed rate secured bond on 16 April 2014 with a scheduled and legal maturity of 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.¹

The Group issued a £300.0m publicly listed fixed rate secured bond on 15 November 2017 with a scheduled and legal maturity of 2039. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay the Revolving Credit Facility.¹

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.¹

The Amended and Restated LF Agreement has total facilities of £90.0m and is sized to cover 12 months interest on secured debt. The LF Agreement is a 364-day revolving facility with a five year term on each annual renewal.

The Group's borrowings are all secured via a fixed and floating charge over substantially all of the assets of the Group.

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

23. BANK LOANS AND OVERDRAFTS

	2023 £m	2022 £m
Bank loans and overdrafts	105.2	25.7
Bank loans and overdrafts – current	105.2	25.7
Secured Revolving Credit Facility	–	484.0
Less: unamortised debt issue costs ²	(3.7)	(0.8)
Bank loans and overdrafts – non-current	(3.7)	483.2
Bank loans and overdrafts – total	101.5	508.9

² 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 2023 the Group had £484.0m (2022: £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, less certain carve-outs in respect of ancillary facilities of £16.0m. The Group also had access to £10.0m of overdraft facilities.

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

See note 26 for further information on financial liabilities, including maturity analysis.

All bonds are listed on the London Stock Exchange (LSE).

Notes to the financial statements continued

for the year ended 31 March 2023

24. BONDS

	2023 £m	2022 £m
Repayable other than by instalments		
MAG bond 4.125% £360.0m due 2024	360.0	360.0
MAG bond 4.75% £450.0m due 2034	450.0	450.0
MAG bond 2.875% £300.0m due 2039	300.0	300.0
MAG bond 2.875% £350.0m due 2045	350.0	350.0
Less: discount on issue	(9.3)	(9.8)
Less: unamortised debt issue costs	(10.9)	(12.2)
	1,439.8	1,438.0

See note 26 for further information on financial liabilities, including maturity analysis.

25. OTHER BORROWINGS

	2023 £m	2022 £m
Repayable other than by instalments		
Shareholders' loan at an interest rate of 12% expiring on 9 February 2055	324.9	303.5
Shareholders' loan at an interest rate of 10% expiring on 30 September 2056	221.3	207.9
Shareholders' loan at an interest rate of 10% expiring on 30 September 2057	221.3	207.9
Shareholders' loan at an interest rate of 10% expiring on 30 September 2058	364.9	343.1
Less: unamortised debt issue costs	(0.4)	(0.4)
	1,132.0	1,062.0

The Shareholders' loans are unsecured. The table above includes the modification gain recognised in FY22 and modification loss recognised in FY23. The principal values of the loans equate to £901.9m (2022: £901.9m), with accrued interest of £277.4m as at 31 March 2023 (2022: £221.7m).

As part of MAG's strategic financial response to the Covid-19 pandemic, the Group agreed with its shareholders to a deferral of interest charges in relation to the shareholder loans. Deferred interest incurs an interest rate of 3% over the bank deposit rate and the directors currently estimate that the deferred interest will be repaid between 31 March 2024 and 31 March 2030. Under IFRS 9, the change has resulted in a modification of the estimated cashflows, however this is not deemed a substantial modification. As such, the change in timing and amount of the estimated future cashflow has been adjusted in the period of charge, with the corresponding charge being recognised in the income statement. The modification loss of £5.3m (2022: gain of £8.8m) has been reflected in the interest payable on other borrowings.

26. FINANCIAL INSTRUMENTS

Risk management

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

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

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.

26. FINANCIAL INSTRUMENTS CONTINUED

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 as and 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 2023, MAG had £2,845.9m (2022: £2,845.9m) of committed facilities (excluding the Initial LF Agreement) and a net debt position of £2,500.5m (2022: £2,520.3m), each including deferred interest on shareholder loans and related modification gains. MAG had financial headroom of £561.6m (2022: £472.9m) at the year end, a level comfortably in excess of the internal compliance target. Under existing facilities and based on the Board approved business plan MAG is forecast to have financial headroom in excess of the minimum Treasury Policy target of £100m throughout 2023-24.

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 exposure to foreign exchange.

Capital management

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

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 its customers, or within the market, and allow the Group to take a flexible approach to the management of risk. Credit exposures in relation to ad hoc customers are mitigated, where necessary, using prepayments or the request of deposits.

An analysis of trade receivables, including the value of those past their due dates and the provision for impairment, is included in note 20 Trade and Other Receivables.

Financial liabilities

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2023 was as follows:

	2023 £m	2022 £m
Fixed rate financial liabilities	2,571.8	2,500.0
Floating rate financial liabilities	101.5	508.9
	2,673.3	3,008.9

Notes to the financial statements continued

for the year ended 31 March 2023

26. FINANCIAL INSTRUMENTS CONTINUED

The Revolving Credit Facility bears an interest rate based on Sterling Overnight Index Average (SONIA) at the Group's discretion, between one week and six 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 on 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:

	2023 £m	2022 £m
Impact on income statement and equity	0.7	(0.2)
	0.7	(0.2)

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

	2023 £m	2022 £m
Weighted average annual interest rate	6.36%	6.36%
Weighted average period for which interest rate is fixed	20yr 5m	21yr 5m

The weighted average period for non-interest bearing liabilities as at 31 March 2023 was one year (2022: one year).

(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 2023 to the contract maturity date.

	2023 £m	2022 £m
In one year or less, or on demand	155.1	634.1
In more than one year but not more than two years	505.3	150.1
In more than two years but not more than five years	610.9	987.5
In more than five years	5,278.0	5,257.5
	6,549.3	7,029.2

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

Undrawn committed borrowing facilities

As at 31 March 2023, the Group had an undrawn committed borrowing facility available amounting to £484.0m (2022: £nil).

	2023 Floating rate £m	2022 Floating rate £m
Expiring in more than two years	484.0	–
	484.0	–

26. FINANCIAL INSTRUMENTS CONTINUED

(d) Fair values versus carrying amounts of financial statements

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 2023 and 2022. 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	2023 Carrying amount £m	2023 Fair value £m	2022 Carrying amount £m	2022 Fair value £m
Financial liabilities:					
Instruments held at amortised cost					
Bank loans and overdrafts	23	(101.5)	(101.5)	(508.9)	(508.9)
Trade payables	27	(53.9)	(53.9)	(35.7)	(35.7)
Contingent consideration	27	–	–	(7.8)	(7.8)
Bonds	24	(1,439.8)	(1,237.1)	(1,438.0)	(1,458.2)
Other borrowings		(1,132.0)	(1,014.6)	(1,062.0)	(1,001.4)
		(2,727.2)	(2,407.1)	(3,052.4)	(3,012.0)
Financial assets:					
Instruments held at amortised cost					
Cash at bank and in hand	21	172.8	172.8	488.6	488.6
Trade receivables	20	53.8	53.8	47.5	47.5
Other assets held at fair value					
Assets held for sale	18	–	–	2.1	2.1
Investment properties	15	155.1	155.1	188.9	188.9
Other long-term asset	20	10.1	10.1	4.3	4.3
		391.8	391.8	731.4	731.4
Net financial liabilities		(2,335.4)	(2,015.3)	(2,321.0)	(2,280.6)

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 2023

26. FINANCIAL INSTRUMENTS CONTINUED

Summary of methods and assumptions used for determining fair values

Bonds	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	The fair value of the bank loans approximates to the carrying value given their floating rate basis and interest setting frequency. The carrying value is net of unamortised issue costs.
Other borrowings	The fair value of other borrowings is based on a discounted cash flow methodology that reflects movements in underlying market rates.
Cash at bank and in hand	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	The fair value of trade receivables and trade payables approximates to the carrying value given their short-term nature.
Investment properties	The fair values of investment properties are based on an income capitalisation methodology.

(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:

	2023 Carrying amount £m	2022 Carrying amount £m
Trade receivables	53.8	47.5
Cash at bank and in hand	172.8	488.6
Credit exposure	226.6	536.1

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in note 20.

27. TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Trade payables	53.9	35.7
Other taxation and social security	1.2	10.3
Other payables	4.6	2.0
Accruals	193.9	133.0
Contingent consideration	–	7.8
Capital-based grants	0.8	0.6
	254.4	189.4

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

Contingent consideration in FY22 related to amounts payable to the vendors of the acquired businesses AirportParkingReservations, ParkSleepFly and ShuttleFinder. Under the share purchase agreements, all three acquisitions had contingent consideration due in April 2022. The contingent consideration payment of £7.8m was made on 20 April 2022, classified within 'Payment of contingent consideration on prior acquisitions' in the consolidated statement of cash flows, reducing the contingent consideration balance to £nil in FY23.

