

# Stansted Airport Limited

## Annual report and financial statements

Registered Number 01990920

Year ended 31 March 2021



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## Strategic Report

The directors present their Strategic Report for the Company for the year ended 31 March 2021.

### Principal activity

The principal activity of the Company during the year was the operation and development of an international airport for the South East of England. The Company's revenues were derived primarily from aircraft and passenger handling charges, together with income from aviation, commercial, car park and retail activities.

### Business review and future outlook

The results for the year are set out on page 15. During the year the Company made a loss before tax of £148,134,000 (2020: profit of £106,456,000). At the year end the Company had net assets of £927,586,000 (2020: £1,031,278,000).

The Company intends to continue the development over the longer term of Stansted Airport as a world class airport to meet the requirements of users and to continue to contribute to the development of the economy of the South East of England.

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

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

Following the Group's announcement of its decision in March 2021 to close its defined benefit pension schemes, MAG has closed the STAL scheme to future accruals for all members from 31 July 2021.

### *Impact of COVID-19*

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

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

This support was provided partly in recognition of the strong management action we had already taken to control costs. This included a comprehensive review of all expenditure, pausing non-essential capital projects, freezing recruitment, temporarily reducing pay for all staff and reducing working hours. These were difficult but necessary decisions for us to take and we recognise the impact they have had on our people. We have had to ask our staff to make sacrifices to protect the future of the company.

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

## Strategic Report *(continued)*

### Business review and future outlook *(continued)*

Despite MAG making extensive use of the CJRS, with up to 70% of colleagues on furlough, the reality is that this scheme has only accounted for less than 20% of our fixed operating costs. In October 2020, MAG became the latest aviation business to announce a consultation on redundancies across the Group. We have also negotiated a new, flexible pay deal with our Trade Unions for this financial year designed to avoid further compulsory redundancies. This sees colleagues return to 100% of their salary as workloads increase, while ensuring no colleague is paid less than 80%, and no less than the National Living Wage.

Throughout the last year, MAG has also worked hard to shape Government thinking around the safe resumption of international travel, and the reopening of international travel to and from the UK on 17 May 2021 was an important step in the right direction. Since then, we have continued to make the case for restriction-free travel to those countries where infection rates are at their lowest, greater transparency in how decisions are made on which countries are considered low-risk, and for the removal of the need for expensive PCR testing for all passengers.

The control of the pandemic and the subsequent re-start of the aviation sector is now looking more certain with the global rollout of vaccines, comprehensive testing protocols and improvements in medical care. In addition, from 2 August 2021, fully vaccinated travellers from many European countries and the USA will not need to quarantine which has helped to re-start the UK aviation sector. However, it is clear that the recovery will take time with a phased opening up of International travel as country and border restrictions are eased, and the global economic impacts of the pandemic materialise. While there are still significant uncertainties, the Company expects traffic to return to close to pre-COVID-19 levels in the next two to three years and our robust finances and the support of our investors means we have maximum flexibility in how we approach the sectors recovery.

### *Brexit*

In addition, Manchester Airports Group ('MAG'), the group of companies whose ultimate parent company is Manchester Airports Holdings Limited, and of which the Company is a member, has continued to work with industry partners to help shape the UK Government's approach to Brexit.

The UK reached an agreement with the EU on 24 December 2020, which was then ratified before the end of the transition period on 31 December 2020. The agreement covered all the key areas for airports' operations including continued operation of air services, close cooperation on aviation security, and collaboration on air traffic management. This has preserved the previous regime and allowed liberal access to the EU aviation market that MAG had been calling for in any EU-UK relationship following the end of the transition period. As a result of low passenger numbers there is still the need to closely monitor the impact on the aviation industry, we will continue to do this working closely with our partners to ensure a smooth border and customs process.

### *Climate change*

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

MAG continues to meet the 'comprehensive' standard for disclosures established by the Global Reporting Initiative, including the publication of a new climate data compendium. This report has also been enhanced, responding to recommendations from the Task Force on Climate-Related Financial Disclosures, demonstrating the focus MAG places on the risks posed by climate change and ensuring MAG's strategic and CSR reporting reflect the changes to environmental, social and governance (ESG) needs of investors.

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.







## Strategic Report *(continued)*

### Principal risks and uncertainties

The key risks faced by the Company are aligned with those of Manchester Airports Holdings Limited. The key risks for the Company are COVID-19, Brexit, Climate change, Security breach, Major health and safety incidents affecting our customers or colleagues, Regulatory risk, Recruitment, development and retention of talented people and Cyber security. For more details of these risks, and how they are managed please refer to pages 40 to 45 of the Strategic Report in the annual report and accounts for Manchester Airports Holdings Limited. The directors have not identified any other significant risks for the Company.





### Key performance indicators ('KPIs')

The key performance indicators for the Company are aligned with those of the Group. The directors have not used any additional KPIs for the Company and those that are relevant to the Company are detailed in the table below.

We focus on a number of key performance measures to ensure we build value for our shareholders on a consistent basis over the long term.					
Measure	Aim	Context	Progress in 2021	Progress in 2021	
Revenue (continuing operations)	Achieve long-term and steady growth in revenue.	We aim to deliver sustainable growth across all areas of our business - aviation, car parking, retail and property.	2021: £66,054,000 2020: £365,221,000		(81.9%)
Adjusted EBITDA <sup>1</sup> (continuing operations)	Generate a level of profit that allows re- investment in our infrastructure.	We cover the cost of using our assets with income from our operations.	2021: (£82,779,000) 2020: £157,723,000		(152.5%)
Result from operations <sup>2</sup> (continuing operations)	Achieve steady and increasing profit from operations.	We expect all our operations to positively contribute to the Group's result. Result presented before impact of significant items.	2021: (£133,821,000) 2020: £105,431,000		(226.9%)
Capital investment	Provide effective investment in operational assets to improve efficient and support growth.	We invest in opportunities that generate the best shareholder value and enhance the quality of our airport services investment.	2021: £20,385,000 2020: £92,963,000		(78.1%)
Passengers (m)	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams.	2021: 3.1m 2020: 26.9m		(88.5%)
Departure punctuality <sup>3</sup>	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations.	2021: 93.7% 2020: 80.3%		16.7%

## Strategic Report (continued)

### Key performance indicators ('KPIs') (continued)

Measure	Aim	Context	Progress in 2021	Progress in 2021	
Destinations	Provide access to all major global holiday and business destinations	As a premier airport services company, we aim to provide access to anywhere in the world from our airport.	2021: 150 2020: 198		(24.2%)
Carbon Reduction - CO2 emissions <sup>4</sup>	Minimise the environmental impact of our operations.	We closely monitor our CO2 emissions and environmental impact.	2021: 0.636 2020: 0.120		430.5%
Number of people within noise footprint <sup>5</sup>	Being good neighbours with our communities	Minimising the impact of our operations on the local community	2021: 500 2020: 2,500		(80.0%)
Health and Safety RIDDOR - reportable accidents <sup>6</sup>	Maintain robust health and safety standards	The safety of our customers and colleagues is extremely important to us, and we value a safe working and operating environment for all.	2021: 1 2020: 3		(66.7%)

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

<sup>2</sup> Adjusted operating profit is results presented before the impact of significant items.

<sup>3</sup> Measured as a percentage of departures within 15 minutes of scheduled departure time. The improvements on the prior year are driven largely by external factors and ground handling protocol and contractual changes. We continue to work closely with all our airline partners and service agents to minimise the level of disruption and delays.

