

Stansted Airport Limited

Annual report and financial statements

Registered Number 01990920

Year ended 31 March 2023

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Strategic report

The directors present their Strategic report for the Company for the year ended 31 March 2023.

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

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 cargo, car parking, retail concessions and property.

Business review and future outlook

The results for the year are set out on page 22. During the year the Company made a profit before tax of £89,359,000 (2022: loss of £20,315,000). At the year end the Company had net assets of £1,019,290,000 (2022: £910,356,000).

London Stansted Airport demonstrated an industry-leading recovery, with passenger volumes reaching 94.8% of FY20 levels in FY23. Operational performance remained strong throughout the period, with significant numbers of new colleagues joining the business to support the additional services being offered by our airline partners. Following this strong performance in the year ended March 2023, the Company saw a return to profits before taxation.

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

As a market leader for short-haul travel with 180 European destinations, London Stansted was pleased to offer a rich programme of services after travel restrictions were removed. Stansted was delighted to see the return of long-haul services in August 2022 when Emirates reinstated its Stansted to Dubai service. The addition of a second daily service from May 2023 is indicative of the strong demand for travel to the Middle East hub and beyond to other long-haul destinations, particularly in the Asia-Pacific region.

As well as a profit for the year, the Company reported other comprehensive income of £35,225,000, owing to the remeasurement of the net defined benefit surplus in the defined benefit scheme, further contributing to a positive increase in net assets.

The Group operates a centralised management function whereby treasury and strategic decisions are considered for MAG as a whole. As such the strategic report includes the overall positioning of the Group.

Group strategy

A year of recovery

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

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

The whole of the UK aviation sector experienced challenges in meeting the rapid increase in demand following the removal of travel restrictions. This caused well documented operational issues that impacted our airports to varying extents. Through an extensive recruitment drive of more than 1,600 security officers, the Group were able to improve service levels and meet rising demand later in the financial year.

The Group generated positive cash from operating activities, after tax and interest during FY23. Cash at 31 March 2023 was £67.6m (2022: £462.9m) and net debt was £2,500.5m (2022: £2,520.3m), with the movements being mainly attributable to the repayment of the £500m revolving credit facility in the year. At 31 March 2023, the Group had financial headroom of £561.6m, comprised of £484.0m of undrawn committed facilities, an additional £10m of available overdraft facilities, and £67.6m of cash. This strong financial position has enabled MAG to relaunch the transformation programmes at both Manchester and London Stansted to invest in new facilities and enhance service levels. Through centralised cash pooling, the Company has access to the Group's and cash facilities.

Strategic report (continued)

A year of recovery (continued)

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

Decarbonisation is a key strategic priority for MAG, and the Group has seen real progress this year in its journey to a net zero aviation industry.

Zero Carbon Airports is one of the three themes of MAG's CSR work, and we are developing robust plans to enable our airports to achieve our target of net zero emissions by 2038. We are also working in partnerships with Fulcrum BioEnergyUK and HyNet with the goal of making Manchester Airport the first UK airport with a direct supply of Sustainable Aviation Fuel and hydrogen. The Task Force on Climate-Related Finance Disclosure can be found on pages 88 to 97 in the Manchester Airports Holdings Limited annual report.

Investing for the future

In 2021, planning permission to increase passenger capacity at London Stansted from 35 to 43 million passengers per year was secured. We are now developing the investment plans that will enable us to grow to reach that target.

Working together for a brighter future

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

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

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

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.

Financial key performance indicators ('KPIs')

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	Definition	Aim and context	Progress in FY23	Progress in FY23	
Revenue (continuing operations)	Revenue is an indicator of our top-line growth. It consists of aviation income, retail income, car parking, property and other income.	We aim to achieve long-term sustainable growth in revenue across all areas of our business – aviation, car parking, retail and property.	FY23: £373,189,000 FY22: £180,875,000	↑	+106.3%
Profit/(loss) before tax	Profit/(loss) before tax is a measure of total return generated before taxation.	We expect all our operations to contribute a positive return before taxation.	FY23: £89,359,000 FY22: (£20,315,000)	↑	N/A
Adjusted EBITDA ¹	Adjusted EBITDA is an indicator of how we are delivering top-line revenue growth while remaining efficient and controlling operating costs.	We aim to generate a level of profit that allows re-investment in our infrastructure.	FY23: £153,043,000 FY22: £26,619,000	↑	+474.9%
¹ As explained in the "other information" section of the financial statements on page 52.					

Strategic report (continued)

Operational key performance indicators ('KPIs')

Operational measures help us understand how our business is performing in a number of key areas including Equity, Diversity and Inclusion and Sustainability.					
Measure	Definition	Aim and context	Progress in FY23	Progress in FY23	
Passengers	Passengers being the total of all arriving, connecting and departing passengers.	Maximise passenger volumes through our airports, which will contribute to growth in our aviation and commercial revenue streams.	FY23: 25,513,000 FY22: 10,262,000	↑	+148.6%
Health and Safety RIDDOR - reportable accidents	We measure the number of reportable accidents over the 12 month period.	Maintain robust health and safety standards for both our customers and colleagues, contributing to a safe working and operating environment for all.	FY23: 1 FY22: 4	↓	(75.0)%
Employee engagement score	We survey all of our teams to understand their engagement levels over the past 12 months, the score is denominated out of 100.	Achieve the highest level of employee engagement, through developing a brilliant, diverse and inclusive team of people who deliver outstanding customer service.	FY23: 62 FY22: 59	↑	+5.1%
Carbon Reduction - CO ₂ emissions	'SECR' scope 1, 2 and 3 Greenhouse gas emissions market based emissions per traffic unit (tonnes CO ₂ e).	To minimise the environmental impact of our airports.	FY23: 0.08 FY22: 0.14	↓	(42.9)%

Strategic report (continued)

Leadership and Governance

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

Section 172(1) of the Companies Act 2006 requires directors to promote the success of the Company for the benefit of its stakeholders and to achieve the Company's purpose. The Board of Directors are aware of 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 works with the Group to manage key stakeholders, and the Group's 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 make a valuable contribution to the working 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 to inform their decision making.</p>	<p>Shareholders are directly represented on the Board and oversee the appointment of Non-Executive Directors.</p> <p>They receive regular reports from the management team on all aspects of the business. Shareholders receive regular reports from the CSR Committee, which considers responsible business practices, including environmental and community impacts, health, safety and wellbeing as well as equity, diversity and inclusivity (ED&I).</p>
Colleagues	<p>Colleagues are our greatest asset. They make our strategy a reality and deliver services to our customers. Their energy and ideas are critical to the continued innovation and improvement of the services we offer.</p>	<p>Our colleagues want a workplace that is safe, inclusive and offers them opportunities to develop their career. They expect to be treated fairly and to be rewarded appropriately for their contribution to the success of the company.</p> <p>Colleagues want to be a part of the decisions that affect them and to be supported by effective systems of internal communication.</p>	<p>The Board receives regular reports on safety matters and scrutinises safety performance. The CSR Committee, which is attended by the Chief People Officer, provides an opportunity for workplace issues, including fair pay, equality, diversity and inclusion to be discussed.</p>
Passengers	<p>Passengers provide much of our income. They are the foundation for our business. It is important that, working with our airline partners, we provide an appropriate range of services to meet their transport needs.</p>	<p>Our customers want our airports to be accessible; to provide a safe, secure, clean and welcoming environment, and to experience an efficient service.</p>	<p>The Board receives regular reports on passenger feedback, including our use of the Net Promoter Score. The Board's consideration of passenger experience includes detailed reports on the service provided to passengers who require additional support to access our services.</p>