28. DEFERRED INCOME

	2023 £m	2022 £m
Deferred income	35.7	28.2
Total	35.7	28.2

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 2022 is attributable to a large increase in car park bookings, following a significant increase in passenger volumes.

29. PROVISIONS

	Post sale commitments £m	Other provisions £m	Total £m
1 April 2022	2.1	16.8	18.9
Arising during the year	–	5.1	5.1
Utilised	–	(1.9)	(1.9)
31 March 2023	2.1	20.0	22.1
Current	–	20.0	20.0
Non-current	2.1	–	2.1
31 March 2023	2.1	20.0	22.1

Post sale commitments

As part of the Group's disposal of its non core property portfolio in August 2020, the Group entered into commitments to third parties as a result of the sale, relating to 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 two to four years, as such the provision has been disclosed as being non-current. The estimated cashflows have been discounted based upon initial estimated cash outlay less future income stream discounted at 10%, based on the Group cost of capital.

Other provisions

The other provisions balance includes a provision in relation to insurance claims liabilities from incidents which have occurred at either Manchester Airport, Stansted Airport or East Midlands International Airport, and provisions relating to potential litigation across the Group including legal fees. Management anticipate that the satisfaction of the provision will be achieved within the next 12 months, as such the provision has been disclosed as being current. Management has estimated the cost of satisfying the provisions within this category to be £20.0m.

None of the provisions are materially sensitive.

Notes to the financial statements continued

for the year ended 31 March 2023

30. RETIREMENT BENEFITS

The accounting position is calculated by the directors and supported by independent actuaries, PwC, who incorporate data taken from a number of sources in calculating the closing position at the year-end across the defined benefit schemes. The net surplus included in the financial statements under IAS 19 increased from £22.1m at 31 March 2022 to £86.6m at 31 March 2023.

Summary of changes in aggregate pension scheme deficit	£m
Net surplus as at 31 March 2022	22.1
Administration expenses	(1.1)
Other financial incomes	0.5
Contributions	7.4
Curtailment gain	–
Settlement loss	(119.7)
Actuarial gain due to release of asset ceiling due to settlement	116.7
Other actuarial gain	33.3
Impact of change in asset ceiling	27.4
Net surplus as at 31 March 2023	86.6

Pensions

All of MAG's defined benefit pension schemes were closed to future accrual after a period of consultation in year ended 31 March 2022. The Stansted and East Midlands scheme surpluses increased from a combined £23.7m to £90.7m over the period. The surplus has increased over the period due to large actuarial gains recognised in the SOCI mainly due to the significant increase in the discount rate assumption partially offset by a small cost recognised in the income statement. Based on the Group's understanding of the scheme rules for the two schemes, it is the Group's view that MAG is provided a right to a refund of any surplus in the schemes and consequently the surplus has been recognised in the financial statements.

During FY22 MAG also entered into a Deferred Debt Arrangement (DDA) with the Greater Manchester Pension Fund ('GMPF') as part of the Group's exit from the scheme. This resulted in MAG continuing to fund its obligations in the GMPF without crystallising a significant exit debt at that time. The DDA provided that, should the GMPF develop a surplus on an 'exit basis' of calculation then the Group's obligations under the DDA would cease, other than the ongoing financing of any unfunded liabilities.

At 31 March 2022 the GMPF was in an IAS 19 accounting surplus of £25.0m. This included an allowance to reflect committed cash contributions at 31 March 2022 of £1.6m. As this surplus did not comprise a surplus under the exit basis, MAG did not have a right to a refund. Consequently, an asset ceiling, as required by IFRIC 14, resulted in the accounting surplus not being recognised in the accounts. During the 12 months ended 31 March 2023, changes in market conditions resulted in an increase in discount rates such that by 2 September 2022, the GMPF were able to confirm that there was no longer a deficit in the GMPF in respect of MAG's obligations on the exit basis. At that point in time MAG's obligations to the GMPF ceased other than the ongoing commitment of unfunded liabilities of £3.9m.

Whilst overall the GMPF liability in the accounts has increased by £2.3m to £3.9m at 31 March 2023 (31 March 2022: £1.6m), IAS 19 requires that the loss on settlement in the income statement is calculated without the impact of the accounting basis asset ceiling, with the asset ceiling movement itself being taken through reserves. Consequently, MAG has recognised a settlement loss of £119.7m in the income statement, reflecting the difference between the GMPF's assets and liabilities as at 2 September 2022. This has been classified as an adjusted item. The offsetting impact of removal of the asset ceiling has been recognised directly to reserves in accordance with IAS 19. This, along with other actuarial adjustments for the GMPF, amounts to a £116.4m credit.

The net surplus of £86.6m in the accounts reflects a net liability of £4.1m in the AVPS and GMPF and a net surplus of £90.7m in the EMIA and STAL schemes. The total of £86.6m shows the net position across the Group, however the net surplus in the EMIA and STAL schemes cannot be offset against the net liability of the AVPS and GMPF schemes, so these are presented separately in the financial statements.

30. RETIREMENT BENEFITS CONTINUED

Settlement – Deferred Debt Agreement on GMPF

On 2 September 2022, MAG was discharged from its obligations and liabilities to the GMPF in line with the Deferred Debt Agreement ('DDA') signed on 22 March 2022. The impact of this has been recognised as a settlement. This has resulted in a net settlement loss of £119.7m. This is offset by an OCI credit equal to the value of the surplus restriction as at 2 September 2022 (£120.6m). The difference in the two numbers (£0.9m) represents the value of the future deficit contributions that were expected at the point immediately prior to the settlement. MAG has retained an obligation to make payments in respect of the unfunded liabilities related to the GMPF.

Defined contribution schemes

The Group operates a defined contribution scheme for all qualifying employees. The assets of the scheme are 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 the income statement of £12.5m (2022: £9.9m) represents contributions payable to the scheme by the Group at rates in the pension scheme's contribution schedule. As at 31 March 2023, there was £nil (2022: £nil) of contributions due in respect of the current reporting period that had not been paid over to the scheme.

Defined benefit schemes

During the year, the Group operated four defined benefit pension schemes as follows:

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

collectively the 'Schemes'

Under the Schemes, the employees are entitled to retirement benefits based on 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 future accrual of benefits, and the GMPF, STAL and EMIA were closed to 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 include 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 regular employer's pension contributions for the Schemes across the Group during the year ended 31 March 2023 amounted to £7.4m (2022: £8.9m) and there were no one-off contributions during this period (2022: £6.3m).

Total employees' pension contributions for the Schemes across the Group during the year ended 31 March 2023 amounted to £nil (2022: £0.6m) and there were no one-off contributions during this period (2022: £nil).

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

Notes to the financial statements continued

for the year ended 31 March 2023

30. RETIREMENT BENEFITS CONTINUED

The Greater Manchester Pension Fund (GMPF)

During FY22 MAG also entered into a deferred debt arrangement (DDA) with the GMPF as part of the Group's exit from the GMPF. This resulted in MAG continuing to fund its obligations in the GMPF without crystallising a significant exit debt at that time. The DDA provided that should the Group's obligation to the GMPF develop a surplus on an 'exit basis' of calculation then the Group's obligations under the DDA would cease, other than the ongoing financing of any unfunded liabilities.

During the 12 months ended 31 March 2023, changes in market conditions resulted in an increase in discount rates such that by 2 September 2022 a small surplus existed when measured on an exit basis. At that point in time MAG's obligations to the GMPF ceased other than the ongoing commitment of unfunded liabilities of £3.9m.

M.A.G (STAL) Pension Scheme (STAL)

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 STAL, but no liability for pensioners or deferred members was transferred. STAL was closed to future accrual during FY22.

The last full actuarial valuation of STAL was carried out by the Scheme Actuary on 30 September 2022. The aggregate market value of the assets was updated by a full valuation and at the date of that actuarial valuation was £197.9m (previous valuation £198.8m), which represented approximately 124% (previous valuation 89.3%) of the present value of the liabilities. STAL was valued using the projected unit method. There are no expected future contributions for the year-ending 31 March 2024.

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; and
- Airport Ventures Pension Scheme – 1 August 2019

The aggregate market value of the assets in EMIA at the date of the 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. EMIA was valued using the projected unit method. The expected future contributions for the year-ended 31 March 2024 for EMIA is £3.0m.

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 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.