<sup>4</sup> We measure carbon intensity against traffic units, which are defined by the International Air Transport Organisation as equivalent to 1,000 passengers or 100 tonnes of freight. In 2019-20 we changed the scope of reported emissions to align with government's new Streamlined Energy and Carbon Reporting (SECR) requirements. With lower activity this year we implemented a range of energy efficiency initiatives which reduced our total energy use by 14.3%. Despite these measures, and an overall gross market-based emission reduction of 7.1%, the more significant (79.8%) reduction in traffic units means that the emissions intensity of our operations increased this year. All residual emissions have been offset, and our CSR Strategy includes a commitment to transition to zero carbon operations. More information about our carbon footprint is provided at page 38 of the Group Accounts.

<sup>5</sup> This KPI has been modified this year to ensure we report performance measures which best reflect our performance. We have very limited influence over local planning policy, nearby developments and building occupancy. As such, our noise related KPI is now based on noise emissions, specifically the cumulative area of the 57dB LAeq 16hr noise contour at the airport. As a result of the COVID-19 pandemic, and significantly reduced airport activity, this year the size of our noise contours reduced by 58.6%. Similarly, the population within these noise contours reduced to 500 from a population of 2,500 in 2019-20.

<sup>6</sup> The number of RIDDOR reportable incidents has significantly reduced in the reporting period. While the COVID-19 control measures MAG has employed have played a significant part in keeping airports safe, the reduction in incidents correlates with the significant down turn in operations across MAG.

## Strategic Report *(continued)*

### Statement by the Directors in Performance of their Statutory Duties in Accordance with section 172(1) Companies Act 2006

The Board of Directors are aware of and consider they have acted in accordance with their statutory duties under s172(1) of the Companies Act 2006. Consistent with these duties, the directors have acted in good faith, seeking to promote the long-term success of the Company for the benefit of shareholders and in so doing have had regard to their duties to:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

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

Stakeholder	Why they matter to MAG	What matters to them	How the Board interacts
Shareholders	<p>Our shareholders provide the equity finance necessary to support the operation and future development of the business.</p> <p>Shareholders also appoint non-executive directors who are critical to overall governance and an integral part of the Board.</p>	<p>Our shareholders have invested in the long-term success of MAG. In return they seek predictable and sustainable returns on their investment.</p> <p>Our shareholders require high standards of governance, responsible business practices and transparent disclosure of information.</p>	<p>Shareholders are directly represented on the Board and oversee the appointment of non-executive directors. They receive regular reports from the management team on all aspects of the business, including the CSR Sub-Committee, which considers safety and responsible business practices, including environmental impacts.</p>
Colleagues	<p>Colleagues are our greatest asset. They make our strategy a reality and deliver services to our customers. Their energy and ideas are critical to the continued innovation and improvement of the services we offer.</p>	<p>Our colleagues want a workplace that is safe, inclusive and offers them opportunities to develop their career.</p> <p>Colleagues want to be a part of the decisions that affect them supported by an effective system of internal communication.</p>	<p>The Board receives regular reports on safety matters and the CSR Sub-Committee, which is attended by the Chief People Officer and provides an opportunity for workplace issues, including fair pay, diversity and inclusion to be discussed.</p>

## Strategic Report *(continued)*

### Statement by the Directors in Performance of their Statutory Duties in Accordance with section 172(1) Companies Act 2006 *(continued)*

Stakeholder	Why they matter to MAG	What matters to them	How the Board interacts
Passengers	Passengers provide much of our income. They are the foundation for our business. It is important that, working with our airline partners, we seek to provide the best range of services to meet their transport needs.	Our customers want our airports to be accessible; to provide a safe, secure, clean and welcoming environment, and to experience an efficient service.	The Board receives regular reports on passenger feedback, including our use of the Net Promoter Score. The Board's consideration of passenger experience includes detailed reports on the service provided to passengers who require special or additional support to access our services.
Communities and the environment	<p>Many of our colleagues and customers are drawn from local communities and the economic impact of our operations is greatest in the regions we serve.</p> <p>Noise, congestion and local air quality impacts that arise due to our operations have greatest impact on local communities, though some of the impacts of our operations, particularly impacts on the natural environment, have wider implications.</p> <p>It is vital that we understand the priorities of communities and ensure our operations take place within acceptable environmental limits. By doing so we earn our social licence to operate and grow.</p>	<p>Local communities want to share the economic success of our airports. They expect us to take all reasonable steps to reduce local impacts, including noise and emissions.</p> <p>Communities more generally are concerned by climate change and expect us to progressively reduce the emissions of our airports and work with airlines to ensure that together we play a full part in delivering the government's climate targets.</p>	The Board has established the CSR Committee to allow extensive discussion of these issues. The Board regularly considers environmental impacts, including climate risks and considers the views of local communities through an independently facilitated materiality survey.



## Strategic Report (continued)

### Statement by the Directors in Performance of their Statutory Duties in Accordance with section 172(1) Companies Act 2006 (continued)

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

By order of the Board



**J Bramall**

Director

30 September 2021

## Directors' Report

The directors present their Directors' Report and audited financial statements for the Company for the year ended 31 March 2021.

### Directors

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

C Cornish

K O'Toole (resigned 3 December 2020)

N Thompson (resigned 3 December 2020)

S Griffiths (appointed 3 December 2020)

J Bramall (appointed 3 December 2020)

### Employees

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

The Company is committed to providing equality of opportunity to all employees and potential employees. The Company gives full and careful consideration to applications for employment from all people regardless of their gender, ethnic origin, nationality, sexuality, age, disability or religious beliefs, bearing in mind the respective aptitudes and abilities of the applicant concerned. This also applies to training and promotion within the Company.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

In March 2021 the Group announced its decision to close its defined benefit pension schemes, MAG is in consultation with the relevant pension trustee committees. For more information please see the post balance sheet events note in this report on page 45.

### Diversity

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

### Consultation and communication

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. At regular intervals all employees are invited to take part in a Company-wide survey of employee views. Employees receive a written summary of the results of the survey and are given the opportunity to discuss these with their respective management teams.

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

### Research and development

The Company did not incur any research and development expenditure during the year (2020: nil).

### Political contributions

The Company made no political donations or incurred any political expenditure during the year (2020: nil).

## **Directors' Report *(continued)***

### **Financial risk management**

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

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

For more details of the management of these risks please refer to page 40 of the annual report and accounts for Manchester Airports Holdings Limited. The directors have not identified any additional risks specific to this Company.

### **Compliance with Corporate Governance Principles**

The Company considers that strong corporate governance is a core foundation for any successful company and is committed to maintaining the highest standards of corporate governance and adopting best practice as it emerges. The Company's corporate governance is aligned to that of Manchester Airports Holdings Limited (MAHL), for more detail on this please refer to page 22 of the Strategic Report and accounts for MAHL. The MAHL 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>.

### **Energy and emission performance**

MAG has reported the climate impacts of its operations for many years. An overview of energy use and emissions is published in Manchester Airports Holdings Limited Strategic Report in the annual report and accounts on page 38. We know that information about our greenhouse gas emissions is important to stakeholders and believe that providing this will support a more informed discussion about climate change. As such, alongside this year's CSR Report, we will publish a supplement providing detailed information about emissions from MAG's activities and other emissions indirectly associated with our business.

### **Business relationship engagement**

The Company has numerous stakeholders that have a business relationship with the Company, for more information on these please see the Strategic Report section of this report on page 5.

