Worknorth II Limited

Directors' report and unaudited financial statements

Registered number 03152115

Year ended 31 March 2022

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Directors' report

The directors present their Directors' report and unaudited financial statements of the Company for the year ended 31 March 2022.

In accordance with section 414B of the Companies Act 2006 (Strategic report and Directors' report) Regulations 2013, the Company is exempt from preparing a Strategic report.

Principal activity

The principal activity of the Company is acting as an intermediate holding company. The Company did not trade throughout the year ended 31 March 2022, and management do not plan for the Company to recommence trade in the future. At year end, the Company had net liabilities of £nil (2021: £1,998,000).

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

Impact and recovery from COVID-19

For the second consecutive year, this report paints a picture of an aviation sector that was severely impacted by the international travel restrictions introduced in response to the coronavirus pandemic. As the effects of the COVID-19 pandemic on the aviation industry have fluctuated, at MAG we have balanced our ability to manage our costs and liquidity against maintaining our infrastructure to enable future growth.

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

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

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

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

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

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

This development sparked a rapid return of demand to the market, with passenger numbers rising sharply towards the end of the financial year. That trend has continued into the new period, with traffic across the Group in April 2022 reaching 80% of 2019 levels, rising to 85% by July 2022.

Like all airports across the UK, it has been challenging to build back our staffing levels quickly enough to meet this returning demand. This has meant we have at times seen disruption at some of our airports. But our major recruitment campaigns at all three Group airports are delivering results, and we expect to have the resources we need in place ahead of the busy 2023 summer season.

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

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

Directors' report *(continued)*

Business review *(continued)*

Impact and recovery from COVID-19 (continued)

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

Climate change

With climate change the defining issue of our time, it is particularly notable that MAG has been named a Financial Times European Climate Leader for 2021 and 2022, recognising our longstanding commitment to decarbonise our business and the wider aviation industry.

Over the last 12 months we have continued to demonstrate our commitment to delivering our five-year CSR Strategy – "Working together for a brighter future". Despite the challenges of the pandemic, the Group has made progress towards decarbonising our business and the wider aviation industry, ensured that education and training resources remained accessible, and provided support to our local communities when they needed it most.

Throughout this year, we have maintained our focus on building a sustainable future for our business. We remain committed to decarbonising aviation and are on track to achieve our goal of net zero for our operations by 2038 ahead of the Governments 2050 goal.

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. The Task Force on Climate-Related Finance Disclosure can be found on pages 75 and 76 in the Manchester Airports Holdings Limited annual report.

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.

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 the long term implication of Brexit and wider macroeconomic risks and climate change. For more details of these risks, and how they are managed please refer to pages 69 to 74 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')

Management have identified there to be no key performance indicators for the Company, with the entity being dormant under the Companies Act 2006. For the group consolidated key performance indicators please refer to pages 23 and 24 of the Strategic report in the annual report and accounts for Manchester Airports Holdings Limited.

Directors

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

K O'Toole

J Bramall

K Smart (resigned 12 May 2022)

Directors' report *(continued)*

Going concern

The financial statements have not been prepared on a going concern basis as the Company's trading activities have ceased. As the directors do not intend to acquire a replacement trade they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

Dividend

In March 2022, the Company settled its loan due from group undertaking, Manchester Airport Plc of £2,000 by declaring a dividend for the same amount (2021: £nil).

Post Balance Sheet Events

Subsequent to the year end, on 27 May 2022 the Group completed the refinancing of its revolving credit and liquidity facilities ('RCF' and 'LF'), details of which can be found in note 11 to the financial statements.

By order of the Board

J Bramall
Director

7 December 2022

6th Floor
Olympic House
Manchester Airport
Manchester
M90 1QX

Statement of directors' responsibilities relating to the Directors' report and the financial statements

The directors are responsible for preparing 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.

For the year ending 31 March 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Income statement and other comprehensive income
for the year ended 31 March 2022

	2022	2021
	£000	£000
Revenue	-	-
Operating income	-	-
Dividend received	-	334
Profit before tax	-	334
Taxation	-	-
Profit for the financial year	-	334
Other comprehensive income for the year net of tax	-	-
Total comprehensive income for the year	-	334

The notes on pages 8 to 10 form an integral part of these financial statements.

Statement of financial position

at 31 March 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Current assets					
Trade and other receivables	*4*	-		2	
Current Liabilities					
Trade and other payables		-		-	
Other liabilities	*5*	-		**(2,000)**	
Net liabilities			-		**(1,998)**
Net liabilities			-		**(1,998)**
Capital and reserves					
Called up share capital	*6*		-		-
Capital contribution reserve	*7*		-		**5,719**
Retained earnings	*8*		-		**(7,717)**
Shareholders' deficit			-		**(1,998)**

The notes on pages 8 to 10 form an integral part of these financial statements.