Strategic report (continued)

Leadership and Governance (continued)

Stakeholder	Why they matter to MAG	What matters to them	How the Board interacts
Communities and the environment	<p>Many of our colleagues and customers are drawn from local communities and the economic impact of our operations is greatest in the regions we serve.</p> <p>Noise, congestion and local air quality impacts that arise due to our operations have greatest impact on communities closest to our airports, though some of the impacts of our operations, including climate change, have wider implications.</p> <p>It is vital that we understand the priorities of communities and ensure our operations take place within acceptable environmental limits. By doing so we earn our social licence to operate and grow.</p>	<p>Local communities want to share the economic success of our airports. They expect us to take all reasonable steps to reduce local impacts, including noise and emissions.</p> <p>Communities are concerned by climate change and expect us to progressively reduce the emissions of our airports and work with airlines to ensure that together we play a full part in delivering the government's net zero targets.</p>	<p>The Board has established the CSR Committee to allow extensive discussion of these issues. The Board regularly considers environmental impacts, including climate risks and considers the views of local communities through an independently facilitated materiality survey.</p>
Customers, partners and suppliers	<p>We deliver our services with the support of our airline customers, business partners and suppliers. Having effective relationships with them supports the long-term success of our businesses and maximises mutual benefit.</p> <p>It is important that those that we work with adopt responsible and sustainable practices, to minimise the risk to our operations and reputation.</p>	<p>Our customers, partners and suppliers want to work with us to maximise mutual benefit.</p>	<p>We work collaboratively including one-to-one key account management meetings with all our business partners – including airlines, retailers, tenants and aviation service partners. Our Airport Consultative Committees bring these customer groups together with passenger and community representatives, whilst our Airport Operator Committees bring airlines together to consider operational practices and management policies. Significant issues are drawn to the attention of the Board and associated risks are captured in our risk register.</p> <p>Our approach to procurement is accredited to the Corporate Certification Standard of the Chartered Institute of Procurement and Supply. This incorporates practices to make responsible procurement decisions which treat suppliers fairly, mitigate modern slavery, and ensure prompt payment. The Board receives regular reports on the management of the risks of modern slavery.</p>

Strategic report (continued)

Leadership and Governance (continued)

Stakeholder	Why they matter to MAG	What matters to them	How the Board interacts
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.

Principal risks and uncertainties

The key risks faced by the Company are aligned with those of Manchester Airports Holdings Limited. The table below summarises the key strategic, corporate and operational risks identified during the year, with details of the strategies for managing them and some of the potential opportunities they present:

Key risk	Risk detail	Mitigation strategy
Security breach	The UK security threat level is substantial, meaning an attack is likely. We have an obligation to ensure that our systems, processes, assets, and operations are secure at all MAG sites in the context of the current threat level.	<p>We work closely with the police and government security agencies to ensure that our security facilities and processes meet the high standards required to respond to existing and emerging security threats.</p> <p>Our security facilities and processes are subject to extensive internal and external inspections and audits by regulators, external specialists and internal teams who regularly test the design and effectiveness of our security processes and controls. Security governance is embedded at all our airports and all security assurance activity is overseen by multi-agency governance forums.</p> <p>MAG subject matter experts liaise with third parties to review security risks and document the mitigation strategies in place to ensure the continued monitoring, development and discussion of key security risks.</p> <p>At MAG, as with the aviation sector in general, we recognise that failure to respond effectively to the threat of terrorism has the potential to significantly impact on safety and security, stakeholder confidence and regulatory compliance.</p> <p>MAG is able to demonstrate to customers and stakeholders robust comprehensive security controls across all of our airport sites, which are subject to frequent independent review by regulators, externally appointed auditors Redline and other stakeholder organisations, and overseen by multi-agency governance forums.</p>

Strategic report (continued)

Principal risks and uncertainties (continued)

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

Strategic report (continued)

Principal risks and uncertainties (continued)

Key risk	Risk detail	Mitigation strategy
Climate Change	Climate change is a significant global risk that has implications across the sector. The principal risk centres around the impact of policies that governments implement to ensure aviation achieves net zero by 2050, as well as consumer and stakeholder confidence in the ability of the sector to decarbonise.	<p>MAG has already taken significant action to reduce emissions associated with its own operations. Our operations are carbon neutral, and our CSR Strategy sets out how we will transition to a net zero carbon business no later than 2038.</p> <p>Under MAG's leadership of the Sustainable Aviation coalition, the UK aviation industry became the first in the world to commit to net zero aviation by 2050 and publish a plan to achieve this goal. The Sustainable Aviation Decarbonisation Roadmap sets out how emissions from aircraft will reduce to net zero by 2050.</p> <p>The Sustainable Aviation Roadmap represents joint working between airport operators, airlines, aerospace manufacturers and air navigation service providers. It provides a basis to tangibly reduce CO2 emissions and influence positive public sentiment.</p> <p>MAG continues to work with industry partners to achieve this target, playing our full part in decarbonising the industry through membership of the Government's Jet Zero Council and working with Government to shape policy on relevant issues. Our mature understanding of physical climate risks directly informs asset standards and infrastructure planning.</p> <p>Further work to consider the financial implications of climate change will position MAG well as economies more generally decarbonise. MAG has also undertaken two climate change adaptation assessments, considering the physical climate risks to MAG's infrastructure and airport operations.</p> <p>These reports, which were submitted to the Government to inform its National Adaptation Programme, will be updated this year as we complete our third assessment, making use of the Met Office's latest climate projections. Last year we enhanced our Annual Report reporting to more closely reflect the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD).</p>

Strategic report (continued)

Principal risks and uncertainties (continued)

Key risk	Risk detail	Mitigation strategy
Government aviation strategy	<p>Government policy support is an essential part of the continued growth of the aviation industry as we recover from the pandemic.</p> <p>Government policy changes could limit MAG's ability to make best use of its airports, impose additional costs on the business and impact shareholder value, and adversely affect colleagues, stakeholders and passengers who use our airports.</p>	<p>We work closely with Government to shape policies and decisions that affect our airports to ensure they take full account of the impacts on our airports, their customers and our stakeholders, and recognise the contribution the growth of MAG airports can make to the delivery of policy objectives.</p> <p>We invest time across the business to work with partners, stakeholders and advocates to ensure that the strategic significance of MAG airports is communicated to decision makers.</p> <p>We also work to build relationships with a range of political stakeholders to ensure that emerging policies take into account MAG issues. We take an active role in Sustainable Aviation and the Jet Zero Council to ensure that the Government maintains an appropriate policy framework to deliver net zero for aviation.</p> <p>We take a proactive approach to engaging with Government, the CAA and stakeholders to support the delivery of airspace modernisation at our airports and across the UK more generally, highlighting the range of benefits the programme will deliver.</p>
Delivery of major capital programmes	<p>Major capital programmes will play a key role in enabling future growth in passenger volumes, as well as improvements in customer service and operational efficiency.</p> <p>Failure to deliver transformational benefits from major capital programmes may impact MAG's ability to grow and sustain investment across our airports.</p> <p>It will be critical for MAG to have appropriate funding in place to enable major capital programmes to be delivered in line with customer needs and market demand.</p> <p>High levels of inflation may also impact the affordability and fundability of major transformation programmes, and MAG's ability to deliver the benefits associated with these investments.</p>	<p>Works already delivered in connection with the Manchester Airport Transformation Programme provide new facilities and infrastructure to enhance customer experience.</p> <p>Phase 2 of the programme which is underway will transform the original part of Terminal 2, significantly increasing capacity and further enhancing customer experience.</p> <p>We are working closely with airline partners to ensure that transformation programmes underway and in plan at both Manchester and Stansted deliver benefits for users and meet customer needs.</p> <p>We engage with airlines and critical third parties to ensure that they are on board with the works we propose to undertake and have visibility of the latest design proposals.</p> <p>We have established strong Group-wide programme management controls and these are subject to regular 2nd and 3rd line assurance reviews.</p> <p>There is ongoing crossfunctional involvement in all programmes to ensure that capex projects meet MAG's operational and commercial requirements, as well as continuing to enhance the passenger experience into the future.</p>