### **Going concern**

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared a going concern assessment for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its ultimate parent company, Manchester Airports Holdings Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Manchester Airports Holdings Limited not seeking repayment of the amounts currently due to the group, which at 31 March 2021 amounted to £339,108,000, and providing additional financial support during that period. Manchester Airports Holdings Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, continued support is dependent on the ability of the Manchester Airports Holdings Limited Group being able to settle its liabilities as they fall due. The directors of Manchester Airports Holdings Limited have concluded that a material uncertainty exists over the Manchester Airports Holdings Limited Group's ability to continue as a going concern as detailed in the basis of preparation on page 58 of Manchester Airports Holdings Limited annual report (approved on 8th July 2021) which is publicly available on the Company website.

## **Directors' Report** *(continued)*

### **Going concern** *(continued)*

Based on their enquiries the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

### **Dividend**

No dividends were paid in the year (2020: £nil).

### **Disclosure of information to auditor**

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

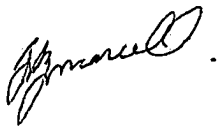
### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 1 and 2.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



**J Bramall**

Director

30 September 2021

Enterprise House  
Bassingbourn Road  
Stansted Airport  
Essex  
CM24 1QW

## **Statement of directors' responsibilities relating to the Strategic Report, the Directors' Report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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.



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## **Independent auditor's report to the members of Stansted Airport Limited**

### **Opinion**

We have audited the financial statements of Stansted Airport Limited ("the Company") for the year ended 31 March 2021 which comprise the Statement of Financial Position, Income Statement, Other Comprehensive Income, Statement of Changes in Equity and related notes including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Material uncertainty related to going concern**

We draw attention to note 1 to the financial statements which indicates that the Company's ability to continue as a going concern is dependent on the continued financial support from its ultimate parent company, Manchester Airports Holdings Limited. The financial statements of Manchester Airports Holdings Limited include a material uncertainty related to going concern and therefore the availability of support may be in doubt if required. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### **Going concern basis of preparation**

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

Based on our financial statements audit work, we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

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

#### *Identifying and responding to risks of material misstatement due to fraud (continued)*

- Enquiring of directors and other management as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

## **Independent auditor's report to the members of Stansted Airport Limited (continued)**

### *Identifying and responding to risks of material misstatement due to fraud (continued)*

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as going concern, impairment of non-financial assets, investment property valuation and pension liability assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is a reduced incentive for management to make inappropriate accounting entries as the Group Remuneration Committee have taken the decision to suspend all remuneration schemes in 2021 and 2022 whilst the Company responds to the challenges posed by the COVID-19 pandemic.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted at the request of senior management, those posted to revenue with an opposing unusual account and those posted to treasury with an opposing unusual account.
- Assessing significant accounting estimates for bias.

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

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

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

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

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

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

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

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

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

## **Independent auditor's report to the members of Stansted Airport Limited (*continued*)**

### **Strategic Report and Directors' Report**

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

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

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

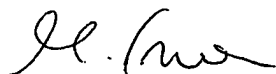
### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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



**Michael Froom (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

1 St Peter's Square

Manchester

M2 3AE

30 September 2021



## Income statement

for the year ended 31 March 2021

	<i>Note</i>	<b>2021</b>	2020
		<b>£000</b>	£000
<b>Revenue</b>	2	<b>66,054</b>	365,221
Operating costs	3	(228,993)	(259,790)
Other income - government grants	3	<b>29,118</b>	-
<b>Operating (loss)/profit before significant items</b>		<b>(133,821)</b>	105,431
Significant items	3	(21,171)	(4,342)
<b>Operating (loss)/profit</b>		<b>(154,992)</b>	101,089
Gains and losses on sales and valuation of investment properties	12	<b>304</b>	(468)
Interest receivable and similar income	7	<b>6,554</b>	6,435
Interest payable and similar charges	8	-	(600)
<b>(Loss)/Profit before taxation</b>		<b>(148,134)</b>	106,456
Taxation	9	<b>47,240</b>	(26,577)
<b>(Loss)/Profit for the financial year</b>		<b>(100,894)</b>	79,879

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

The notes on pages 19 to 46 form an integral part of these financial statements.

## Other comprehensive income

for the year ended 31 March 2021

	<i>Note</i>	<b>2021</b> <b>£000</b>	2020 £000
<b>(Loss)/Profit for the year</b>		<b><u>(100,894)</u></b>	<b><u>79,879</u></b>
<b>Other comprehensive (expense)/income</b>			
Remeasurement of the net defined benefit (asset)/liability	24	<b>(3,500)</b>	20,700
Income tax on other comprehensive (expense)/income	9	<b>703</b>	(5,168)
Effect of change in rate of corporation tax on deferred tax	9	<b>-</b>	496
<b>Other comprehensive (expense)/income for the year, net of income tax</b>		<b><u>(2,797)</u></b>	<b><u>16,028</u></b>
<b>Total comprehensive (expense)/income for the year</b>		<b><u><u>(103,691)</u></u></b>	<b><u><u>95,907</u></u></b>

The notes on pages 19 to 46 form an integral part of these financial statements.

## Statement of financial position

at 31 March 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
<b>Non-current assets</b>					
Intangible assets	11		10,591		436
Tangible assets	10		848,550		890,158
Investment properties	12		66,810		38,807
Deferred tax asset	18		14,098		-
Pension surplus	24		-		2,700
			<u>940,049</u>		<u>932,101</u>
<b>Current Assets</b>					
Inventories	13	971		1,697	
Trade and other receivables	14	405,561		666,455	
Cash at bank and in hand		<u>345</u>		<u>6,844</u>	
		<u>406,877</u>		<u>674,996</u>	
<b>Current Liabilities</b>					
Bank overdraft		(2,937)		-	
Trade and other payables	15	(375,663)		(529,807)	
Deferred income		(2,849)		(5,011)	
Provisions		<u>(2,058)</u>		<u>-</u>	
		<u>(383,507)</u>		<u>(534,818)</u>	
<b>Net current assets</b>			<u>23,370</u>		<u>140,178</u>
<b>Total assets less current liabilities</b>			<u>963,419</u>		<u>1,072,279</u>
<b>Non-current liabilities</b>	17		(4,318)		(6,600)
<b>Provision for liabilities</b>					
Deferred tax	18	(30,215)		(34,401)	
Pension liabilities	24	<u>(1,300)</u>		<u>-</u>	
			<u>(31,515)</u>		<u>(34,401)</u>
<b>Net Assets</b>			<u>927,586</u>		<u>1,031,278</u>
<b>Capital &amp; Reserves</b>					
Called up share capital	19		503,900		503,900
Retained earnings	20		<u>423,686</u>		<u>527,378</u>
<b>Shareholders' funds</b>			<u>927,586</u>		<u>1,031,278</u>

The notes on pages 19 to 46 form an integral part of these financial statements.

These financial statements of Stansted Airport Limited, registered number 01990920, were approved by the Board of directors on 30 September 2021 and were signed on its behalf by:



**J Bramall**  
Director

**Statement of changes in equity**  
*at 31 March 2021*

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 April 2020	503,900	527,377	1,031,277
<b>Total comprehensive expense for the year</b>			
Loss for the year	-	(100,894)	(100,894)
Other comprehensive expense	-	(2,797)	(2,797)
<b>Total comprehensive expense for the year</b>	-	(103,691)	(103,691)
<b>Balance at 31 March 2021</b>	<b>503,900</b>	<b>423,686</b>	<b>927,586</b>

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 April 2019	503,900	431,470	935,370
<b>Total comprehensive income for the year</b>			
Profit for the year	-	79,879	79,879
Other comprehensive income	-	16,028	16,028
<b>Total comprehensive income for the year</b>	-	95,907	95,907
<b>Balance at 31 March 2020</b>	<b>503,900</b>	<b>527,377</b>	<b>1,031,277</b>

The notes on pages 19 to 46 form an integral part of these financial statements.