30. RETIREMENT BENEFITS CONTINUED

The key assumptions used are as follows:

	MAG (STAL)		EMIA		AVPS		GMPF	
	2023	2022	2023	2022	2023	2022	2023	2022
Discount rate	4.80%	2.60%	4.85%	2.60%	4.85%	2.65%	4.85%	2.65%
Future salary increases	n/a*	n/a*	n/a**	n/a*	n/a	n/a	n/a**	n/a*
RPI inflation	3.20%	3.30%	3.25%	3.45%	3.25%	3.50%	3.25%	3.50%
CPI inflation	2.60%	2.60%	2.50%	2.75%	2.65%	2.95%	2.70%	3.00%
Increases to pensions in payment								
RPI (max 5%)	3.10%	3.20%	3.15%	3.30%	n/a	n/a	n/a	n/a
RPI (max 2.5%)	2.20%	2.20%	2.20%	2.25%	n/a	n/a	n/a	n/a
CPI	n/a	n/a	n/a	n/a	n/a	n/a	2.70%	3.00%
CPI (max 3%)	2.20%	2.20%	2.15%	2.25%	2.20%	2.35%	n/a	n/a
RPI	3.20%	3.30%	n/a	n/a	3.25%	3.50%	n/a	n/a
Life expectancy from 65								
Longevity at age 65 for current pensioners								
Males	21.6 years	21.6 years	22.2 years	22.0 years	22.2 years	22.0 years	20.4 years	20.1 years
Females	23.7 years	23.6 years	24.0 years	23.7 years	24.6 years	24.3 years	23.3 years	23.1 years
Longevity at age 45 for current members								
Males	23.0 years	22.6 years	23.6 years	23.0 years	23.5 years	23.0 years	21.5 years	21.0 years
Females	25.2 years	24.8 years	25.4 years	24.9 years	26.0 years	25.5 years	24.9 years	24.4 years

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 continued to use the revised basis for the estimation of the inflation assumptions following the Government's announcement in 2020 to align RPI and CPI-H from February 2030.

*Schemes closed to future accrual during FY22.

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, the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. Each of the Schemes' assets invested in a range of asset classes, including government bonds and indirect lending.
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 this scenario, the Schemes' investment in 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.

Notes to the financial statements continued

for the year ended 31 March 2023

30. RETIREMENT BENEFITS CONTINUED

Details of the net pension liability by scheme are as follows:

	Fair value of scheme assets £m	Present value of defined benefit obligation £m	(Deficit)/ Surplus in the scheme £m		Fair value of scheme assets £m	Present value of defined benefit obligation £m	(Deficit)/ Surplus in the scheme £m
MAG (STAL)¹				AVPS²			
2023	214.1	(134.3)	79.8	2023	2.2	(2.4)	(0.2)
2022	228.9	(200.6)	28.3	2022	2.7	(2.7)	–
2021	217.5	(218.8)	(1.3)	2021	3.5	(3.5)	–
2020	184.8	(182.1)	2.7	2020	3.4	(3.4)	–
2019	185.0	(209.8)	(24.8)	2019	3.7	(3.7)	–
2018	172.5	(195.0)	(22.5)	2018	3.9	(3.9)	–
2017	161.4	(189.2)	(27.8)	2017	4.0	(4.0)	–
EMIA¹				GMPF³			
2023	69.0	(58.1)	10.9	2023	–	(3.9)	(3.9)
2022	73.3	(77.9)	(4.6)	2022	466.9	(468.5)	(1.6)
2021	69.7	(82.2)	(12.5)	2021	485.2	(526.3)	(41.1)
2020	60.7	(77.2)	(16.5)	2020	408.9	(441.3)	(32.4)
2019	61.9	(82.8)	(20.9)	2019	465.7	(503.9)	(38.2)
2018	61.3	(80.1)	(18.8)	2018	437.5	(483.5)	(46.0)
2017	59.9	(82.5)	(22.6)	2017	435.2	(489.4)	(54.2)
Total^{4,5}							
2023	285.3	(198.7)	86.6				
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)				

NOTES

¹ EMIA and STAL have a surplus of £90.7m which would be in the form of refunds. The Group's assessment is that it has a right to a refund of surplus under the IFRIC 14 requirements based on the rules of the respective schemes. Since these schemes have closed to accrual, the surpluses can only be recognised as a right to refund.

² AVPS has a deficit of £0.2m (2022: surplus of £0.5m). In prior years, a surplus has not been recognised in line with IFRIC 14, as any surplus cannot be recovered by reducing future contributions.

³ The figures as shown up to FY22 represent the proportion of GMPF that is attributable to the Group. FY23 shows the value of the liabilities that are unfunded, £3.9m (2022: £5.0m), as this has remained as an obligation to MAG in respect of the GMPF following the conclusion of the DDA on 2 September 2022.

⁴ The total of £86.6m shows the net position across the Group, however the surplus in the MAG (STAL) and EMIA schemes cannot be offset against the deficit of the other schemes, so these are presented separately.

⁵ There have been no other adjustments made in line with IFRIC 14.

30. RETIREMENT BENEFITS CONTINUED

Plan assets

	MAG (STAL)		EMIA		AVPS		GMPF*		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Equities and other growth assets	70.6	137.6	22.9	41.4	–	–	–	334.6	93.5	513.6
Corporate and government bonds	118.9	72.8	35.5	16.8	2.1	3.1	–	73.0	156.5	165.7
Property	–	–	–	6.0	–	–	–	40.0	–	46.0
Other	24.6	18.5	10.6	9.1	0.1	0.1	–	45.9	35.3	73.6
Fair value of assets	214.1	228.9	69.0	73.3	2.2	3.2	–	493.5	285.3	798.9

* The asset values for FY22 for GMPF and AVPS do not include the impact of the asset ceilings of £26.6m and £0.5m respectively.

Both EMIA and GMPF (FY22) 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 (FY22) – 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 (FY22) – 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.

Movement in net defined benefit liability – all schemes

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Opening position as at 1 April*	(749.7)	(830.8)	771.8	775.9	22.1	(54.9)
Included in the income statement						
Current service cost of defined benefit scheme / administration expenses	–	(1.9)	(1.1)	(1.3)	(1.1)	(3.2)
Past service cost	–	–	–	–	–	–
Curtailment gain	–	10.4	–	–	–	10.4
Settlements	368.9	26.5	(488.6)	(34.0)	(119.7)	(7.5)
Interest (cost)/income	(12.5)	(14.5)	13.3	13.6	0.8	(0.9)
Net interest on asset ceiling	–	–	(0.3)	–	(0.3)	–
	356.4	20.5	(476.7)	(21.7)	(120.3)	(1.2)
Amount recognised in the statement of comprehensive income (SOCl)						
Actual return less expected return on pension scheme assets	–	–	(28.1)	56.2	(28.1)	56.2
Experience loss arising on scheme liabilities	(29.5)	(3.7)	–	–	(29.5)	(3.7)
Remeasurement gain due to financial assumption changes	208.4	36.9	–	–	208.4	36.9
Remeasurement (loss)/gain due to demographic assumption changes	(0.8)	0.2	–	–	(0.8)	0.2
Reclassification	–	0.5	–	(0.5)	–	–
Impact of change in the asset ceiling	–	–	27.4	(26.6)	27.4	(26.6)
	178.1	33.9	(0.7)	29.1	177.4	63.0
Cash flows						
Contributions	–	(0.6)	7.4	15.8	7.4	15.2
Benefits paid	16.5	27.3	(16.5)	(27.3)	–	–
Impact of asset ceiling	–	–	–	–	–	–
Closing position as at 31 March	(198.7)	(749.7)	285.3	771.8	86.6	22.1

* The FY22 opening position includes the impact of the asset ceiling of £27.1m.

The total of £86.6m shows the net position across the Group, however the surplus in MAG (STAL) and EMIA cannot be offset against the deficit of the other schemes, so these are presented separately.

Notes to the financial statements continued

for the year ended 31 March 2023

30. RETIREMENT BENEFITS CONTINUED

Movement in net defined benefit liability – MAG (STAL) scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Opening position as at 1 April	(200.6)	(218.8)	228.9	217.5	28.3	(1.3)
Included in the income statement						
Current service cost of defined benefit scheme	–	(1.0)	(0.8)	(0.8)	(0.8)	(1.8)
Curtailments	–	5.9	–	–	–	5.9
Interest (cost)/income	(5.2)	(3.9)	5.9	3.9	0.7	–
	(5.2)	1.0	5.1	3.1	(0.1)	4.1
Amount recognised in the statement of comprehensive income (SOCl)						
Actual return less expected return on pension scheme assets	–	–	(19.4)	8.2	(19.4)	8.2
Experience loss arising on scheme liabilities	(2.5)	(1.1)	–	–	(2.5)	(1.1)
Remeasurement gain due to financial assumption changes	70.5	14.7	–	–	70.5	14.7
Remeasurement (loss)/gain due to demographic assumption changes	(0.5)	0.1	–	–	(0.5)	0.1
	67.5	13.7	(19.4)	8.2	48.1	21.9
Cash flows						
Contributions	–	(0.2)	3.5	3.8	3.5	3.6
Benefits paid	4.0	3.7	(4.0)	(3.7)	–	–
Closing position as at 31 March	(134.3)	(200.6)	214.1	228.9	79.8	28.3

STAL liabilities have a duration of approximately 18 years (2022: 22 years).