Strategic report (continued)

Principal risks and uncertainties (continued)

Key risk	Risk detail	Mitigation strategy
People	<p>The lifting of Covid-related travel restrictions resulted in a rapid recovery in passenger demand which placed significant demands on operational colleagues. The competition for talent is increasing across many sectors as organisations build back following the pandemic.</p> <p>Jobs in the hospitality and travel sectors were significantly impacted, a situation exacerbated by lower availability of EU nationals resulting from Brexit.</p> <p>This has ultimately decreased the size of the available talent pool, which could impact MAG's ability to attract the right people at the right time to meet business needs as recovery continues.</p> <p>The same risk applies to the many third parties that provide essential services that support the day-to-day running of MAG's airports.</p> <p>We are dependent upon critical third parties including, Border Force and ground handlers.</p> <p>Their ability to recruit and retain the right number and quality of staff is a key element of the People risk to the business.</p>	<p>Recruiting and retaining talent is critical to the success of our business and this has been an area of significant focus in recent years.</p> <p>Our talent strategy aims to attract the best available people in the market and retain employees through a variety of initiatives, including incentive schemes, career development programmes and mentoring. We are also adapting and enhancing our recruitment approach in key areas such as 'digital' to reflect the changing external environment, where the competition for talent is high.</p> <p>MAG leadership recognises the importance of People and understands that our colleagues underpin the operation and are at the heart of the success the organisation has enjoyed.</p> <p>As colleagues returned to work following the pandemic, there has been a focus on providing the necessary support and resources to enable them to thrive in their current roles and in their longer term careers.</p> <p>Specific measures include:</p> <ul style="list-style-type: none"> • The rollout of targeted sessions to re-engage colleagues and provide them with a framework and toolkit to promote a positive, engaging, collaborative culture at MAG. • The creation and communication of refreshed MAG values. These values represent the collaborative, passionate, sustainable culture that embodies MAG. • The delivery of employee engagement surveys to all staff to gauge the sentiment of our colleagues as they returned to work after a time of disruption and uncertainty. • Regular employee performance reviews, combined with regular communications from management and the use of pulse surveys enables MAG to remain proactive in developing initiatives to deliver any required ongoing improvements in the overall employee experience. • A significant focus on health and wellbeing to support colleague return to work and underpin the recovery process. • Increased governance, liaison and stakeholder management regarding MAG's critical third parties, including the introduction of formalised performance monitoring and resilience planning.

Strategic report (continued)

Principal risks and uncertainties (continued)

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

Strategic report (continued)

Principal risks and uncertainties (continued)

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

Strategic report (continued)

Principal risks and uncertainties (continued)

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

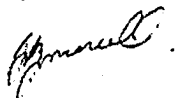
Strategic report *(continued)*

Compliance with Wates Governance Principles

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

Stansted Airport Limited adheres to Wates Principles through the policies set by the Manchester Airport Holdings Limited (MAHL) Group, of which it is part. Details of how the Group applies the Wates Principles can be found in the Strategic report of MAHL Annual report. The responsibility for the Company's compliance with Wates is delegated to the board of MAHL, and further details can be found on page 50 to 66 of the annual report and accounts for MAHL.

By Order of the Board



Jan Bramall

Director

31 August 2023

Directors' report

The directors present their Directors' report and audited financial statements for the Company for the year ended 31 March 2023.

Directors

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

S Griffiths (resigned 28 October 2022)

G Powell (appointed 27 October 2022)

J Bramall

Employees

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

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

Apprentices and National Living Wage

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

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 been critical through this period of uncertainty due to the business impacts of the pandemic and there has been a continuous dialogue at all levels, with the aim of ensuring that their views are taken into account when decisions are being made that may affect their interests. As part of the Trade Union recognition arrangements, various employee forums exist for each business area, and more information on consultation is provided in the annual CSR report which can be found at: <https://www.magairports.com/responsible-business/csr-reports/>.

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 (2022: nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2022: 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 note 26 on page 152 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 62 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 4.

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 the period to 30 September 2024 which indicate that, 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. Further detail of the directors' assessment of going concern is detailed in the basis of preparation section of the accounting policies on page 26, within note 1 to the financial statements.

Dividend

No dividends were paid in the year (2022: £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 page 1.

Directors' report *(continued)*

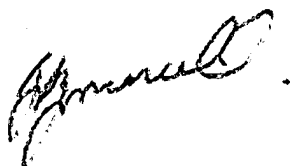
Auditor

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

Post balance sheet events

Subsequent to the year end, on 12 May 2023 the Group secured a bridge to bond facility that provides the Group with assurance that it will be able to refinance its bond for £360,000,000 by providing the facility to drawdown £360,000,000 up to 12 May 2024, with options to extend to 12 May 2025. These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy. The bridge to bond facility is held within fellow group undertaking Manchester Airport Group Finance Limited. As required, drawings from the facility will be transferred within the Group in line with the Group's internal treasury policy.

By order of the Board



J Bramall

Director

31 August 2023

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 period. 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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and/ or the group will continue in business.

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. Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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

Opinion

We have audited the financial statements of Stansted Limited ("The Company") for the year ended 31 March 2023 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006, FRS102, UK taxation legislation, Civil Aviation Act 2012 and Air Navigation Order 2016.
- We understood how Stansted Airport Limited is complying with those frameworks by making enquiries with management, those charged with governance, internal audit and those responsible for legal and compliance matters and also reviewing the Group code of conduct and whistle-blower hotline.

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

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

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying the controls which are in place at the entity level and whether the design of these controls is sufficient for the prevention and detection of fraud. We also consider the risk of management override and consider the design and implementation of controls at the financial statement level to prevent this.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included involving our forensics team to assess any potential areas of higher risk. We followed up on these areas to perform further procedures to assess if there was any risk of fraud. We also read minutes of key boards and committees, read communications with regulators and legal advisors, inquired of management and those charged with governance, and performed targeted journal entry testing for journals with fraudulent characteristics.

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

Use of our report

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

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
31 August 2023

Income statement

for the year ended 31 March 2023

	<i>Note</i>	2023	2022
		£000	£000
Revenue	2	373,189	180,875
Operating costs	3	(272,338)	(233,917)
Other income - government grants	3	-	13,427
Operating profit/(loss) before adjusted items		100,851	(39,615)
Adjusted items*	3	(2,615)	2,117
Operating profit/(loss)		98,236	(37,498)
(Losses)/gains on sales and valuation of investment properties	11	(9,577)	10,749
Interest receivable and similar income	7	700	6,434
Profit/(loss) before taxation		89,359	(20,315)
Taxation	8	(15,649)	(11,493)
Profit/(loss) for the financial year		73,710	(31,808)

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

The notes on page 26 to 53 form an integral part of these financial statements.