## Notes to the financial statements

### 1 Accounting policies

Stansted Airport Limited (the 'Company') is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 01990920 and the registered address is Enterprise House, Bassingbourn Road, Stansted Airport, Essex, CM24 1QW.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ('FRS 102'). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Manchester Airports Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Manchester Airports Holdings Limited, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, are available to the public, and may be obtained from Olympic House, Manchester Airport, M90 1QX.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 relating to the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Manchester Airports Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available relating to the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues relating to financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis with the exception of certain assets and liabilities, namely investment properties and defined benefit scheme assets and liabilities, which are stated at their fair value at each statement of financial position date.

#### 1.2 Basis of preparation and going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared a going concern assessment for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its ultimate parent company, Manchester Airports Holdings Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Manchester Airports Holdings Limited not seeking repayment of the amounts currently due to the group, which at 31 March 2021 amounted to £339,108,000, and providing additional financial support during that period. Manchester Airports Holdings Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, continued support is dependent on the ability of the Manchester Airports Holdings Limited Group being able to settle its liabilities as they fall due. The directors of Manchester Airports Holdings Limited have concluded that a material uncertainty exists over the Manchester Airports Holdings Limited Group's ability to continue as a going concern as detailed in the basis of preparation on page 58 of Manchester Airports Holdings Limited annual report (approved on 8th July 2021) which is publicly available on the Company website.

Based on their enquiries the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### 1.3 Foreign currency

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

#### 1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### 1.4 Classification of financial instruments issued by the Company *(continued)*

- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.
- (b)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium exclude amounts in relation to those shares.

#### 1.5 Basic financial instruments

##### *Trade and other receivables/payables*

Trade and other receivables are recognised initially at transaction price less attributable transaction costs. Trade and other payables are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade receivables. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments, discounted at a market rate of interest for a similar debt instrument.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### 1.6 Revenue

Revenue, which excludes value added tax, represents amounts received and receivable by the Company for services provided in the normal course of business, rent receivable and income from commercial concessions.

The Company recognises revenue when: (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the services; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

The following revenue recognition criteria apply to the Company's main income streams:

- 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;
- Aircraft parking charges based upon a combination of weight and time parked, are recognised at point of departure;
- Car parking income is recognised at the point of exit for turn-up short and long stay parking. Contract parking and pre-book parking is recognised over the year to which it relates on a straight-line basis;
- Concession income from retail and commercial concessionaries is recognised in the year to which it relates on the accruals basis;
- Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term; and
- Development profits are recognised upon legal completion of contracts.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### 1.7 Tangible fixed assets

Tangible fixed assets constitute the Company's operational asset base including 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. Fixed assets are stated at cost or deemed cost less accumulated depreciation. Cost includes directly attributable own labour.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

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

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

The estimated useful lives are as follows:

Freehold land and property	-	Indefinite
Other land and buildings	-	10 - 50 years
Runways, taxiways and aprons	-	10 - 75 years
Main services	-	7 - 50 years
Plant and machinery	-	5 - 25 years
Motor vehicles	-	3 - 7 years
Fixtures, fittings, tools and equipment	-	5 - 10 years

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

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

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

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



## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### 1.8 Intangible assets

##### *Research and development*

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

##### *Purchased intangible assets (software costs)*

Intangible assets held by the Company relate to purchased operating and financial software. These assets are amortised straight line over 5 to 10 years. If there are indications of impairment in the carrying value then the recoverable amount is estimated and compared to the carrying amount.

#### 1.9 Government grants

Capital based government grants are included within accruals and deferred income in the statement of financial position and credited to the income statement over the expected useful lives of the assets to which they relate. The Company have adopted the accruals model for recognition of income.

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

#### 1.10 Investment property

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the income statement in the year that they arise; and
- ii. no depreciation is provided relating to investment properties applying the fair value model.

All investment properties are valued by an independent property valuer as at the statement of financial position date. These valuations were prepared in accordance with the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors.

#### 1.11 Inventories

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

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

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

## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### 1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### 1.13 Impairment excluding stocks, investment properties and deferred tax assets

##### *Financial assets (including trade and other receivables)*

A financial asset not carried at fair value through the income statement is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss relating to a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between an asset's carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the income statement. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than investment property and deferred tax 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. 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. 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').

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised relating to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

#### 1.14 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, and defined benefit and defined contribution pension plans.

##### *Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the year in which the service is received.

## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### 1.14 Employee benefits (*continued*)

##### *Defined contribution plans and other long-term employee benefits*

The Company operates a defined contribution pension scheme for all qualifying employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the years during which services are rendered by employees. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Company, in independently administered funds.

##### *Defined benefit plans*

The Company participates in a defined benefit pension scheme. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The liability recognised in the statement of financial position relating to the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and have terms approximating the estimated year of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the income statement as employee costs except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the year; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

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

##### *Annual bonus plan*

The Company operates a number of annual bonus plans for employees. An expense is recognised in the income statement when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

#### 1.15 Expenses

##### *Operating leases*

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

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

##### *Interest receivable and interest payable*

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

## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### 1.16 Significant items

Significant items are material items of income and expense that, because of the unusual nature or frequency of the events giving rise to them, merit separate presentation to allow an understanding of the Company's underlying financial performance.

Such items include impairment of assets, major reorganisation of businesses, and integration costs associated with significant acquisitions.

#### 1.17 Taxation

Tax on the income statement for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable relating to previous years.

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

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

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

#### 1.18 Critical accounting estimates and judgements

In applying the Company's accounting policies, the Company has made estimates and judgements concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may, however, differ from the estimates calculated and management believe that the following are the more significant judgement affecting these financial statements.

##### **Judgements**

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

##### **Pensions**

The pension liability calculations at 31 March 2021 were carried out by PwC. Certain assumptions have been adopted for factors that determine the valuation of the Company's liability for pension obligations at the year end, as well as future returns on pension scheme assets and charges to the income statement. The factors have been determined in consultation with the Company's independent actuary, taking into account market and economic conditions.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### 1.18 Critical accounting estimates and judgements *(continued)*

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 Company'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 other comprehensive expense/income. Further details are available in Note 24.

#### *Going concern*

The impact of COVID-19 has resulted in the group of companies headed by Manchester Airports Holdings Limited ("the Group") obtaining waivers from the requirements to perform loan covenant testing and obtain additional shareholder funding to ensure that the Company, supported by the Group, has adequate headroom going forward.

The directors of Stansted Airport have evaluated whether the actions of the Group, coupled with further mitigating actions that the Company and the Group can undertake are sufficient to ensure that the Company will continue as a going concern for plausible future trading scenarios reflecting the likely timing and rate of recovery of the sector.

By virtue of the directors concluding that the Group will be able to continue as a going concern, the directors have concluded to regard Stansted Airport as a going concern for the purpose of these financial statements. The going concern assessment of the Group is outlined at page 50 of the Manchester Airport Holdings Limited Annual Report and the going concern assessment of Stansted Airport is on page 20 of these financial statements.

#### *Assumptions and estimation uncertainty*

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

#### *Carrying value of non-financial assets*

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

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

The Company 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 Company's going concern assessment. These projections considered the timing and rate of recovery to pre-COVID-19 activity levels. For impairment purposes long-term projections beyond the 5-year business plan time horizon were based upon long-term growth rates. Downside scenarios included low-growth assumptions in considering risks around recoverability of the assets carrying value.

#### *Investment properties*

Investment properties were valued at fair value at 31 March 2021 by Savills plc and by Fisher German. The valuations were prepared in accordance with FRS 102 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.