Movement in net defined benefit liability – EMIA scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Opening position as at 1 April	(77.9)	(82.2)	73.3	69.7	(4.6)	(12.5)
Included in the income statement						
Current service cost of defined benefit scheme	–	(0.1)	(0.3)	(0.4)	(0.3)	(0.5)
Curtailments	–	(0.3)	–	–	–	(0.3)
Interest (cost)/income	(2.0)	(1.4)	1.9	1.2	(0.1)	(0.2)
	(2.0)	(1.8)	1.6	0.8	(0.4)	(1.0)
Amount recognised in the statement of comprehensive income (SOCl)						
Actual return less expected return on pension scheme assets	–	–	(5.7)	3.8	(5.7)	3.8
Experience loss arising on scheme liabilities	(3.4)	(0.8)	–	–	(3.4)	(0.8)
Remeasurement gain due to financial assumption changes	22.5	3.3	–	–	22.5	3.3
Remeasurement loss due to demographic assumption changes	(0.3)	–	–	–	(0.3)	–
	18.8	2.5	(5.7)	3.8	13.1	6.3
Cash flows						
Contributions	–	–	2.8	2.6	2.8	2.6
Benefits paid	3.0	3.6	(3.0)	(3.6)	–	–
Closing position as at 31 March	(58.1)	(77.9)	69.0	73.3	10.9	(4.6)

EMIA liabilities have a duration of approximately 14 years (2022: 17 years).

30. RETIREMENT BENEFITS CONTINUED

Movement in net defined benefit liability – AVPS

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Opening unrestricted position as at 1 April	(2.7)	(3.0)	3.2	3.5	0.5	0.5
Asset restriction	–	–	(0.5)	(0.5)	(0.5)	(0.5)
Opening restricted position as at 1 April	(2.7)	(3.0)	2.7	3.0	(0.0)	(0.0)
Included in the income statement						
Current service cost of defined benefit scheme	–	–	–	(0.1)	–	(0.1)
Interest (cost)/income	(0.1)	–	0.1	0.1	–	0.1
	(0.1)	–	0.1	–	–	–
Amount recognised in the statement of comprehensive income (SOCl)						
Actual return less expected return on pension scheme assets	–	–	(1.0)	(0.1)	(1.0)	(0.1)
Experience loss arising on scheme liabilities	(0.5)	–	–	–	(0.5)	–
Remeasurement gain due to financial assumption changes	0.8	0.1	–	–	0.8	0.1
Impact of change in the asset ceiling	–	–	0.5	–	0.5	–
	0.3	0.1	(0.5)	(0.1)	(0.2)	–
Cash flows						
Benefits paid	0.1	0.2	(0.1)	(0.2)	–	–
Closing position as at 31 March	(2.4)	(2.7)	2.2	2.7	(0.2)	–

The scheme liabilities have a duration of approximately 12 years (2022: 16 years).

For FY22, the total assets amounted 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. For FY22, the unrecognised surplus amounts to £0.5m.

Notes to the financial statements continued

for the year ended 31 March 2023

30. RETIREMENT BENEFITS CONTINUED

Movement in net defined benefit liability – GMPF

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Opening position as at 1 April	(468.5)	(526.3)	493.5	485.2	25.0	(41.1)
Asset restriction	–	–	(26.6)	–	(26.6)	–
Opening position as at 1 April	(468.5)	(526.3)	466.9	485.2	(1.6)	(41.1)
Included in the income statement						
Current service cost of defined benefit scheme	–	(0.8)	–	–	–	(0.8)
Curtailment gain	–	4.8	–	–	–	4.8
Settlements	368.9	26.5	(488.6)	(34.0)	(119.7)	(7.5)
Interest (cost)/income	(5.2)	(9.2)	5.4	8.4	0.2	(0.8)
Interest on asset ceiling	–	–	(0.3)	–	(0.3)	–
	363.7	21.3	(483.5)	(25.6)	(119.8)	(4.3)
Amount recognised in the statement of comprehensive income (SOCl)						
Actual return less expected return on pension scheme assets	–	–	(2.0)	44.3	(2.0)	44.3
Experience loss arising on scheme liabilities	(23.1)	(1.8)	–	–	(23.1)	(1.8)
Remeasurement gain due to financial assumption changes	114.6	18.8	–	–	114.6	18.8
Remeasurement gain due to demographic assumption changes	–	0.1	–	–	–	0.1
Impact of change on asset ceiling	–	–	26.9	(26.6)	26.9	(26.6)
	91.5	17.1	24.9	17.7	116.4	34.8
Cash flows						
Contributions	–	(0.4)	1.1	9.4	1.1	9.0
Benefits paid	9.4	19.8	(9.4)	(19.8)	–	–
Closing position as at 31 March	(3.9)	(468.5)	–	466.9	(3.9)	(1.6)

GMPF liabilities have a duration of approximately 13 years (2022: 16 years).

History of experience gains and losses

	MAG (STAL)		EMIA		AVPS		GMPF	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Difference between actual and expected returns on assets	(19.4)	8.2	(5.7)	3.8	(1.0)	(0.1)	(2.0)	44.3
% of scheme assets	(9.1)%	3.6%	(8.3)%	5.2%	(45.5)%	(3.7)%	n/a*	9.5%
Experience loss on liabilities amount	(2.5)	(1.1)	(3.4)	(0.8)	(0.5)	–	(23.1)	(1.8)
% of scheme liabilities	(1.9)%	(0.5)%	(5.9)%	1.0%	(20.8)%	–	n/a*	0.4%
Total amount recognised in SOCl	48.1	21.9	13.1	6.3	(0.2)	–	116.4	34.8
% of scheme liabilities	(35.8)%	(10.9)%	(22.5)%	(8.1)%	8.3%	–	n/a*	(7.4)%

* MAG is choosing not to present these here as the settlement means that these movements at FY23, would give exaggerated percentage values.

30. RETIREMENT BENEFITS CONTINUED

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	MAG (STAL) 2023 £m	EMIA 2023 £m	AVPS 2023 £m	GMPF 2023 £m	Total 2023 £m
0.5% p.a. increase in real discount rate	(11.1)	(3.4)	(0.2)	(0.2)	(14.9)
0.5% p.a. decrease in real discount rate	12.5	4.4	0.2	0.2	17.3
0.5% p.a. increase in RPI inflation*	10.7	2.9	0.2	0.2	14.0
0.5% p.a. decrease in RPI inflation*	(10.0)	(3.1)	(0.2)	(0.2)	(13.5)
1 yr increase in life expectancy	2.9	1.7	0.1	0.2	4.9
1 yr decrease in life expectancy	(2.9)	(1.7)	(0.1)	(0.2)	(4.9)

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

For the Schemes, for the mortality assumption for the future improvements to life expectancy, the actuaries have used the CMI 2021 projections model, a 1.25% p.a. 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: 104%/110% of the SAPS Series 3 tables (males/females); EMIA: 96%/106% of the SAPS Series 3 tables (males/females); AVPS: 100% / 100% of the SAPS Series 3 tables (males / females).

31. LEASE LIABILITIES

	Land and buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
At 1 April 2022	225.2	201.9	8.7	435.8
Additions	6.5	–	0.4	6.9
Remeasurement	9.7	15.3	0.2	25.2
Modification	(0.1)	–	–	(0.1)
Disposals	(0.2)	–	–	(0.2)
FX	0.3	–	–	0.3
Interest charge for the period	12.4	11.1	0.3	23.8
Payments of liabilities	(19.1)	(11.8)	(2.6)	(33.5)
At 31 March 2023	234.7	216.5	7.0	458.2

Maturity analysis of principal balances on lease liabilities:

	Land and buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Within one year	6.5	0.8	2.1	9.4
Within two to five years	22.2	3.5	4.9	30.6
After five years	206.0	212.2	–	418.2
Total	234.7	216.5	7.0	458.2

Notes to the financial statements continued

for the year ended 31 March 2023

31. LEASE LIABILITIES CONTINUED

Undiscounted maturity analysis of lease liabilities:

The table below shows the gross undiscounted contractual cash outflows in relation to the Group's lease liabilities at 31 March 2023 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	19.0	11.9	2.4	33.3
In more than one year, but not more than two years	18.3	11.9	2.1	32.3
In more than two years but not more than five years	49.9	35.6	3.2	88.7
In more than five years	731.0	636.6	–	1,367.6
Total	818.2	696.0	7.7	1,521.9

The expense relating to variable lease payments not included in the measurement of lease liabilities is £2.7m (2022: £0.7m). Expenses relating to both short-term leases and low-value leases is £nil (2022: £nil).