*Formerly significant items

Other comprehensive income

for the year ended 31 March 2023

	<i>Note</i>	2023 £000	2022 £000
Profit/(loss) for the year		73,710	(31,808)
Other comprehensive income			
Remeasurement of the net defined benefit asset	25	48,100	21,900
Income tax on other comprehensive income	8	(12,875)	(7,322)
Other comprehensive income for the year, net of income tax		35,225	14,578
Total comprehensive income/(expense) for the year		108,935	(17,230)

The notes on page 26 to 53 form an integral part of these financial statements.

Statement of financial position

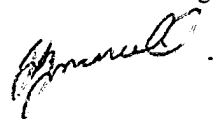
at 31 March 2023

	Note	2023 £000	2023 £000	2022 restated * £000	2022 restated * £000
Non-current assets					
Tangible assets	9		795,213		805,983
Intangible assets	10		6,595		5,538
Investment properties	11		61,001		71,372
Trade and other receivables > 1 year	12		165,102		11,484
Pension surplus	25		79,800		28,300
			<u>1,107,711</u>		<u>922,677</u>
Current Assets					
Inventories	13	1,859		1,527	
Trade and other receivables	14	30,945		380,677	
Cash at bank and in hand		<u>54,920</u>		<u>14,659</u>	
		87,724		396,863	
Current Liabilities					
Trade and other payables	15	(114,748)		(353,792)	
Deferred income	16	(11,193)		(9,106)	
Provisions	17	<u>(3,637)</u>		<u>(4,256)</u>	
		(129,578)		(367,154)	
Net current assets			<u>(41,854)</u>		<u>29,709</u>
Total assets less current liabilities			<u>1,065,857</u>		<u>952,386</u>
Non-current liabilities					
Deferred tax liabilities	19	(40,147)		(35,391)	
Other non-current liabilities	18	<u>(6,419)</u>		<u>(6,639)</u>	
			<u>(46,566)</u>		<u>(42,030)</u>
Net Assets			<u>1,019,291</u>		<u>910,356</u>
Capital & Reserves					
Called up share capital	20		503,900		503,900
Retained earnings	21		<u>515,391</u>		<u>406,456</u>
Shareholders' funds			<u>1,019,291</u>		<u>910,356</u>

*please see note 19 for further information on the restatement.

The notes on page 26 to 53 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 31 August 2023 and were signed on its behalf by:



J Bramall
Director

Statement of changes in equity

at 31 March 2023

	Called up share capital	Retained earnings	Total shareholders' funds
	£000	£000	£000
Balance at 1 April 2022	503,900	406,456	910,356
Total comprehensive income for the year			
Profit for the year	-	73,710	73,710
Other comprehensive income	-	35,225	35,225
Total comprehensive income for the year	-	108,935	108,935
Balance at 31 March 2023	503,900	515,391	1,019,291

	Called up share capital	Retained earnings	Total shareholders' funds
	£000	£000	£000
Balance at 1 April 2021	503,900	423,686	927,586
Total comprehensive expense for the year			
Loss for the year	-	(31,808)	(31,808)
Other comprehensive income	-	14,578	14,578
Total comprehensive expense for the year	-	(17,230)	(17,230)
Balance at 31 March 2022	503,900	406,456	910,356

The notes on pages 26 to 53 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.

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 the period to 30 September 2024 which indicate that, 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.

This assessment is dependent on Manchester Airports Holdings Limited providing financial support during the period as the funding requirements for the Group are managed centrally. Manchester Airports Holdings Limited has indicated its intention to continue to make available such funds as are needed by the Company.

Group assessment

At 31 March 2023, the Group had liquidity headroom of £561,600,000 comprised of: £67,600,000 of net cash, undrawn committed facilities of £484,000,000 (Secured Revolving Credit Facility (RCF)) and an available overdraft facility of £10,000,000.

Management have modelled a base case and downside scenario, neither of which indicate a liquidity or covenant breach. They have also modelled a reverse stress test which is considered remote based on current passenger levels and industry predictions.

Whilst the MAHL Annual Report for the year ended 31 March 2022 was prepared on a going concern basis it contained a material uncertainty as the Group, under a severe but plausible scenario, forecasted a potential breach of a financial covenant at 31 March 2023. The strong recovery in passenger numbers experienced by the Group over the past 12 months and the forecasts produced to cover the going concern assessment period have provided confidence that a material uncertainty no longer exists.

Notes to the financial statements (*continued*)

1 Accounting policies (*continued*)

1.2 Basis of preparation and going concern (*continued*)

The Group's base case forecast of passenger number projections include a business plan of 95% of pre-Covid-19 (defined as FY20) levels for FY24 and returning to pre-Covid-19 levels in FY25. The levels of passenger demand in the forecast reflects the directors' anticipated rate of recovery and is aligned with industry expectations.

The forecasts include the successful refinancing of the Group's £360,000,000 bond and result in a minimum liquidity headroom of £315,000,000 during the going concern assessment period and compliance with MAG's financial covenants when tested at September 2023; March 2024; and September 2024. The forecasts also include the raising of additional finance for discretionary expansionary capital expenditure. The directors expect to be able to access this finance, as described above. However, should the finance not be available, the expansionary capital expenditure would be deferred.

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

Downside scenario

In this scenario passenger numbers are restricted to 88% of pre-Covid-19 levels in FY24 (in line with the lower level of current industry forecasts), with partial recovery to 92% of pre-Covid-19 levels in FY25. In such a case the Group is expected to maintain positive liquidity headroom in excess of £198,000,000 for the going concern assessment period.

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

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

A bridge to bond facility is available and sufficient to ensure the £360,000,000 bond maturing in April 2024 can be repaid if a new bond issue should not take place in advance of that date. The remaining £1,100,000,000 of Group bonds will mature between 2034 and 2044.

Based on the work performed to assess the Group forecasts, and that the Directors are satisfied that Manchester Airport Holdings Limited has agreed to support the company as required, the directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 30 September 2024.

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.

Notes to the financial statements (*continued*)

1 Accounting policies (*continued*)

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
- (b) 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.

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:

Aviation income:

- Various passenger charges for handling and security based upon the number of departing passengers, are recognised at point of departure.
- Aircraft departure and arrival charges levied according to weight and time of departure/arrival, are recognised at point of departure.
- Aircraft parking charges based upon a combination of weight and time parked, are recognised at point of departure. The contracts entered into are short-term pricing arrangements, which are complex in nature given the breadth of discounts and rebates that the Company offers. Judgement is applied to assess the impact any contract amendments have when determining the appropriate contract term.

Notes to the financial statements (*continued*)

1 Accounting policies (*continued*)

1.6 Revenue (*continued*)

Retail concession income:

- Concession income from retail and commercial concessionaries is recognised in the year to which it relates on the accruals basis.
- Income from airport lounges is recognised at the point of usage.

Car Park income:

- Contract parking and pre-book parking is recognised over the period to which it relates on a straight-line basis. The Company considers the performance obligation is satisfied through the provision of a car park space for each day the car is parked.
- Car parking income is recognised at the point of exit for turn-up short and long stay parking.