## Notes to the financial statements (*continued*)

### 2 Analysis of revenue

	2021	2020
	£000	£000
<i>By activity:</i>		
Aviation income	28,260	156,056
Retail concessions	7,241	80,704
Car parking	14,601	94,157
Property and property related income	5,182	4,759
Other revenue	10,770	29,545
	<u>66,054</u>	<u>365,221</u>

All of the Company's revenue arises in the United Kingdom and details of the revenue generated by each of the Company's key activities are disclosed above.

### 3 Notes to the income statement

	2021	2020
	£000	£000
<i>Profit before taxation is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets	50,727	52,006
Amortisation of intangible assets	316	-
Hire of plant and machinery – operating leases	871	745
Hire of other assets – operating leases	12,229	11,989
Other income - government grants	(29,118)	-
Significant items	<u>21,171</u>	<u>4,342</u>

During the current year, fellow Group Company MAG Airport Limited has recharged to the Company costs totalling £7,158,000 that were incurred in the year ended 31 March 2020. This amount is expensed in the current year in addition to management recharges in the current year.

#### *Auditor's remuneration*

Amounts receivable by the Company's auditor and the auditor's associates relating to services to the Company have been borne by the Company's ultimate parent, Manchester Airports Holdings Limited. The proportion of the consolidated fee applicable to the Company is £103,000 (2020: £91,000).

#### *Government grants*

In year the Company received Government support as a result of the COVID-19 pandemic, £21,118,000 in support from the Coronavirus Job Retention Scheme and £8,000,000 from the Airport and Ground Operations Scheme. As at the year end there were no unfulfilled obligations relating to these schemes.

#### *Significant items*

Significant items of £21,171,000 (2020: £4,342,000) include: restructuring costs of £17,159,000, non-core property disposal and dilapidations (£1,452,000), a pension costs in relation to the transfer of employees from the Company's defined benefit scheme to a defined contribution scheme (£1,660,000) and £900,000 other exceptional one off costs in the year.

## Notes to the financial statements *(continued)*

### 4 Remuneration of directors

C Cornish, K O'Toole, N Thompson, and J Bramall were directors of Manchester Airports Holdings Limited during the year, and their aggregate remuneration is disclosed in that company's consolidated financial statements. S Griffiths was also a director of Stansted Airport Limited during the year, but not a director in MAHL. The proportion of their aggregate remuneration applicable to the Company based on services provided, is £1,835,000 (2020: £1,088,000).

### 5 Staff numbers and costs

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

	Number of employees	
	2021 £000	2020 £000
Operational	1,508	1,742
Management and administrative	148	130
	<u>1,656</u>	<u>1,872</u>

The average number of employees has been calculated for both 2021 and 2020 to reflect full-time equivalents (FTEs) employees as opposed to actual headcount.

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	68,654	78,582
Social security costs	4,775	7,627
Other pension costs	7,235	9,517
	<u>80,664</u>	<u>95,726</u>

The reduction in employee benefit costs is directly linked to the Airports response to the COVID-19 pandemic and the cost mitigating actions put into immediate effect including; a 10% pay reduction for 12 months to 1 April 2021 for all MAG employees and an organisational restructure, with the restructuring costs being disclosed within significant items, see note 3.

During the year, the Company received £21,118,000 of government grant income through the Coronavirus Job Retention Scheme, which is disclosed separately within "other income - government grants" within the income statement. The total employee costs net of these grants is £59,545,000.

### 6 Other income - government grants

	2021 £000	2020 £000
Coronavirus Job Retention Scheme	21,118	-
Airport Groundworker and Operator Support Scheme	8,000	-
	<u>29,118</u>	<u>-</u>

## Notes to the financial statements *(continued)*

### 7 Interest receivable and similar income

	2021	2020
	£000	£000
Interest income from group undertakings (see note 14)	6,434	6,435
Interest income on net defined benefit asset	100	-
Other interest receivable	20	-
	<u>6,554</u>	<u>6,435</u>

Interest income is receivable on a loan provided to fellow group company Manchester Airport Group Investments Limited (MAGIL). Annual interest due to Stansted is 5.19% simple interest on the balance owed which is disclosed in note 13 of the financial statements. For the year ended 31 March 2021 the related interest income is £6,434,000 (2020: £6,435,000).

### 8 Interest payable and similar charges

	2021	2020
	£000	£000
Interest expense on net defined benefit liabilities	-	600
	<u>-</u>	<u>600</u>

### 9 Taxation

#### *Total tax (credit)/expense recognised in the income statement*

	2021	2021	2020	2020
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on (loss)/profit for the year	(9,527)		23,025	
Adjustments relating to prior years	<u>(20,133)</u>		<u>(612)</u>	
Total current tax (credit)/expense		(29,660)		22,413
<i>Deferred tax</i>				
Origination/reversal of timing differences	(13,589)		363	
Adjustment relating to prior years	(3,991)		266	
Effect of change in rate of corporation tax	<u>-</u>		<u>3,535</u>	
Total deferred tax (credit)/expense		<u>(17,580)</u>		<u>4,164</u>
Total tax (credit)/expense		<u>(47,240)</u>		<u>26,577</u>

#### *Total tax (credit)/expense recognised in other comprehensive income*

	2021	2020
	£000	£000
<i>Deferred tax</i>		
Origination/reversal of timing differences	(703)	5,168
Effect of change in rate of corporation tax	<u>-</u>	<u>(496)</u>
Total tax (credit)/expense included in other comprehensive income	<u>(703)</u>	<u>4,672</u>



## Notes to the financial statements (continued)

### 9 Taxation (continued)

#### Total tax (credit)/expense included in the income statement, other comprehensive income and equity

	2021 Current tax £000	2021 Deferred tax £000	2021 Total tax £000	2020 Current tax £000	2020 Deferred tax £000	2020 Total tax £000
Recognised in the income statement	(29,660)	(17,580)	(47,240)	22,413	4,164	26,577
Recognised in other comprehensive income	-	(703)	(703)	-	4,672	4,672
Total tax (credit)/expense	<u>(29,660)</u>	<u>(18,283)</u>	<u>(47,943)</u>	<u>22,413</u>	<u>8,836</u>	<u>31,249</u>

#### Reconciliation of effective tax rate

	2021 £000	2020 £000
<i>Current tax reconciliation</i>		
(Loss)/Profit for the year	(100,894)	79,879
Total tax (credit)/expense	<u>(47,240)</u>	<u>26,577</u>
(Loss)/Profit before tax	<u>(148,134)</u>	<u>106,456</u>
(Loss)/Profit before tax multiplied by the standard rate of corporation tax of 19% (2020: 19%)	(28,146)	20,227
<i>Effects of:</i>		
Expenses not deductible <sup>1</sup>	4,429	5,503
Income not taxable <sup>1</sup>	(904)	(1,292)
Effect of lower than standard rate used for deferred tax movements	-	-
Effect of change in rate of corporation tax	-	3,535
Adjustments to current tax charge relating to prior years	(20,133)	(612)
Adjustments to deferred tax charge relating to prior years	(3,991)	266
Group relief claimed	<u>1,504</u>	<u>(1,050)</u>
Total tax (credit)/expense included in income statement	<u>(47,240)</u>	<u>26,577</u>

<sup>1</sup>Expenses not deductible and income not taxable relate predominantly to depreciation on non-qualifying assets and interest.