Key lease arrangements

Manchester City Council (held within land and buildings):

The Group has a commitment in respect of a land lease with Manchester City Council (MCC), a related party as described in note 36. Ground rent leases are a base fee of £2.8m, and this element of the lease contributed £52.2m to the closing lease liability in land and buildings.

Further minimum amounts are payable under the main lease agreement with MCC, one element variable based on turnover, and one element based on rental value of a number of properties at Manchester Airport. The minimum amounts due on the turnover element are based on a percentage of the prior rent paid. Management have concluded that these minimum percentage payments qualify as an in-substance fixed lease payment, contributing £52.0m to the closing lease liability. These payments are variable depending on an index or rate and contribute £86.1m to the closing lease liability. The discount rate implicit in the lease is 5.29%.

In 2021 the sale of the non-core property portfolio represented a trigger event on additional supplementary lease to the main agreements. As at the year end this contributes £11.2m (2022 £11.2m) to the closing lease liability.

In total, all arrangements with MCC contributes £201.5m of the closing lease liability in land and buildings, and no element of the annual rent is excluded from the measurement of the lease liability.

UK Power Networks (held within airport infrastructure):

A significant portion of the airport infrastructure lease liability relates to an electricity distribution agreement with UK Power Networks. Included in the measurement of the lease liability are minimum amounts payable under the agreement, relating to a base fee of £9.3m, and £2.6m for capital investment in the network, contributing £216.5m to the closing lease liability. Remaining amounts of £0.6m 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 £1.1m and reviewed five-yearly to reflect prevailing market rates. The obligations under this lease have contributed £14.3m to the closing lease liability.

MAG US Lounges (held within land and buildings):

During the year, the Group was eligible for rent relief on a number of lounges leased and operated by MAG in the US, under the American Rescue Plan Act. The impact of these changes was accounted for as a lease modification in the year and the lease liability was decreased by £0.1m as a result of the change. We have not applied the practical expedient in FY22 and FY23.

32. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements in relation to them during the current and prior years.

	Accelerated capital allowances £m	Investment properties £m	Retirement benefit obligations £m	Tax losses £m	Fair value acquisition adjustment £m	Short term timing differences £m	Total £m
At 1 April 2022	168.3	47.1	5.3	(35.5)	40.7	12.4	238.3
Charge/(credit) to income	(40.0)	(6.8)	(30.1)	28.9	(4.1)	1.7	(50.4)
Charge to equity	–	–	46.5	–	0.3	–	46.8
Reclassification from liabilities associated with assets held for sale	–	0.5	–	–	–	–	0.5
Other reclassifications	2.2	(2.2)	–	–	–	–	–
At 31 March 2023	130.5	38.6	21.7	(6.6)	36.9	14.1	235.2
At 1 April 2021	132.8	32.0	(10.6)	(8.7)	35.8	9.3	190.6
Charge/(credit) to income	35.5	15.1	–	(26.8)	4.8	3.1	31.7
Charge to equity	–	–	15.9	–	0.1	–	16.0
At 31 March 2022	168.3	47.1	5.3	(35.5)	40.7	12.4	238.3

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:

	2023 £m	2022 £m
Deferred tax liabilities	(246.7)	(273.8)
Deferred tax assets	11.5	35.5
	(235.2)	(238.3)

33. OTHER NON-CURRENT LIABILITIES

	2023 £m	2022 £m
Accruals and deferred income	3.4	3.9
Capital-based grants	16.9	16.4
	20.3	20.3

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 2023, the remaining amortisation period for the amortising capital based grants, as a weighted average, is approximately 25 years.

Notes to the financial statements continued

for the year ended 31 March 2023

34. SHARE CAPITAL AND SHARE PREMIUM

	Ordinary shares of £1 each			
	Number of shares ¹ m	Share capital £m	Share premium £m	Total £m
Issued, called up and fully paid				
At 31 March 2023	316.6	316.6	743.3	1,059.9
At 31 March 2022	316.6	316.6	743.3	1,059.9

¹ The shares have a nominal value of £1.

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

35. RESERVES

	Foreign currency reserve ¹ £m	Retained earnings £m	Total ² £m
At 1 April 2022	(1.3)	(333.7)	(335.0)
Result for the year	–	(159.6)	(159.5)
Foreign exchange movement, net of tax	5.7	–	5.7
Remeasurement of retirement benefit liabilities, net of tax	–	137.9	137.9
Effect of change in rate of corporation tax	–	(7.0)	(7.0)
As at 31 March 2023	4.4	(362.4)	(357.9)

	2023 £m	2022 £m
Reconciliation of movements in shareholders' funds		
Opening shareholders' funds	724.9	997.9
Total recognised income for the year	(28.6)	(272.9)
Foreign exchange movement, net of tax	5.7	1.2
Effect of change in rate of corporation tax on deferred tax	–	(1.3)
Equity shareholders' funds as at 31 March	702.0	724.9

¹ The foreign currency reserve reflects exchange rate differences arising when covering the Group 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.

² Total reserves attributable to equity holders of the Group.

36. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	2023 £m	2022 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	129.3	21.8

The Group has performance bonds and other items arising in the normal course of business amounting to £3.0m at 31 March 2023 (2022: £2.9m). As part of its investment in Airport City the Group has agreed to pay a further equity contribution up to a maximum of £12m if required.

Additionally, as part of the Group's net zero 2038 commitment, the Group has committed to provide £10m of funding for a sustainable transport fund.

37. RELATED PARTY TRANSACTIONS

The ultimate parent entity is Manchester Airports Holdings Limited, a company registered in England and Wales. The ultimate controlling entity is Manchester Airports Holdings Limited.

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

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

As at 31 March 2023 the amount of loans outstanding owed to MCC by the Group was £313.9m (2022: £313.9m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2022: £nil) to MCC during the year and paid interest of £17.4m (2022: £nil).

As at 31 March 2023 the amount of loans outstanding owed to the other nine councils (each of which is a related party to Manchester Airports Holdings Limited by virtue of its shareholding) by the Group was £267.9m (2022: £267.9m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2022: £nil) to the other nine councils during the year and paid interest of £14.9m (2022: £nil).

Interest during the year has been accrued on the shareholder loans to the value of £19.3m (2022: £34.6m) for MCC and £16.7m (2022: £29.7m) for the other nine councils. The cumulative interest accrual on the shareholder loans is £96.1m as at 31 March 2023 (2022: £76.8m) for MCC and £82.9m (2022: £66.2m) for the other nine councils.

Included in external charges are charges for rent and rates amounting to £37.3m (2022: £36.5m) and other sundry charges of £0.1m (2022: £1.0m). The year-end balance for these values is £0.3m (2022: £0.4m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

Transactions involving IFM

Industry Funds Management (IFM), through its subsidiary, is a related party to Manchester Airports Holdings Limited as IFM owns 35.5% of the share capital of the Company. During the year, the Group was party to the following transactions with IFM.

As at 31 March 2023 the amount of loans outstanding owed to IFM by the Group was £320.1m (2022: £320.1m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2022: £nil) to IFM during the year and paid interest of £17.8m (2022: £nil).

Interest during the year has been accrued on the shareholder loans to the value of £19.7m (2022: £35.4m). The cumulative interest accrual on the loan as at 31 March 2023 is £98.4m (2022: £78.7m).

Transactions involving associate (airport city limited partnership)

As at 31 March 2023 the amounts owing were £nil (2022: £nil) and amounts owed were £nil (2022: £nil).

During the year, transactions amounting to £6.7m (2022: £1.3m) were made with MAG's associate. As part of its investment in Airport City, the Group has agreed to pay an equity contribution up to a maximum of £12.0m if required, of which £3.4m was drawn down at 31 March 2023 (2022: £8.2m).

Transactions involving other parties

As at 31 March 2023 the amounts owing to Mott MacDonald were £nil (2022: £0.4m), amounts owed were £nil (2022: £nil) and transactions during the year amounted to £4.5m (2022: £0.2m).

Notes to the financial statements continued

for the year ended 31 March 2023

37. RELATED PARTIES TRANSACTIONS CONTINUED

As at 31 March 2023 the amounts owing to Manchester Central Convention Complex Ltd were £nil (2022: £nil), amounts owed by were £nil (2022: £nil) and transactions during the year amounted to £1.0m (2022: £nil).

38. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2022 £m	Cash flow £m	Other non-cash movements £m	2023 £m
Cash at bank and in hand	488.6	(315.8)	–	172.8
Cash and cash equivalents disclosed on the statement of financial position	488.6	(315.8)	–	172.8
Overdrafts	(25.7)	(79.5)	–	(105.2)
Total cash and cash equivalents (including overdrafts)	462.9	(395.3)	–	67.6
Non-current debt	(2,983.2)	597.2	(182.1)	(2,568.1)
Net debt	(2,520.3)	201.9	(182.1)	(2,500.5)
IFRS 16				
Current debt	(9.8)	33.5	(33.1)	(9.4)
Non-current debt	(426.0)	–	(22.8)	(448.8)
	(435.8)	33.5	(55.9)	(458.2)

39. POST BALANCE SHEET EVENTS

On 12 May 2023 MAG secured a bridge to bond facility that provides the Group with assurance that it will be able to refinance its bond for £360.0m by providing the facility to drawdown £360.0m up to 12 May 2024, with options to extend to 12 May 2025.

On 31 May 2023, MAG acquired 100% of the share capital of ParkCloud Holdings Limited, trading as ParkVia, a Manchester based ecommerce airport parking aggregator in the UK and EU market. Initial cash consideration of £8.4m was paid, subject to finalisation of the completion accounts, with further contingent consideration payable depending on financial performance in the first year following acquisition. As the completion accounts are yet to be finalised, no information has been disclosed at this time on the fair value of assets and liabilities acquired, and goodwill arising.

OTHER INFORMATION

Overview

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

These APMs are primarily used to:

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

Adjusted items

Many of the Group's APMs are measures prior to the impact of adjusted items.

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

Impairment of assets

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

Major reorganisation of businesses and costs associated with acquisitions

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

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

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

Other specific items

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

Notes to the financial statements continued

for the year ended 31 March 2023

OTHER INFORMATION CONTINUED

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

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

APM	Closest Equivalent Statutory Measure	Purpose	Definition
Income statement measures			
Adjusted EBITDA	Operating profit	The Group's adjusted EBITDA measure is consistent with the way that Executive Management and the Board assess the Group's financial performance. Additionally, it is a key metric used by the investor community to assess performance of the Group's operations.	Earnings before interest, tax, depreciation and amortisation prior to the impact of adjusted items. Reconciled to GAAP from operating profit measured in accordance with IFRS excluding: <ul style="list-style-type: none"> • Depreciation and amortisation (note 4), and; • The impact of adjusted items (note 3).
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, amortisation and impairment 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 (note 39).
Adjusted Operating profit	Operating profit	Adjusted result from operations is a measure of the GAAP metric whilst adjusting for adjusted items.	Operating profit measured in accordance with IFRS excluding the impact of adjusted items (note 3).
Cashflow measures			
Adjusted cash generated from operations	Net cash from operating activities	This is a measure of the Group's cash generation from operation 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

OTHER INFORMATION CONTINUED

APM	Closest Equivalent Statutory Measure	Purpose	Definition
Other measures continued			
Net Finance Charges on Net Senior Debt	Finance costs	Net finance charges on net senior debt is a core component of the Group's interest cover covenant.	Net finance costs from the Group's bonds and RCF less any finance income from cash and cash equivalents. Reconciled to GAAP measure Finance costs by excluding: interest on shareholder loans; pension interest; IFRS 16 interest (see note 30)
Net Senior Debt	Borrowings	Net Senior Debt is used in the calculation of the Group's leverage covenant.	Comprising the Group's Secured funding arrangements (Bonds and drawn down RCF) less cash and cash equivalents. Reconciled to GAAP measure Borrowings (by excluding the carrying value of shareholder loans) less cash and cash equivalents.

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

Reconciliation of APMs to statutory measures

	Note	2023 £m	2022 £m
Adjusted operating profit		169.8	(113.2)
Adjusted items deducted to arrive at APM:			
Extinguishment of the deferred debt agreement		(119.7)	–
Impairment of assets, asset write-downs and depreciation		(15.8)	(9.2)
Major reorganisation of businesses and transformation		(4.1)	(3.5)
Legal and other items		(1.6)	(4.4)
Adjusted items charged to operating profit		(141.2)	(17.1)
Operating profit/(loss)	4	28.6	(130.3)
Adjusted operating profit		169.8	(113.2)
Add back: Depreciation and amortisation	4	242.2	238.8
Adjusted EBITDA*		412.0	125.6

* See next page for reconciliation by segment

Notes to the financial statements continued

for the year ended 31 March 2023

OTHER INFORMATION CONTINUED

	Note	2023 £m	2022 £m
Cash generated from continuing operations		450.4	145.7
Total adjusted items in results for continued operations before tax		146.9	8.3
		146.9	8.3
Add back of non-cash adjusted items:			
Finance costs - adjusted items (see note 7)		(5.7)	8.8
Impairment of property, plant and equipment		(15.9)	(11.0)
Working capital movements, relating to adjusted items		(1.0)	6.6
Curtailment gain		-	10.4
Non-cash pension settlement losses		(119.7)	(2.3)
Non-cash adjusted items		(142.3)	12.5
Cash impact of adjusted items to be added back		4.6	20.8
Adjusted cash generated from operations		455.0	166.5
Total cash and cash equivalents (including overdrafts)		67.6	462.9
Non-current debt	22	(2,568.1)	(2,983.2)
Net Debt (excluding IFRS 16)		2,500.5	(2,520.3)
Cash at bank and in hand	21	172.8	488.6
Overdraft	22	(105.2)	(25.7)
Net Cash		67.6	462.9

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	CAVU £m	Group, consolidation and other £m	Consolidated – continuing operations £m
Operating profit/(loss)	(104.7)	91.0	13.4	21.8	7.1	28.6
Adjusted items deducted to arrive at APM:						
Extinguishment of the deferred debt agreement	119.7	-	-	-	-	119.7
Impairment of assets, asset write-downs and depreciation	10.9	2.4	1.2	1.4	-	15.9
Major reorganisation of businesses and transformation	3.6	0.1	0.2	0.1	0.1	4.1
Legal and other items	-	-	-	1.1	0.4	1.5
Total adjusted items	134.2	2.5	1.4	2.6	0.5	141.2
Adjusted operating profit/(loss)	29.5	93.5	14.8	24.4	7.6	169.8
Add back: depreciation and amortisation	127.8	71.0	18.0	10.8	14.6	242.2
Adjusted EBITDA	157.3	164.5	32.8	35.2	22.2	412.0

OTHER INFORMATION CONTINUED

	Note	2023	2022
Finance costs before adjusted items		(201.1)	(190.1)
Add back:			
Interest on shareholder loans	7	115.0	103.2
IFRS 16 interest	7	23.8	22.7
Pension interest	7	(0.5)	0.9
Net finance charges on net senior debt		(62.8)	(63.3)

	Note	2023	2022
Borrowings		(2,568.1)	(2,983.2)
Add back:			
Carrying value of shareholder loans	25	1,132.0	1,062.0
Net cash		67.6	462.9
Net senior debt		(1,368.5)	(1,458.3)

Net senior debt £1,368.5m (2022: £1,458.3) as a multiple of frozen adjusted EBITDA £378.5m, as reconciled below (2022: £94.8m) is one of our KPI's, calculated as 3.6 for the year ended 2023 (2022: 15.4). Further information can be found on page 22.

IMPACT OF IFRS 16 UPON PRIMARY STATEMENTS (FROZEN GAAP)

Consolidated income statement as at 31 March 2023

The purpose of these pages is to provide a reconciliation from the financial results in the accounts, to the primary statements with the previous IAS17 policies adopted by the Group (including key APMs such as Adjusted EBITDA). 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 (Frozen GAAP).