Property income:

- 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.

Other income

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

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.

Notes to the financial statements (*continued*)

1 Accounting policies (*continued*)

1.7 Tangible fixed assets (*continued*)

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	-	4 - 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.

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.

Software and other intangible assets

Intangible assets that are acquired by the Company have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific assets to which it relates.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful economic life, from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Useful economic lives

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

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

Notes to the financial statements (*continued*)

1 Accounting policies (*continued*)

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.

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.

Notes to the financial statements (*continued*)

1 Accounting policies (*continued*)

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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

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.

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.

Notes to the financial statements (*continued*)

1 Accounting policies (*continued*)

1.14 Employee benefits (*continued*)

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 Adjusted items

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

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

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

- *Legal and other items*

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

- *Impairment of assets*

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

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.

Notes to the financial statements (*continued*)

1 Accounting policies (*continued*)

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.

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 going concern assessment is detailed in section 1.2 of this note, on page 26.

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

Assumptions and estimation uncertainty

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

Investment properties

Investment properties were valued at fair value at 31 March 2023 by JLL 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

	2023	2022
	£000	£000
<i>By activity:</i>		
Aviation income	150,315	72,186
Retail concessions	84,977	30,580
Car parking	94,532	51,354
Property and property related income	4,432	5,052
Other revenue	38,933	21,703
	<u>373,189</u>	<u>180,875</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.

Other income includes utilities recovery of £10,307,000 (2022: £7,455,000), refuelling £5,971,000 (2022: £3,593,000) and retail travel services income £14,052,000 (2022: £4,331,000).

3 Notes to the income statement

	2023	2022
	£000	£000
<i>Profit before taxation is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets	51,095	63,520
Amortisation of intangible assets	1,296	2,714
Amortisation of capital based grants	(199)	(199)
Hire of plant and machinery – operating leases	752	1,376
Hire of other assets – operating leases	13,249	12,118
Other income - government grants	-	(13,427)
Adjusted items	<u>2,615</u>	<u>(2,117)</u>

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 £202,000 (2022: £172,000).

Adjusted items

	2023	2022
	£000	£000
Major reorganisation of business	215	884
Legal and other	-	(3,001)
Impairment of assets	2,400	-
	<u>2,615</u>	<u>(2,117)</u>

Notes to the financial statements (continued)

3 Notes to the income statement (continued)

Adjusted items costs of £2,615,000 (2022: net income of £2,117,000) include: restructuring costs of £215,000 and £2,400,000 relating to impairment of design costs that will no longer be utilised under the Stansted Transformation Programme.

4 Remuneration of directors

J Bramall was a director of Manchester Airports Holdings Limited during the year, and her aggregate remuneration is disclosed in that company's consolidated financial statements. S Griffiths and G Powell were directors of Stansted Airport Limited during the year, but directors of MAHL. The proportion of their aggregate remuneration applicable to the Company based on services provided is £650,000 (2022: £1,369,000). The total amount includes £213,000 (2022: £698,000) received under long term incentive schemes and £30,000 (2022: £23,000) of company contributions to pension plans.

The aggregate emoluments for the highest paid director during the year was £277,000 (2022: £518,000). This includes salary and benefits, £68,000 (2022: £295,000) received under long term incentive schemes and £18,000 (2022: £nil) of company contributions to pension plans.

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	
	2023	2022
	£000	£000
Operational	1,513	1,346
Management and administrative	246	133
	<u>1,759</u>	<u>1,479</u>

The average number of employees has been calculated for both 2023 and 2022 to reflect full-time equivalents (FTEs) employees as opposed to actual headcount.

The aggregate payroll costs of these persons were as follows:

	2023	2022
	£000	£000
Wages and salaries	91,607	61,130
Social security costs	6,301	4,272
Other pension costs	4,874	4,771
	<u>102,782</u>	<u>70,173</u>

During the year, the Company received £nil (2022: £5,427,000) 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 £102,782,000 (2022: £64,746,000).

6 Other income - government grants

	2023	2022
	£000	£000
Coronavirus Job Retention Scheme	-	5,427
Airport Groundworker and Operator Support Scheme	-	8,000
	<u>-</u>	<u>13,427</u>

Notes to the financial statements (continued)

7 Interest receivable and similar income

	2023	2022
	£000	£000
Interest income from group undertakings (see note 12)	-	6,434
Interest income on net defined benefit asset	700	-
	<u>700</u>	<u>6,434</u>

Interest income was previously receivable on a loan provided to fellow group company Manchester Airport Group Investments Limited (MAGIL). Annual interest due to Stansted was 5.19% simple interest on the balance owed which is disclosed in note 12 of the financial statements. Following settlement of the balance in the year ended 31 March 2023, the related interest income is £nil (2022: £6,434,000).

8 Taxation

Total tax charge recognised in the income statement

	2023	2023	2022	2022
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on profit/(loss) for the year	19,225		(459)	
Adjustments relating to prior years	<u>4,543</u>		<u>-</u>	
Total current tax charge/(credit)		23,768		(459)
<i>Deferred tax</i>				
Origination/reversal of timing differences	(3,425)		(145)	
Adjustment relating to prior years	(3,613)		5,301	
Effect of change in rate of corporation tax	<u>(1,081)</u>		<u>6,796</u>	
Total deferred tax (credit)/charge		(8,119)		11,952
Total tax charge		<u>15,649</u>		<u>11,493</u>

Total tax charge recognised in other comprehensive income

	2023	2022
	£000	£000
<i>Deferred tax</i>		
Origination/reversal of timing differences	12,875	5,624
Effect of change in rate of corporation tax	-	1,698
Total tax charge included in other comprehensive income	<u>12,875</u>	<u>7,322</u>

Notes to the financial statements (continued)

8 Taxation (continued)

Total tax charge/(credit) included in the income statement and other comprehensive income

	2023	2023	2023	2022	2022	2022
	Current	Deferred	Total	Current	Deferred	Total
	tax	tax	tax	tax	tax	tax
	£000	£000	£000	£000	£000	£000
Recognised in the income statement	23,768	(8,119)	15,649	(459)	11,952	11,493
Recognised in other comprehensive income	-	12,875	12,875	-	7,322	7,322
Total tax charge	<u>23,768</u>	<u>4,756</u>	<u>28,524</u>	<u>(459)</u>	<u>19,274</u>	<u>18,815</u>

Reconciliation of effective tax rate

	2023	2022
	£000	£000
<i>Current tax reconciliation</i>		
Profit/(loss) for the year	73,710	(31,808)
Total tax charge	15,649	11,493
Profit/(loss) before tax	<u>89,359</u>	<u>(20,315)</u>
Profit/loss before tax multiplied by the standard rate of corporation tax of 19% (2022:	16,978	(3,860)
<i>Effects of:</i>		
(Income not taxable)/expenses not deductible	(1,178)	3,256
Effect of change in rate of corporation tax	(1,081)	6,796
Adjustments to current tax charge relating to prior years	4,543	-
Adjustments to deferred tax charge relating to prior years	(3,613)	5,301
Total tax charge included in income statement	<u>15,649</u>	<u>11,493</u>

The unrecognised deferred tax assets as at 31 March 2023 were £nil (2022: £nil)