The unrecognised deferred tax assets as at 31 March 2021 were £nil (2020: £nil)

#### Factors that may affect future current and total tax charges

The UK corporation tax rate of 19% (effective 1 April 2020). The deferred tax asset and liability amounts at 31 March 2021 have been calculated at 19% (2020: 19%). In the 3 March 2021 budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. If this rate change had been substantively enacted at the current balance sheet date the net deferred tax liability would have increased by £5,090,000 to £21,207,000.

#### Prior year adjustments

The prior year tax movements primarily relate to changes in assumptions regarding FY20 profit levels, including the impact of capital allowances, utilisation of FY21 losses and group relief.

## Notes to the financial statements *(continued)*

### 10 Tangible fixed assets

	Freehold land and property	Other land and buildings	Airport infrastructure	Plant, fixtures and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At beginning of year	-	25,386	1,423,563	159,224	144,579	1,752,752
Additions	-	-	-	-	20,385	20,385
Reclassification from assets in the course of construction	-	(150)	12,069	8,570	(20,489)	-
Reclassification to intangible assets (see note 11)	-	-	-	(2,564)	(9,270)	(11,834)
Disposals	-	(125)	(2,053)	(19)	-	(2,197)
At end of year	-	25,111	1,433,579	165,211	135,205	1,759,106
<b>Depreciation</b>						
At beginning of year	-	7,593	750,813	104,188	-	862,594
Reclassification to intangible assets (see note 11)	-	-	-	(1,724)	-	(1,724)
Charge for the year	-	423	40,791	9,513	-	50,727
Disposals	-	(109)	(918)	(14)	-	(1,041)
At end of year	-	7,907	790,686	111,963	-	910,556
<b>Net book value</b>						
At 31 March 2021	-	17,204	642,893	53,248	135,205	848,550
At 31 March 2020	-	17,793	672,750	55,036	144,579	890,158

#### *Impairment review*

During the year ended 31 March 2021, management have carried out an impairment review of the fixed assets, including the useful economic lives of assets.

Additional depreciation of £2,258,000 has been recognised in the year, due to the expected replacement date of the assets occurring prior to the original estimated useful life. The additional depreciation ensures the net book value of the existing assets will be nil by the date of replacement. The £2,258,000 consists of, £1,785,000 of runway surface assets due to be replaced by June 2022, and £473,000 of baggage handling assets.

Additionally, a write-off of £1,152,000 has been recognised in the income statement in the year, to eliminate the carrying value of assets disposed of as a result of the Group's sale of its non-core property portfolio. Details of the full impairment review performed during the year are provided at note xx.

As well as the above exercise, management compared the closing net book value of tangible fixed assets to the value in use of the Company as part of the year end impairment exercise and concluded that no impairment was required.

#### *Transfers to intangible assets*

During the year, management performed a review of the categorisation of fixed assets and deemed £10,110,000 (net of depreciation) of software assets to be intangible in nature.

## Notes to the financial statements *(continued)*

### 11 Intangible assets

	Other intangible assets £000	Software costs £000	Total £000
<b>Cost</b>			
At beginning of the year	436	-	436
Reclassifications from property, plant and equipment (see note 10)	-	11,834	11,834
Additions	361	-	361
At end of year	<u>797</u>	<u>11,834</u>	<u>12,631</u>
<b>Amortisation</b>			
At beginning of the year	-	-	-
Reclassifications from property, plant and equipment (see note 10)	-	1,724	1,724
Charge for the year	-	316	316
At end of the year	<u>-</u>	<u>2,040</u>	<u>2,040</u>
<b>Net book value</b>			
At 31 March 2021	<u>797</u>	<u>9,794</u>	<u>10,591</u>
At 31 March 2020	<u>436</u>	<u>-</u>	<u>436</u>

#### *Other intangible assets*

The intangible assets relate to capitalised costs of £797,000 (2020: £436,000) in relation to the Government's Airspace Modernisation Strategy.

As at the year end, these assets remain under development and are therefore not being amortised.

#### *Software costs*

£9,794,000 of capitalised computer software costs principally relates to operating and financial software. During the year, £10,110,000 of such assets (net of amortisation) were reclassified from property, plant and equipment to better reflect the nature of the assets.

As at 31 March 2021, £9,270,000 of these assets relate to ongoing design and configuration of new Company operating and financial software. Amortisation will begin on these assets when they are fully integrated into existing Company systems, and management believe this will occur within the next 12 months.

#### *Impairment review*

Management compared the closing net book value of intangible fixed assets to the value in use of the Company as part of the year end impairment exercise and concluded that no impairment was required.

## Notes to the financial statements (*continued*)

### 12 Investment properties

	<b>Investment properties £000</b>
Balance at 1 April 2020	38,807
Transfers from group companies	27,699
Movement in fair value of investment properties	304
<b>Net book value</b>	<b>66,810</b>
Historical cost net book value	<b>30,105</b>

The fair value of the Company's commercial investment property at 31 March 2021 has been arrived at on the basis of a valuation carried out at that date by Savills plc. Fisher German were responsible for the valuation of residential properties and agricultural land at 31 March 2021. The valuers are independent and are not connected with the Company. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods. The independent investment property valuations have been reported on the basis of 'material uncertainty', consequently, less certainty, and a higher degree of caution should be attached to the valuation than would normally be the case.

The existing use value of land and buildings includes notional directly attributable acquisition costs. The open market value of land and buildings is determined before the deduction of expected selling costs.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in the revenue accounting policy on page 21.

Gains on sale and valuation of investment properties is reported in the income statement. A gain of £304,000 was recorded in the year (2020: £468,000 loss). This is comprised of £304,000 in valuation gains (2020: £468,000 loss), and profits on sale of £nil (2020: £nil).

#### *Valuation techniques - commercial properties*

- Investment property – the investment property valuations have 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.

#### *Valuation techniques - residential properties*

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

### 13 Inventories

	<b>2021 £000</b>	<b>2020 £000</b>
Raw materials and consumables	971	1,697
	<b>971</b>	<b>1,697</b>

## Notes to the financial statements *(continued)*

### 14 Trade and other receivables

	2021	2020
	£000	£000
Trade receivables	4,588	22,427
Amounts owed by group undertakings – interest bearing	123,965	123,965
Amounts owed by group undertakings	264,210	509,818
Other receivables	10,133	1,026
Prepayments and accrued income	2,665	9,219
	<u>405,561</u>	<u>666,455</u>

Amounts owed by group undertakings of £264,210,000 (2020: £509,818,000) are unsecured, interest free and are repayable on demand. Whilst each counterparty does not intend to seek repayment of amounts owed, management intend to settle amounts due to Group undertakings as part of a group-wide settlement exercise within the next 12 months.

Amounts owed by group undertakings - interest bearing of £123,965,000 (2020: £123,965,000), represents a loan due from Manchester Airport Group Investments Limited (MAGIL) (originally due from Manchester Airport Group Investment Assets Limited (MAGIAL) transferred to MAGIL in the Group sale of Property Portfolio). The initial loan is equal to the fair value of investment properties transferred from Stansted Airport Limited to MAGIAL in 2018, and the annual simple interest accruing from the start of 2019 equates to 5.19%. In 2021, the related interest income is £6,433,783 (2020: £6,435,000). The repayment terms of the loan can be set with the agreement of both parties. Whilst each counterparty does not intend to seek repayment of amounts owed, management intend to settle amounts due to Group undertakings as part of a group-wide settlement exercise within the next 12 months.

Other receivables of £10,133,000 (2020: £1,026,000) include £8,000,000 of Airport and Ground Operations Support Scheme income receivable, £1,362,000 of Coronavirus Job Retention Scheme income receivable, £696,000 insurance provision debtor and £74,000 of other receivable balances.