	Continuing operations 2023 as reported £m	Rent & finance costs £m	Depreciation £m	Continuing operations 2023 Frozen GAAP £m
Continuing operations				
Revenue	1,029.0			1,029.0
Operating charges excluding depreciation	(617.0)	(33.5)	–	(650.5)
Adjusted EBITDA	412.0	(33.5)	–	378.5
Depreciation	(242.2)	–	11.8	(230.4)
Result from operations before adjusted items	169.8	(33.5)	11.8	148.1
Adjusted items				
Adjusted items	(141.2)		1.5	(139.7)
Result from operations	28.6	(33.5)	13.3	8.4
Share of result of associate	0.1	–	–	0.1
Gains and losses on sales and valuation of investment properties	(26.3)	–	–	(26.3)
Net finance costs after adjusted items	(199.8)	23.8		(176.0)
Result before taxation	(197.4)	(9.7)	13.3	(193.8)

Notes to the financial statements continued

for the year ended 31 March 2023

OTHER INFORMATION CONTINUED

Consolidated statement of financial position as at 31 March 2023

	Continuing operations 2023 as reported £m	Rent, finance costs & depreciation £m	Opening balance offset £m	Additions, disposals & remeasure- ment £m	Reclassification from property, plant and equipment £m	Deferred tax on IFRS 16 £m	Continuing operations 2023 Frozen GAAP £m
Non-current assets							
Goodwill	210.1	–	–	–	–	–	210.1
Intangible assets	88.3	–	–	–	–	–	88.3
Property, plant and equipment	3,107.2	–	–	–	1.5	–	3,108.7
Right-of-use assets	437.0	14.7	(417.7)	(32.5)	(1.5)	–	–
Long term lease receivable	11.2	–	(11.2)	–	–	–	–
Investment properties	155.1	–	–	–	–	–	155.1
Investment in associate	7.1	–	–	–	–	–	7.1
Retirement benefit assets	90.7	–	–	–	–	–	90.7
	4,106.7	14.7	(428.9)	(32.5)	–	–	3,660.0
Current assets							
Inventories	4.1	–	–	–	–	–	4.1
Trade and other receivables	122.7	–	–	–	–	–	122.7
Cash and cash equivalents	172.8	–	–	–	–	–	172.8
	299.6	–	–	–	–	–	299.6
Current liabilities							
Bank loans and overdrafts	(105.2)	–	–	–	–	–	(105.2)
Trade and other payables	(254.4)	–	–	–	–	–	(254.4)
Deferred income	(35.7)	–	–	–	–	–	(35.7)
Provisions	(20.0)	–	–	–	–	–	(20.0)
Current lease liabilities	(9.4)	–	9.4	–	–	–	–
	(424.7)	–	9.4	–	–	–	(415.3)
NET CURRENT LIABILITIES	(125.1)	–	9.4	–	–	–	(115.7)
Non-current liabilities							
Borrowings	(2,568.1)	–	–	–	–	–	(2,568.1)
Retirement benefit liabilities	(4.1)	–	–	–	–	–	(4.1)
Non-current lease liabilities	(448.8)	(9.7)	426.4	32.1	–	–	–
Deferred tax liabilities	(235.2)	–	–	–	–	2.5	(232.7)
Provisions	(2.1)	–	–	–	–	–	(2.1)
Other non-current liabilities	(20.3)	–	–	–	–	–	(20.3)
	(3,278.6)	(9.7)	426.4	32.1	–	2.5	(2,827.3)
NET ASSETS	703.0	5.0	6.9	(0.4)	–	2.5	717.0

OTHER INFORMATION CONTINUED

Consolidated statement of cash flows for the year ended 31 March 2023

	Continuing operations 2023 as reported £m	Payment recognised as operating charge £m	Interest charge £m	Lease repayment £m	Continuing operations 2023 Frozen GAAP £m
Cash generated from continuing operations	450.4	(33.5)	–	–	416.9
Result before taxation – discontinued operations	5.8	–	–	–	5.8
Working capital – discontinued operations	(5.8)	–	–	–	(5.8)
Interest paid	(138.3)	–	23.8	–	(114.5)
Interest income	7.0	–	–	–	7.0
Tax paid	(32.1)	–	–	–	(32.1)
Net cash from operating activities	287.0	(33.5)	23.8	–	277.3
Net cash from investing activities	(184.3)	–	–	–	(184.3)
Net cash from/(used in) financing activities	(498.0)	–	–	9.7	(488.3)
Net increase in cash and cash equivalents	(395.3)	(33.5)	23.8	9.7	(395.3)

Company Financial Statements

Accounting policies

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

These financial statements present information about the Company as an individual undertaking and not about its Group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') as issued in August 2014. The amendments to FRS 102 issued in 2018 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £million.

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

- Total adjusted items recorded in result from operations
- statement of cash flows and related notes;
- key management personnel compensation;

Total adjusted items recorded in result are from continuing operations.

Furthermore, as the consolidated financial statements of Manchester Airports Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

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

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

MEASUREMENT CONVENTION

The financial statements are prepared on the historical cost basis.

FUNCTIONAL CURRENCY

The Company's functional and presentation currency is the pound sterling.

INVESTMENTS IN SUBSIDIARIES

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

AMOUNTS OWED TO SUBSIDIARY UNDERTAKINGS

Intercompany balances are stated at historic cost.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank deposits and short-term deposits net of bank overdrafts, which have an original maturity of three months or less.

INTEREST PAYABLE

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

Statement of financial position

as at 31 March 2023

	Note	2023 £m	2022 £m
Non-current assets			
Investments	4	2,352.7	2,352.7
Trade and other receivables	5	495.5	245.6
		2,848.2	2,598.3
Current assets			
Trade and other receivables	5	–	247.0
Cash and cash equivalents		–	–
		–	247.0
Liabilities			
Current liabilities	6	(260.8)	(252.0)
Net current liabilities/assets		(260.8)	(5.0)
Total assets less current liabilities		2,587.4	2,593.3
Net assets		2,587.4	2,593.3
Capital and reserves			
Share capital	7	316.6	316.6
Share premium	7	743.3	743.3
Retained earnings	8	1,527.5	1,533.4
Total equity		2,587.4	2,593.3

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

The financial statements were approved by the Board of Directors on 4 July 2023 and signed on its behalf by:

Charlie Cornish, Group Chief Executive, MAG

Sir Adrian Montague CBE, Chair, MAG

Statement of changes in equity

for the year ended 31 March 2023

	Share capital £m	Share premium £m	Profit and loss account £m	Total £m
Balance at 1 April 2022	316.6	743.3	1,533.4	2,593.3
Result for the year	–	–	(5.9)	(5.9)
Balance at 31 March 2023	316.6	743.3	1,527.5	2,587.4

	Share capital £m	Share premium £m	Profit and loss account £m	Total £m
Balance at 1 April 2021	316.6	743.3	1,535.8	2,595.7
Total comprehensive income for the year				
Result for the year	–	–	(2.4)	(2.4)
Balance at 31 March 2022	316.6	743.3	1,533.4	2,593.3

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

Notes to the financial statements

for the year ended 31 March 2023

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 138. The Directors of Manchester Airports Holding Limited during the year and their aggregate remuneration is disclosed on a consolidated basis in note 6 to the consolidated financial statements, on page 136. The highest paid director disclosed within this note is the highest paid director of the Company.

2. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION OF THE COMPANY

The result attributable to the Company is a loss of £5.9m (2022: £2.4m) which is mainly due to interest payable (Note 3), offset with a tax credit of £3.6m.

The average number of employees employed by the Company in the year was £nil (2022: £nil).

3. FINANCE COSTS

	2023 £m	2022 £m
Intercompany interest payable	9.5	3.2
Total finance costs	9.5	3.2

Interest payable on intercompany loans was £9.5m (2022: £3.2m), with the increase from the prior year being as a result of an increase in the base rate.

4. INVESTMENTS

	Subsidiary undertakings £m
Cost and net book value	
At 1 April 2022	2,352.7
At 31 March 2023	2,352.7

5. TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Amounts due from subsidiaries – non-current	495.5	245.6
Amounts due from subsidiaries – current	–	247.0
	495.5	492.6

Settlement terms on all amounts due to subsidiaries are at a date mutually agreed by both parties to the balance. Based on the exercise performed by the Board of Directors in the prior year, and as at the date of signing all balances are classified as non-current since receipt is not probable within 12 months.

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

Notes to the financial statements continued

for the year ended 31 March 2023

6. TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Amounts owed to subsidiary undertakings	260.8	252.0
	260.8	252.0

Amounts owed to subsidiary undertakings include an interest-bearing loan of £260.8m at 31 March 2023 (2022: £252.0m), with interest charged at an annual rate of 1.5% (2022: 1.5%) above the Bank of England base rate, all other remaining balances are interest free. All balances are repayable on demand.

7. CALLED UP SHARE CAPITAL

	Number of shares m	Share capital £m	Share premium £m	Total £m
Issued, called up and fully paid				
At 31 March 2023	316.6	316.6	743.3	1,059.9
At 31 March 2022	316.6	316.6	743.3	1,059.9

Details of shares are given below:

Share type	Total nominal value £	Premium £
204,280,000 Ordinary Non-Voting Shares, issued at £1 nominal value	204,280,000	–
112,354,000 Ordinary Non-Voting Shares, issued at premium	112,354,000	687,157,064
10 x 'A' shares, issued at £1 nominal value	10	–
10 x 'B' shares, issued at £1 nominal value	10	–
30 x 'C' shares, issued at premium	30	56,099,970

Particulars of each class of share:

Voting – each holder of A shares shall be entitled to receive notice of, to attend, speak at and vote at general meetings of the Company. All other classes of shares do not carry voting rights.