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

Notes to the financial statements *(continued)*

9 Tangible fixed assets

2023	Other land and buildings	Airport infrastructure	Plant, fixtures and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At 1 April 2022 - restated	27,200	1,227,978	149,532	43,206	1,447,916
Additions	-	-	-	45,779	45,779
Reclassification from assets in the course of construction	111	9,108	5,647	(14,866)	-
Reclassification to investment properties (see note 11)	(338)	-	-	-	(338)
Transfer to group undertakings	-	(232)	(10)	-	(242)
Reclassification to intangible assets (see note 10)	-	(1,558)	(256)	(586)	(2,400)
Impairment	-	-	-	(2,400)	(2,400)
Disposals	-	(18,388)	(2,663)	-	(21,051)
At 31 March 2023	26,973	1,216,908	152,250	71,133	1,467,264
<i>Depreciation</i>					
At 1 April 2022 - restated	7,232	578,373	56,328	-	641,933
Charge for the year	411	37,331	13,353	-	51,095
Reclassification from intangible assets (see note 10)	-	(109)	333	-	224
Transfer to group undertakings	-	(142)	(8)	-	(150)
Disposals	-	(18,388)	(2,663)	-	(21,051)
At 31 March 2023	7,643	597,065	67,343	-	672,051
<i>Net book value</i>					
At 31 March 2023	19,330	619,843	84,907	71,133	795,213
At 31 March 2022	19,968	649,605	93,204	43,206	805,983

Notes to the financial statements (continued)

9 Tangible fixed assets (continued)

2022 - restated	Other land and buildings	Airport infrastructure	Plant, fixtures and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At 1 April 2021	25,111	1,433,579	165,211	135,205	1,759,106
Restatement	(9,341)	(111,946)	(66,022)	-	(187,309)
Additions	-	-	-	16,834	16,834
Reclassification from assets in the course of construction	6,080	33,218	69,535	(108,833)	-
Reclassification from investment properties	5,621	-	-	-	5,621
Disposals	(271)	(126,873)	(19,192)	-	(146,336)
At 31 March 2022 - restated	27,200	1,227,978	149,532	43,206	1,447,916
<i>Depreciation</i>					
At 1 April 2021	7,907	790,686	111,963	-	910,556
Restatement	(2,109)	(128,659)	(56,541)	-	(187,309)
Charge for the year	1,705	42,795	19,020	-	63,520
Disposals	(271)	(126,449)	(18,114)	-	(144,834)
At 31 March 2022 - restated	7,232	578,373	56,328	-	641,933
<i>Net book value</i>					
At 31 March 2022 - restated	27,200	632,892	102,685	43,206	805,983
At 31 March 2021	17,204	642,893	53,248	135,205	848,550

Impairment review

During the year ended 31 March 2023, management have carried out review of the useful economic lives of the tangible fixed assets. £2,400,000 has been charged to adjusted items, as seen under "impairment of assets", as discussed in note 3 to the financial statements. The £2,400,000 charge, as seen in 'impairment' above, relates to impairment of design costs that will no longer be utilised under the Stansted Transformation Programme.

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.

Disposal of nil net book value assets no longer in use

During the year, a review of the fixed asset records was carried out to identify fully depreciated assets no longer in use by MAG with material historical cost, so the fixed asset balances disclosed above better reflect assets still actively operated by MAG. The result of the review is a disposal of £21,051,000 of cost and accumulated depreciation for assets no longer in use.

Restatement of 1 April 2021 cost and accumulated depreciation

A restatement has been made on cost and accumulated depreciation at 1 April 2021 by £187,309,000, to correct a prior year error and align the fixed asset note to the underlying fixed asset records held by management. There is no impact on net assets, result for the year or cash flows.

Notes to the financial statements (continued)

9 Tangible fixed assets (continued)

Assets in the course of construction

Assets in the course of construction is £71,133,000 at 31 March 2023 (2022: £43,206,000). Key capital projects held within this balance are: capital expenditure in relation to Stansted Transformation Programme (£20,900,000), projects relating to airfield expansion, refurbishment and associated planning costs (£31,873,000) and costs in relation to future security requirements (£9,000,000).

Reclassification to investment properties

During the year, assets with net book value of £338,000 relating to the improvement of the investment property portfolio were transferred to investment properties.

Reclassification to intangible assets

During the year, management performed a review of the categorisation of fixed assets and deemed £2,400,000 of software assets to be intangible in nature. As such, these assets have been classified to intangible assets.

Transfer to group undertakings

Transfers to group undertakings in the year were assets with total cost of £242,000, total accumulated depreciation of £150,000 and total net book value of £92,000, relating to the airport lounge and hospitality assets which were transferred on 31 March 2023 to fellow group company CAVU Experiences (EMEA) Limited, which will contain all of the lounge trade of the MAG Group from 1 April 2023.

10 Intangible assets

	Other intangible assets £000	Software costs £000	Total £000
Cost			
At beginning of the year	1,476	8,077	9,553
Reclassifications from property, plant and equipment (see note 9)	1,900	500	2,400
Additions	421	140	561
Disposals	(805)	(2,354)	(3,159)
At end of year	2,992	6,363	9,355
Amortisation			
At beginning of the year	-	4,015	4,015
Reclassifications from property, plant and equipment (see note 9)	-	(224)	(224)
Charge for the year	-	1,296	1,296
Disposals	-	(2,327)	(2,327)
At end of the year	-	2,760	2,760
Net book value			
At 31 March 2023	2,992	3,603	6,595
At 31 March 2022	1,476	4,062	5,538

Other intangible assets

Other intangible assets relate to capitalised costs of £2,992,000 (2022: £1,476,000) 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

£3,603,000 of capitalised computer software costs principally relates to operating and financial software. During the year, £1,240,000 of such assets were still under development at the year end. Amortisation on these assets will commence when they are integrated with existing Company systems that are in use.

During the year ended 31 March 2023, nil net book value assets with cost and accumulated amortisation of £2,327,000 were disposed to reflect that they are no longer in use.

Notes to the financial statements *(continued)*

11 Investment properties

	Investment properties £000
Balance at 1 April 2022	71,372
Reclassification from property, plant and equipment (see note 9)	338
Movement in fair value of investment properties	(9,989)
Disposals	(720)
Net book value	61,001
Historical cost net book value	-

The fair value of the Group's commercial investment property at 31 March 2023 has been arrived at on the basis of a valuation carried out at that date by JLL Ltd. Fisher German LLP carried out the valuation of the Group's residential property portfolio at 31 March 2023. The valuers are independent and have appropriate recognised professional qualifications, and recent experience in the locations and categories of the locations being valued. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties, land valuations and analysis of demand within the vicinity of the relevant properties.

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 28.

Gains on sale and valuation of investment properties is reported in the income statement. A loss of £9,577,000 was recorded in the year (2022: £10,749,000 gain). This is comprised of £9,989,000 in valuation losses (2022: £10,718,000 gain), and profits on sale of £412,000 (2022: £31,000).

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.

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

- A 5% increase/decrease in enterprise rental value and 0.25% decrease in yield gives rise to an increase of £1,345,000/decrease of £1,347,000.
- A 0.25% decrease in yield/0.25% increase in yield gives rise to an increase of £984,000/decrease of £929,000.

Notes to the financial statements *(continued)*

12 Trade and other receivables > 1 year

	2023	2022
	£000	£000
Amounts owed by group undertakings	165,102	-
Amounts owed by group undertakings - interest bearing	-	11,484
	<u>165,102</u>	<u>11,484</u>

Amounts owed by group undertakings of £165,102,000 (2022: £nil) are unsecured, interest-free and repayable on demand. The expectation is that it will be received in more than 12 months from the balance sheet date.