### 15 Trade and other payables

	2021	2020
	£000	£000
Trade payables	5,953	16,881
Amounts owed to group undertakings	339,108	433,966
Taxation and social security (includes corporation tax)	363	26,095
Other payables	208	807
Accruals	29,087	52,058
Capital-based grants	944	-
	<u>375,663</u>	<u>529,807</u>

Amounts owed to group undertakings of £339,108,000 (2020: £433,966,000) are unsecured, interest-free and repayable on demand. Whilst each counterparty does not intend to seek repayment of amounts owed, management intend to settle amounts due to Group undertakings as part of a group-wide settlement exercise within the next 12 months.

## Notes to the financial statements *(continued)*

### 16 Provisions

	<b>Provisions</b>
	<b>£000</b>
1 April 2020	-
Transfer from accruals	1,717
Charged to income statement	341
<b>31 March 2021</b>	<b>2,058</b>
Current	2,058
Non-Current	-
<b>31 March 2021</b>	<b>2,058</b>

The provisions balance relates to restructuring, potential insurance claims liabilities from incidents which have occurred at Stansted Airport and immaterial provisions recognised by the Company.

### 17 Non-current liabilities

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Capital based grants	4,318	6,600
	<b>4,318</b>	<b>6,600</b>

### 18 Deferred tax assets and liabilities

	<b>Differences between accumulated depreciation and capital allowances</b>	<b>Short term timing differences</b>	<b>Deferred tax on investment properties</b>	<b>Deferred tax asset on pension liability</b>	<b>Tax losses</b>	<b>Net tax assets/ (liabilities)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2020	(26,599)	(214)	(7,132)	(456)	-	(34,401)
(Charge)/credit to income statement	3,594	(36)	172	-	13,851	17,581
Credit to equity/other comprehensive income	-	-	-	703	-	703
<b>At 31 March 2021</b>	<b>(23,005)</b>	<b>(250)</b>	<b>(6,960)</b>	<b>247</b>	<b>13,851</b>	<b>(16,117)</b>

## Notes to the financial statements *(continued)*

### 18 Deferred tax assets and liabilities *(continued)*

	Differences between accumulated depreciation and capital allowances	Short term timing differences	Deferred tax on investment properties	Deferred tax liability on pension asset	Tax losses	Net tax assets/ (liabilities)
	£000	£000	£000	£000	£000	£000
At 1 April 2019	(23,116)	(205)	(6,460)	4,216		(25,565)
(Charge)/credit to income statement	(3,483)	(9)	(672)	-	-	(4,164)
Credit to equity/other comprehensive income	-	-	-	(4,672)	-	(4,672)
<b>At 31 March 2020</b>	<b>(26,599)</b>	<b>(214)</b>	<b>(7,132)</b>	<b>(456)</b>	<b>-</b>	<b>(34,401)</b>

	2021 £000	2020 £000
Deferred tax assets	14,098	-
Deferred tax liabilities	(30,215)	(34,401)
	<b>(16,117)</b>	<b>(34,401)</b>

The unrecognised deferred tax assets as at 31 March 2021 were £nil (2020: £nil)

#### *Factors that may affect future current and total tax charges*

The UK corporation tax rate of 19% (effective 1 April 2020). The deferred tax asset and liability amounts at 31 March 2021 have been calculated at 19% (2020: 19%). In the 3 March 2021 budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. If this rate change had been substantively enacted at the current balance sheet date the net deferred tax liability would have increased by £5,090,000 to £21,207,000.

#### *Prior year adjustments*

The prior year tax movements primarily relate to changes in assumptions regarding FY20 profit levels, including the impact of capital allowances, utilisation of FY21 losses and group relief.

### 19 Called up share capital

	2021 £000	2020 £000
<i>Issued, called up and fully paid</i>		
503,900,002 Ordinary shares of £1 each	503,900	503,900
	<b>503,900</b>	<b>503,900</b>

## Notes to the financial statements *(continued)*

### 20 Reserves

	<b>Retained Earnings £000</b>
<b>2021</b>	
At 1 April 2020	527,377
Loss for the year after taxation	(100,894)
Remeasurement of the net defined benefit asset (net of taxation)	(2,797)
<b>At 31 March 2021</b>	<b>423,686</b>
	<b>Retained Earnings £000</b>
<b>2020</b>	
At 1 April 2019	431,472
Profit for the year after taxation	79,879
Remeasurement of the net defined benefit liability (net of taxation)	16,027
<b>At 31 March 2020</b>	<b>527,378</b>

### 21 Contingent liabilities

Under the Common Terms Agreement signed on 14 February 2014, the Company and a number of its fellow subsidiaries have entered into a security agreement with the Group's bondholders and banks. The bonds and bank loans are secured by a fixed and floating charge over substantially all of the Group's assets. The total amount outstanding under this agreement at 31 March 2021 is £1,920.8m (2020: £1,923.3m).

### 22 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	<b>2021 £000</b>	<b>2020 £000</b>
Contracted	<b>6,009</b>	10,450

Committed capital spend relates to future development costs set to be incurred in purchasing of plant, property and equipment, upgrading the airport infrastructure and land and buildings improvements.



## Notes to the financial statements *(continued)*

### 23 Operating lease arrangements

#### *Leases as lessee*

At 31 March 2021 the Company has commitments under non-cancellable operating leases which expire as follows:

	2021	2021	2020	2020
	Land and	Plant,	Land and	Plant,
	buildings	fixtures	buildings	fixtures and
		and		equipment
	£000	equipment	£000	£000
Operating leases which expire:				
Within one year	663	12,100	663	10,725
In the second to fifth years inclusive	2,961	48,038	2,653	42,492
Over five years	1,316	606,959	1,858	634,309
	<u>4,940</u>	<u>667,097</u>	<u>5,174</u>	<u>687,526</u>

#### *Commitments under contractual obligations*

A significant portion of the commitments classified as 'plant, fixtures and equipment' relate to an electricity distribution agreement with UK Power Networks. The amounts disclosed within the table are the minimum amounts payable (base fee) under the agreement and have been discounted at the Group's incremental borrowing rate.

#### *Commitments under contractual obligations continued*

As noted above, the Company has a commitment relating to an electricity distribution agreement with UK Power Networks (formerly EDF Energy Plc). The total amount payable on the lease is a base fee of £8,600,000 (included within the table above and increasing with inflation), plus a volume and recharge element adjusted annually for inflation. The total amount charged to operating profit in the year is £11,600,000 (2020: £11,300,000). The lease expires in 2083.

#### *Leases as lessor*

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2021	2020
	£000	£000
Less than one year	2,284	1,291
Between one and five years	3,710	377
More than five years	<u>6,820</u>	<u>5,353</u>
	<u>12,814</u>	<u>7,021</u>

### 24 Pension scheme

#### *Defined contribution pension scheme*

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £2,932,000 (2020: £3,484,000).

Contributions amounting to £nil (2020: £nil) were payable to the scheme at the year end and are included in payables.

## Notes to the financial statements (*continued*)

### 24 Pension scheme (*continued*)

#### ***Defined benefit scheme – MAG (STAL) Pension Scheme***

On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. A condition of the purchase was that a new defined benefit pension scheme was set up to provide comparable benefits to those employees who had previously participated in the BAA pension scheme prior to the acquisition. Current employees transferred their accrued benefits to the MAG (STAL) Pension Scheme, but no liability for pensioners or deferred members was transferred. The last full actuarial valuation of the M.A.G (STAL) pension scheme was carried out by the scheme actuary on 30 September 2019. The aggregate market value of the assets in the scheme at the date of that actuarial valuation was £198.8m (previous valuation £153.4m), which represented approximately 89.3% (previous valuation 87.9%) of the present value of the liabilities. The scheme was valued using the projected unit method.