Capital – on a winding up or other return of capital, the available assets of the Company shall be applied in the following order of priority:

(A) first, in paying to each holder of A shares, B shares; and non-voting ordinary shares the nominal amount of the aggregate of such shares held by each such holder pro-rata to their holdings of shares; and

(B) second, in paying the balance to the holders of non-voting ordinary shares pro-rata to their holdings of non-voting ordinary shares.

Income – C shareholders and ordinary shareholders shall be entitled to dividends, which shall be payable to the holders pro-rata to their holdings of C shares/ordinary shares respectively.

8. RESERVES

	Retained earnings £m
At 1 April 2022	1,533.4
Results for the year	(5.9)
Impairment	–
At 31 March 2023	1,527.5

	2023 £m	2022 £m
Reconciliation of movement in shareholders' funds		
Opening shareholders' funds	2,593.3	2,595.7
Results for the year	(5.9)	(2.4)
Dividend in kind	–	–
Equity shareholders' funds as at 31 March	2,587.4	2,593.3

9. SUBSIDIARY UNDERTAKINGS

Name of undertaking	Description of shares held	Group	Company	Principal activity
Agency of the North Limited ²	Ordinary £1 shares	100%		Holding company
Airportparkingreservations.com ^{6,*}	N/A	100%		Trading company
Airport Advertising Limited ^{2,7}	Ordinary £1 shares	100%		Non trading
Airport City (Asset Manager) Limited ^{1,2}	Ordinary £1 shares	20%		Property holding company
Airport City (General Partner) Limited ^{1,2}	Ordinary £1 shares	20%		Property holding company
Airport City Limited Partnership ^{1,2}	Ordinary £1 shares	20%		Property holding company
Airport City Management Company (South) Limited ^{1,2,7}	Ordinary £1 shares	100%		Property management company
Airport City (Manchester) Limited ^{1,2}	Ordinary £1 shares	100%		Property holding company
Airport City (Manchester) Investments Limited ^{1,2}	Ordinary £1 shares	100%		Property holding company
Airport Petroleum Limited ^{2,7}	Ordinary £1 shares	100%		Non trading
Airport Services International Limited ²	Ordinary £1 shares	100%		Holding company
Bainsdown Limited ³	Ordinary £1 shares	100%		Property holding company
CAVU Distribution (AMER) LLC ^{6,*} (formerly Parksleepfly.com LLC)	N/A	100%		Trading company
CAVU ECommerce (EMEA) Limited ² (formerly Looking4parking Ltd)	Ordinary £1 shares	100%		Trading company
CAVU eCommerce (AMER) LLC ^{6,*} (formerly MAG US Parking Management LLC)	N/A	100%		Non trading
CAVU Experiences (AMER) LLC ^{6,*} (formerly MAG US Lounge Management LLC)	N/A	100%		Non trading
CAVU Experiences (EMEA) Limited (formerly Skyparksecure Limited) ²	Ordinary £1 shares	100%		Trading company
CAVU Holdings (AMER) Inc ^{6,*} (formerly MAG US Holdings Inc)	Ordinary \$0.01 shares	100%		Investment holding company
CAVU Group Limited ²	Ordinary £1 shares	100%		Trading company

Notes to the financial statements continued

for the year ended 31 March 2023

9. SUBSIDIARY UNDERTAKINGS CONTINUED

Name of undertaking	Description of shares held	Group	Company	Principal activity
East Midlands Airport Core Property Investments Limited ^{2,7}	Ordinary £1 shares	100%		Non trading
East Midlands Airport Nottingham Derby Leicester Limited ²	Ordinary £1 shares	100%		Intermediate holding company of East Midlands International Airport Limited
East Midlands Airport Property Investments (Hotels) Limited ²	Ordinary £1 shares	100%		Non trading
East Midlands Airport Property Investments (Industrial) Limited ²	Ordinary £1 shares	100%		Non trading
East Midlands Airport Property Investments (Offices) Limited ²	Ordinary £1 shares	100%		Non trading
East Midlands International Airport Limited ⁴	9% cumulative redeemable preference shares	100%		Airport operator
EMIA Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
Manchester Airport Aviation Services Limited ^{3,7}	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Finance Holdings Limited ²	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport Group Finance Limited ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Funding Plc ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Investments Limited ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Property Developments Limited ²	Ordinary £1 shares	100%		Property development company
Manchester Airport Group Property Services Limited ²	Ordinary £1 shares	100%		Non trading
MAG Airport Limited ²	Ordinary £1 shares	100%		Trading company
Manchester Airport Car Park (1) Limited ²	N/A	100%		Trading company
Manchester Airport Group US Holdings Inc ^{6, *}	Ordinary \$0.01 shares	100%		Investment holding company
Manchester Airport Plc ³	Ordinary £1 shares	100%		Airport operator
Manchester Airport Property Investments (Hotels) Limited ^{2,7}	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Industrial) Limited ^{2,7}	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Offices) Limited ^{2,7}	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Ventures Limited ^{2,7}	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
MAG Investments US Limited ²	Ordinary £1 shares	100%		Investment holding company
MAG Overseas Investments Limited ²	Ordinary £1 shares	100%	100%	Non trading
MAG US Terminal Management LLC ^{6, *}	N/A	100%		Non trading
MAG DC Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
MAG Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
MAG US (Apollo) Limited ²	Ordinary £1 shares	100%		Holding company
MAG US (Apollo) Inc ^{6, *}	N/A	100%		Non trading
Ringway Developments Ltd ^{2,7}	Ordinary £1 shares	100%		Non trading

9. SUBSIDIARY UNDERTAKINGS CONTINUED

Name of undertaking	Description of shares held	Group	Company	Principal activity
Ringway Handling Limited ^{3,7}	Ordinary £1 shares	100%		Non trading
Ringway Handling Services Limited ³	Ordinary £1 shares	100%		Non trading
Shuttlefinder.net LLC ⁶ , *	N/A	100%		Trading company
Simmerdown Limited ²	Ordinary £1 shares	100%		Holding company
Stansted Airport Limited ⁵	Ordinary £1 shares	100%		Airport operator
The Escape Lounge FLL LLC ^{6,8,*}	N/A	75%		Trading company
Travel Parking Group Limited ²	Ordinary £1 shares	100%		Holding company
Worknorth Limited ^{2,7}	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		
Worknorth II Limited ^{2,7}	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		

¹ These reflect the Group's 20% investment in Airport City shown within the Group financial statements as an investment in associate. The registered office addresses for each of the above companies are listed below.

² Olympic House, Manchester Airport, Manchester, M90 1QX

³ PO Box 532, Town Hall, Albert Square, Manchester, M60 2LA

⁴ Building 34, East Midlands Airport, Castle Donington, Derby DE74 2SA

⁵ Enterprise House, Bassingbourn Road, Stansted Airport, Essex, CM24 1QW

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

⁷ Dormant and exempt from preparing and filing individual accounts by virtue of S394A of the Companies Act 2006

⁸ During the period the Group acquired an majority interest in a concession in a lounge. MAG has assessed that it controls the concession in the lounge and has consolidated 100% of the revenue, expenses, assets and liabilities in the income statement and balance sheet. The profit for the year and other reserve movements have been split between those attributable to MAG's equity holders and those attributable to non-controlling interests.

All the above companies operate in their country of incorporation or registration, which is England and Wales except where indicated (*) is United States of America.

Notes to the financial statements continued

for the year ended 31 March 2023

10. PARENT GUARANTEE

The subsidiary undertakings listed below are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act:

Name of undertaking	Registered company number
Agency of the North	07761704
Airport Advertising Limited	02688267
Airport City (Manchester) Investments Limited	08721435
Airport City (Manchester) Limited	08385545
Airport Petroleum Limited	02714831
Airport Services International Limited	11415904
Bainsdown Limited	01633068
East Midlands Airport Investments (Hotels) Limited	07088376
East Midlands Airport Property Investments (Industrial) Limited	07088412
East Midlands Airport Property Investments (Offices) Limited	07088415
MAG Overseas Investments Limited	09434983
Manchester Airport Aviation Services Limited	04160059
Manchester Airport Group Property Developments Limited	07088164
Manchester Airport Group Property Services Limited	07088135
Manchester Airport Ventures Limited	04160075
Ringway Handling Services Limited	02638238
Travel Parking Group	07235776
Worknorth II Limited	03152115
Worknorth Limited	01793483

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 from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast. Unless expressly stated otherwise, the 'Group', 'MAG', 'Manchester Airports Group', 'MAHL' or 'the Company' means Manchester Airports Holdings Limited and its subsidiary undertakings.



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