Amounts owed by group undertakings - interest bearing of £nil (2022: £11,484,000) was a loan due from Manchester Airport Group Investments Limited (MAGIL), with annual simple interest accruing at a rate of 5.19%. In 2023, the related interest income is £nil (2022: £6,434,000), as the loan was settled in the year.

13 Inventories

	2023	2022
	£000	£000
Raw materials and consumables	1,859	1,527
	<u>1,859</u>	<u>1,527</u>

14 Trade and other receivables

	2023	2022
	£000	£000
Trade receivables	15,221	11,838
Amounts owed by group undertakings	-	355,200
Other receivables	1,018	1,119
Prepayments	2,212	2,194
Accrued income	12,494	10,326
	<u>30,945</u>	<u>380,677</u>

Amounts owed by group undertakings of £nil (2022: £355,200,000) are unsecured, interest-free and repayable on demand. The 2022 balance was repaid in full during 2023.

Other receivables of £1,018,000 (2022: £1,119,000) are considered to be non-trade in nature.

15 Trade and other payables

	2023	2022
	£000	£000
Trade payables	8,004	6,128
Amounts owed to group undertakings	66,965	322,984
Taxation and social security (includes corporation tax)	2,417	2,024
Other payables	136	309
Accruals	36,738	22,034
Capital-based grants	488	313
	<u>114,748</u>	<u>353,792</u>

Amounts owed to group undertakings of £66,965,000 (2022: £322,984,000) are unsecured, interest-free and repayable on demand. All amounts are classified as current, whilst the expectation is that it will be paid in more than 12 months from the balance sheet date.

Notes to the financial statements *(continued)*

16 Deferred income

	2023	2022
	£000	£000
Deferred income	11,193	9,106
	<u>11,193</u>	<u>9,106</u>

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

17 Provisions

	Provisions £000
1 April 2022	4,256
Charged to income statement	(619)
31 March 2023	<u>3,637</u>
Current	3,637
Non-Current	-
31 March 2023	<u>3,637</u>

The provisions balance relates to restructuring, dilapidations on leased properties and potential insurance claims liabilities from incidents which have occurred at Stansted Airport. Management expect these provisions to be utilised in the next 12 months and have therefore classified them as current.

18 Non-current liabilities

	2023	2022
	£000	£000
Capital based grants	6,419	6,639
	<u>6,419</u>	<u>6,639</u>

Capital based grants relate to funding provided towards airport infrastructure and airspace research at Stansted Airport. Amortisation of these grants begins when the underlying asset they relate to is brought into use, with the amortisation period aligning to the useful life of the asset. At 31 March 2023, the remaining amortisation period for the amortising capital based grants, as a weighted average, is approximately 25 years.

19 Deferred tax assets and liabilities

	Differences between accumulated depreciation and capital allowances	Short term timing differences	Deferred tax on investment properties	Deferred tax on pensions	Tax losses	Net tax assets/ (liabilities)
	£000	£000	£000	£000	£000	£000
At 1 April 2022	(30,254)	97	(17,843)	(7,075)	19,684	(35,391)
Credit/(charge) to income statement	18,017	(97)	2,593	-	(12,394)	8,119
Charge to other comprehensive income	-	-	-	(12,875)	-	(12,875)
At 31 March 2023	<u>(12,237)</u>	<u>-</u>	<u>(15,250)</u>	<u>(19,950)</u>	<u>7,290</u>	<u>(40,147)</u>

Notes to the financial statements (continued)

19 Deferred tax assets and liabilities

	Differences between accumulated depreciation and capital allowances	Short term timing differences	Deferred tax on investment properties	Deferred tax on pensions	Tax losses	Net tax assets/ (liabilities)
	£000	£000	£000	£000	£000	£000
At 1 April 2021	(23,005)	(250)	(6,960)	247	13,851	(16,117)
(Charge)/credit to income statement	(7,249)	347	(10,883)	-	5,833	(11,952)
Charge to other comprehensive income	-	-	-	(7,322)	-	(7,322)
At 31 March 2022	(30,254)	97	(17,843)	(7,075)	19,684	(35,391)
					2023	2022
						<i>restated*</i>
					£000	£000
Deferred tax assets					7,290	19,781
Deferred tax liabilities**					(47,437)	(55,172)
					(40,147)	(35,391)

*The deferred tax liability at 31 March 2022 has been reclassified from 'provisions for liabilities' to 'non-current liabilities' to align with the requirements of FRS 102 when using an adapted balance sheet format. As a result of the prior period classification error, non-current liabilities have increased by £55,172,000 and provisions for liabilities and charges have decreased by £55,172,000. There is no impact on net assets, profit for the year or cash flows.

**The 31 March 2022 balance sheet has been restated to offset eligible deferred tax assets and liabilities to align with the requirements of FRS 102. As a result of the prior period classification error, non-current assets have decreased by £19.8m and non-current liabilities have decreased by £19.8m. There is no impact on net assets, profit for the year or cash flows.

The unrecognised deferred tax assets as at 31 March 2023 were £nil (2022: £nil)

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

20 Called up share capital

	2023	2022
	£000	£000
<i>Issued, called up and fully paid</i>		
503,900,002 Ordinary shares of £1 each	503,900	503,900
	503,900	503,900

21 Reserves

	Retained earnings
	£000
2023	
At 1 April 2022	406,456
Profit for the year after taxation	73,710
Remeasurement of the net defined benefit asset (net of taxation)	35,225
At 31 March 2023	515,391

Notes to the financial statements (continued)

21 Reserves (continued)

	Retained earnings
2022	£000
At 1 April 2021	423,686
Loss for the year after taxation	(31,808)
Remeasurement of the net defined benefit liability (net of taxation)	14,578
At 31 March 2022	406,456

22 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 2023 is £1,436.1m (2022: £1,921.2m).

23 Commitments

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

	2023	2022
	£000	£000
Contracted	32,248	8,003

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.

24 Operating lease arrangements

Leases as lessee

At 31 March 2023 the Company has commitments under non-cancellable operating leases which expire as follows:

	2023	2023	2022	2022
	Land and buildings	Plant, fixtures and equipment	Land and buildings	Plant, fixtures and equipment
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	851	13,206	774	12,330
In the second to fifth years inclusive	2,784	51,629	2,766	49,015
Over five years	340	636,553	853	603,067
	3,975	701,388	4,393	664,412

Notes to the financial statements (continued)

24 Operating lease arrangements (continued)

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 total amount payable on the lease is a base fee of £9,306,000 (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 £12,236,000 (2022: £11,432,000). 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:

	2023	2022
	£000	£000
Less than one year	1,172	2,237
Between one and five years	660	3,960
More than five years	11,948	13,088
	<u>13,780</u>	<u>19,285</u>

25 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 £4,874,000 (2022: £4,771,000).

Contributions amounting to £nil (2022: £nil) were payable to the scheme at the year end and are included in payables.

Defined Benefit 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 STAL, but no liability for pensioners or deferred members was transferred. STAL was closed to future accrual during FY22.

The last full actuarial valuation of STAL was carried out by the Scheme Actuary on 30 September 2022. The aggregate market value of the assets was updated by a full valuation and at the date of that actuarial valuation was £197.9m (previous valuation £198.8m), which represented approximately 124% (previous valuation 89.3%) of the present value of the liabilities. STAL was valued using the projected unit method. There are no expected future contributions for the year ending 31 March 2024.