#### **Guaranteed Minimum Pension (GMP) Equalisation**

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

#### **Consultation to close Defined Benefit Pension Scheme to Future Accruals**

During FY21 MAG has consulted with the members of the defined benefit pension schemes regarding whether the schemes should be closed to future pension accruals. Following the outcome of the consultation MAG's current intention of closing the schemes to future accrual during FY22 was communicated to the members in March 2021. MAG will undertake the process of agreeing the path to closure with the relevant stakeholders in FY22. As the threshold required by FRS 102 has not yet been met, no adjustment has been made in relation to the scheme closures in the accounts for the year ended 31 March 2021.

#### **RPI Inflation Reform**

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

The numerical disclosure provided below for the defined benefit schemes is based on the most recent actuarial valuations disclosed above, which have been updated by independent qualified actuaries to take account of the requirements of FRS 102.

## Notes to the financial statements *(continued)*

### 24 Pension scheme *(continued)*

The key assumptions used are as follows:

	MAG (STAL)	
	2021	2020
Rate of increase in salaries	3.00%	2.50%
Rate of increase of pensions in payment	2.00%	1.55%
Discount rate	2.00%	2.35%
Inflation assumption	2.30%	1.55%
<b>Life expectancy from 65</b>		
Longevity at age 65 for current pensioners		
Males	21.5 years	21.5 years
Females	23.5 years	23.5 years
Longevity at age 45 for current members		
Males	22.5 years	22.5 years
Females	24.7 years	24.7 years

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

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

## Notes to the financial statements (*continued*)

### 24 Pension scheme (*continued*)

#### Risk and risk management

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

Asset volatility	For the purpose of setting the contribution requirements, the calculation uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio - whereas under FRS 102 (R), the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. GMPF, MAG (STAL) and EMIA hold a significant proportion of their assets in return-seeking funds. The returns on these assets may be volatile and are not closely correlated to the value placed on the liabilities. This means that the deficit may be volatile in the shorter term, which may result in an increase in the contribution requirements and an increase in the net defined liability recorded on the statement of financial position. However, the Group believes that return-seeking assets offer an appropriate level of return over the long term for the level of risk that is taken. Furthermore, the schemes' other assets are well-diversified by investing in a range of asset classes, including diversified growth funds, government bonds and corporate bonds.
Changes in bond yields	A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in the scenario the schemes' investment in corporate and government bonds is expected to increase and therefore offset some of the increase in the value placed on the liabilities.
Inflation risk	The majority of the schemes' benefit obligations are linked to inflation and higher outturn levels of inflationary increases are in place to protect the benefits against extreme inflation. Inflation will lead to a higher benefit obligation (although in most cases caps on the majority of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature e.g. corporate bonds and government bonds, or have an indirect link to inflation e.g. equities).
Life expectancy	The majority of the schemes' obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy. The mortality rate is based on publicly available mortality tables for the specific country. COVID-19 has caused a short term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of COVID-19 on long term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long COVID" along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. Overall, the Group believes there is insufficient evidence to require an explicit adjustment to the mortality assumption for COVID-19 at this time.

## Notes to the financial statements *(continued)*

### 24 Pension scheme *(continued)*

	Fair value of scheme assets £000	Present value of defined benefit obligations £000	(Deficit)/ surplus in the scheme £000
<b>MAG (STAL)</b>			
2021	217,500	(218,800)	(1,300)
2020	184,800	(182,100)	2,700
2019	185,000	(209,800)	(24,800)
2018	172,500	(195,000)	(22,500)
2017	161,400	(189,200)	(27,800)
2016	131,800	(133,400)	(1,600)
2015	130,300	(134,900)	(4,600)

#### Plan assets

	<b>MAG (STAL)</b>	
	2021 £000	2020 £000
Equities and other growth assets	132,700	100,000
Corporate and government bonds	73,800	74,500
Property	-	-
Other	11,000	10,300
<b>Fair value of assets</b>	<b>217,500</b>	<b>184,800</b>

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.

	2021 £000	2020 £000
Present value of funded defined benefit obligations	(218,800)	(182,100)
Fair value of plan assets	217,500	184,800
Net pension (liability)/surplus	<u>(1,300)</u>	<u>2,700</u>

## Notes to the financial statements *(continued)*

### 24 Pension scheme *(continued)*

#### *Movements in present value of defined benefit obligation*

	2021	2020
	£000	£000
At 1 April	(182,100)	(209,800)
Current service cost	(2,900)	(5,200)
Interest cost	(4,200)	(4,600)
Remeasurement: actuarial (losses)/gains	(34,300)	26,800
Contributions by members	(500)	(900)
Benefits paid	6,400	3,800
Curtailments	(1,200)	7,800
At 31 March	(218,800)	(182,100)

#### *Movements in fair value of plan assets*

	2021	2020
	£000	£000
At 1 April	184,800	185,000
Interest income	4,300	4,000
Remeasurement: actuarial gains/(losses)	30,800	(6,100)
Contributions by employer	4,400	5,700
Contributions by members	500	900
Administration expenses	(6,400)	(3,800)
Benefits paid	(900)	(900)
At 31 March	217,500	184,800

#### *Expense/(income) recognised in the income statement*

	2021	2020
	£000	£000
Current service costs	2,900	5,200
Administration expenses	900	900
Interest on net defined benefit asset/liability	(100)	600
Curtailments	1,200	(7,800)
Total expense/(income) recognised in the income statement	4,900	(1,100)

The expense/(income) is recognised in the following line items in the income statement:

	2021	2020
	£000	£000
Operating costs	3,800	6,100
Significant items	1,200	(7,800)
Interest receivable and similar income	-	-
Interest payable and similar charges	(100)	600
	4,900	(1,100)

## Notes to the financial statements *(continued)*

### 24 Pension scheme *(continued)*

The total amount recognised in other comprehensive income relating to the actuarial loss on remeasurement is £3,500,000 (2020: gain of £20,700,000).

The fair value of the plan assets are as follows:

	2021	2020
	Fair value	Fair value
	£000	£000
Equities	132,700	100,000
Bonds	73,800	74,500
Other	11,000	10,300
	<u>217,500</u>	<u>184,800</u>

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2021	2020
	%	%
Discount rate	2.00	2.35
Future salary increases	3.00	2.55
Inflation assumption	2.30	1.55

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.5 years (male), 23.5 years (female)
- Future retiree upon reaching 65: 22.5 years (male), 24.7 years (female)

#### *Experience adjustments*

	2021	2020
	£000	£000
Experience adjustments on scheme liabilities	1,400	(4,200)
Experience adjustments on scheme assets	30,800	(6,100)

The Company expects to contribute approximately £2,312,000 (2020: £6,600,000) to its defined benefit plan in the next financial year.

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

The Company is a subsidiary undertaking of Manchester Airport Group Finance Limited. The smallest group in which the results of the Company are consolidated is that headed by Manchester Airport Group Investments Limited. The Company's ultimate parent is Manchester Airports Holdings Limited. The consolidated financial statements of these groups are available to the public and may be obtained from the Company Secretary at Olympic House, Manchester Airport, Manchester M90 1QX, or via the website at [www.magairports.com](http://www.magairports.com).

## Notes to the financial statements *(continued)*

### **26 Post balance sheet events**

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

Following the Group's announcement of its decision in March 2021 to close its defined benefit pension schemes, MAG has closed the STAL scheme to future accruals for all members from 31 July 2021.

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