- For the year ending 31 March 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.
- *The directors have not required the company to obtain an audit of its accounts for the year in question in* accordance with section 476;
- The directors acknowledge their responsibilities for:
    - ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006, and
    - preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its surplus or deficit for the financial year in accordance with the requirements of sections 393 and 394 of the Companies Act 2006, and which otherwise comply with the requirements of that Act relating to financial statements, so far as applicable to the Company.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements of Worknorth II Limited, registered number 03152115, were approved by the Board of directors on 7 December 2022 and were signed on its behalf by:

J Bramall
Director

Statement of changes in equity
for the year ended 31 March 2022

2022	Called up share capital	Capital contribution reserve	Retained earnings	Total shareholders' deficit
	£000	£000	£000	£000
Balance at 1 April 2021	-	5,719	(7,717)	(7,717)
Profit for the year	-	-	-	-
Transactions with owners recorded directly in equity				
Issue 5,718,428 shares of £1 each	5,719	(5,719)	-	-
Capital reduction of 5,718,529 shares of £1 each to aggregate value of £1	(5,719)	-	5,719	-
Capital reduction of preference shares	-	-	2,000	2,000
Dividends paid	-	-	(2)	(2)
Balance at 31 March 2022	-	-	-	-

2021	Called up share capital	Capital contribution reserve	Retained earnings	Total shareholders' deficit
	£000	£000	£000	£000
Balance at 1 April 2019	-	-	(8,051)	(8,051)
Profit for the year	-	-	334	334
Capital contribution	-	5,719	-	5,719
Balance at 31 March 2021	-	**5,719**	**(7,717)**	**(1,998)**

The notes on pages 8 to 10 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently throughout the year in dealing with items that are considered material in relation to the financial statements, except as noted below.

Basis of preparation and going concern
The financial statements have been prepared in accordance with the Companies Act and applicable accounting standards in the United Kingdom, and on a historical cost basis.

For the year ended 31 March 2022, the directors have not prepared the financial statements on a going concern basis, due to no trade expected in the future periods. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

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.

2 Remuneration of directors

K O'Toole 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. K Smart was also a director of Worknorth II 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 £nil (2021: £nil).

3 Investments

	Shares in group *undertakings*	Other investments *other than* loans	Total
	£000	£000	£000
Cost			
At 1 April 2021 and 31 March 2022	575	449	1,024
Provisions			
At 1 April 2021 and 31 March 2022	(575)	(449)	(1,024)
Net book value			
At 1 April 2021 and 31 March 2022	-	-	-

At 31 March 2022, the Company held investments in the following subsidiary undertakings:

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	Percentage of shares held
Worknorth Limited	England &Wales	Dormant	Ordinary Deferred	100% 100%

The registered office for the above company is Olympic House, Manchester Airport, Manchester, M90 1QX.

Notes to the financial statements *(continued)*

4 Trade and other receivables

	2022 £000	2021 £000
Amounts owed to group undertakings	-	2
	-	2

In March 2022, the Company settled its £2,000 loan due from group undertaking, Manchester Airport Plc, by declaring a dividend for the same amount.

5 Other liabilities

	2022 £000	2021 £000
'A' Redeemable non-cumulative participating preference shares of £1 each	-	450
'B' Redeemable cumulative participating 7% preference shares of £1 each	-	1,550
	-	2,000

During the year the Company undertook a capital reduction exercise to reduce the preference shares to an aggregate value of £1, thereby increasing retained earnings by £2,000,000.

6 Called up share capital

	2022 £000	2021 £000
Issued, called up and fully paid		
At 1 April: 100 Ordinary shares of £1 each	-	-
Issue 5,718,428 bonus shares of £1 each	5,719	-
Capital reduction of 5,718,529 shares of £1 each to aggregate value of £1	(5,719)	-
At 31 March	-	-

Notes to the financial statements *(continued)*

7 Capital contribution reserve

	Capital contribution reserve £000
At 1 April 2021	5,719
Issue 5,718,428 bonus shares of £1 each	(5,719)
At 31 March 2022	-

8 Retained earnings

	£000
At 1 April 2021	(7,717)
Capital reduction of 5,718,529 shares of £1 each to aggregate value of £1	5,719
Capital reduction of preference shares to aggregate value £1	2,000
Dividends paid	(2)
At 31 March 2022	-

In March 2022, the Company had its loan due to group undertaking, Manchester Airport Plc (£1,998,000) waived, creating a capital contribution reserve for the same amount. Manchester Airport Plc is within the Manchester Airport Holdings Limited Group.

9 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 bankers. 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 2022 is £1,921.2m (2021: £1,920.8m).

10 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.

11 Post balance sheet events

Subsequent to the year end, on 27 May 2022 the Group completed the refinancing of its revolving credit and liquidity facilities ('RCF' and 'LF'), comprising a £500m revolving credit facility and £90m in standby liquidity facilities, each with a five year term, maturing in May 2027, with optional extensions. The liquidity facility is sized to cover 12 months interest on secured debt and is a 364-day revolving facility with a five year term on each annual renewal. The facilities replace similar facilities that were due to mature in June 2023. These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy. Both the RCF and LF are held within fellow group undertaking Manchester Airport Group Finance Limited, and drawings from the facility are transferred within the Group in line with the Group's internal treasury policy.