Key pension assumptions used:

	MAG (STAL)	
	2023	2022
Discount rate	4.80%	2.60%
Future salary increases	n/a*	n/a*
RPI inflation	3.20%	3.30%
CPI inflation	2.60%	2.60%
Increases to pensions in payment		
RPI (max 5%)	3.10%	3.20%
RPI (max 2.5%)	2.20%	2.20%
CPI	n/a	n/a
CPI (max 3%)	2.20%	2.20%
RPI	3.20%	3.30%

Notes to the financial statements (continued)

25 Pension scheme (continued)

Key pension assumptions used (continued)

	MAG (STAL)	
	2023	2022
Life expectancy from 65		
<i>Longevity at age 65 for current pensioners</i>		
Males	21.6 years	21.6 years
Females	23.7 years	23.6 years
<i>Longevity at age 45 for current members</i>		
Males	23.0 years	22.6 years
Females	25.2 years	24.8 years

*Scheme closed to future accrual during FY22.

The RPI inflation assumption is set by extrapolating the Bank of England implied inflation curve out to longer terms and using the same projected cashflows to derive a single equivalent RPI inflation assumption. CPI inflation is set by reference to RPI inflation as no CPI-linked bonds exist. Management have continued to use the revised basis for the estimation of the inflation assumptions following the Government's announcement in 2020 to align RPI and CPI-H from February 2030.

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 section 28, the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. Each of the Scheme's assets invested in a range of asset classes, including government bonds and indirect lending.
Changes in bond yields	A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in this scenario, the Schemes' investment in government bonds is expected to increase and therefore offset some of the increase in the value placed on the liabilities.
Inflation risk	The majority of the Scheme's benefit obligations are linked to inflation and higher out-turn inflation will lead to a higher benefit obligation (although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the Scheme's 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 Scheme's obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the Scheme's 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 Scheme does not contain a hedge against increases in future life expectancy.

Notes to the financial statements *(continued)*

25 Pension scheme *(continued)*

	Fair value of scheme assets £000	Present value of defined benefit obligations £000	(Deficit)/ surplus in the scheme £000
MAG (STAL)*			
2023	214,100	(134,300)	79,800
2022	228,900	(200,600)	28,300
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)

*STAL has a surplus of £79.8m which would be in the form of refunds. The Group's assessment is that it has a right to a refund of surplus under the FRS 102.28.22 requirements based on the rules of the scheme. Since the scheme has closed to accrual, the surplus can only be recognised as a right to refund.

Plan assets

	2023 £000	2022 £000
Equities and other growth assets	70,600	137,600
Corporate and government bonds	118,900	72,800
Property	-	-
Other	24,600	18,500
Fair value of assets	214,100	228,900

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.

	2023 £000	2022 £000
Present value of funded defined benefit obligations	(134,300)	(200,600)
Fair value of plan assets	214,100	228,900
Net pension surplus	79,800	28,300

Movements in present value of defined benefit obligation

	2023 £000	2022 £000
At 1 April	(200,600)	(218,800)
Current service cost	-	(1,000)
Interest cost	(5,200)	(3,900)
Remeasurement: actuarial gains	67,500	13,700
Contributions by members	-	(200)
Benefits paid	4,000	3,700
Curtailments	-	5,900
At 31 March	(134,300)	(200,600)

Notes to the financial statements (continued)

25 Pension scheme (continued)

Movements in fair value of plan assets

	2023	2022
	£000	£000
At 1 April	228,900	217,500
Interest income	5,900	3,900
Remeasurement: actuarial (losses)/gains	(19,400)	8,200
Contributions by employer	3,500	3,600
Contributions by members	-	200
Administration expenses	(800)	(800)
Benefits paid	(4,000)	(3,700)
At 31 March	214,100	228,900

Expense/(income) recognised in the income statement

	2023	2022
	£000	£000
Current service costs	-	1,000
Administration expenses	800	800
Interest on net defined benefit asset/liability	(700)	-
Curtailments	-	(5,900)
Total expense/(income) recognised in the income statement	100	(4,100)

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

	2023	2022
	£000	£000
Operating costs	800	1,800
Adjusted items	-	(5,900)
Interest receivable and similar income	(700)	-
	100	(4,100)

The total amount recognised in other comprehensive income relating to the actuarial gain on remeasurement is £48,100,000 (2022: gain of £21,900,000).

History of experience gains and losses

	2023	2022
	£000	£000
Experience loss on scheme liabilities	(2,500)	(1,100)

The Company expects to contribute £nil to its defined benefit plan in the next financial year.

26 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.

Notes to the financial statements *(continued)*

27 Post balance sheet events

Subsequent to the year end, on 12 May 2023 the Group secured a bridge to bond facility that provides the Group with assurance that it will be able to refinance its bond for £360,000,000 by providing the facility to drawdown £360,000,000 up to 12 May 2024, with options to extend to 12 May 2025. These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy. The bridge to bond facility is held within fellow group undertaking Manchester Airport Group Finance Limited. As required, drawings from the facility will be transferred within the Group in line with the Group's internal treasury policy.

Other information

Overview

The annual report contains certain alternative performance measures ('APMs') that are not required under Financial Reporting Standards 102 (FRS 102) which represents the GAAP under which the Company presents its Financial Statements. The Group believes that these APMs, which are not considered to be a substitute for or superior to FRS 102 measures, provide stakeholders with additional helpful information and enable an alternative comparison of performance over time. APMs may not be considered comparable to other similarly titled measures used by other companies.

These APMs are primarily used to:

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

Adjusted items

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

- **Impairment of assets**

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

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

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

- **Other specific items**

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

Notes to the financial statements (continued)

Other information (continued)

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

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

APM	Closest Equivalent Statutory Measure	Purpose	Definition
Adjusted EBITDA	Operating profit/(loss)	The Company's adjusted EBITDA measure is consistent with the way that Executive Management and the Board assess the Group's financial performance. Additionally, it is a key metric used by the investor community to assess performance of the Company's operations.	Earnings before interest, tax, depreciation and amortisation prior to the impact of adjusted items. Reconciled to GAAP from Operating profit/(loss) measured in accordance with FRS 102 excluding: • The impact of adjusted items (note 3).
Operating profit/(loss) before adjusted items	Operating profit/(loss)	Adjusted operating profit/(loss) is a measure of the GAAP metric whilst adjusting for adjusted items.	Result from operations measured in accordance with FRS 102 excluding the impact of adjusted items (note 3).

Reconciliation of APMs to Statutory Measures

	2023 £000	2022 £000
Operating profit/(loss) before adjusted items	100,851	(39,615)
<i>Adjusted items deducted/(added back) to arrive at APM:</i>		
Major reorganisation of business	215	884
Legal and other	-	(3,001)
Impairment of assets	2,400	-
	2,615	(2,117)
Operating profit/(loss)	98,236	(37,498)
Adjusted operating profit/(loss)	100,851	(39,615)
Add back: Depreciation and amortisation*	52,192	66,234
Adjusted EBITDA	153,043	26,619

*Note that depreciation and amortisation in the income statement is £199,000 lower than the total of depreciation of property, plant and equipment and amortisation of intangible assets. This is due to a credit to depreciation of £199,000 in the year, from amortisation of capital based grants.