Manchester Airports Holdings Limited

Unaudited Interim report and condensed consolidated financial statements for the six months ended 30 September 2020

Company registration number: 08353309

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Group Chief Executive Officer's Operating Review

These interim results, for the period April 2020 to September 2020, reflect the unprecedented period we have been through this year. The sudden and immediate global crisis that has impacted the aviation industry worldwide means that MAG's headline figures are far from what we normally expect, and describe an intensely challenging period for our business.

In the period, in common with every other major aviation business, we have made a significant loss – with loss measured by Adjusted EBITDA[1] at £(81.9m) (down from £270.7m profit for the six months ended 30 September 2019) from a revenue of only £93.8m (which was 82.5% down year on year). This is a direct result of passenger numbers falling to 4.2m, a reduction of 88.5%.

The management response to the challenges we have faced has been measured, strong and focused on long term recovery. We immediately put a halt on all non-essential expenditure and asked all MAG colleagues to take a 10% pay cut from April 2020 for a year. We have reduced the size of our management team, which has resulted in a streamlined operation with approximately 25% fewer leaders and back office roles. We have also been consulting with our unions and colleagues regarding a wide range of measures including potential reductions of up to 892 roles across the broader organisation.

These steps were the correct and proportionate reaction to the situation. We have been supported through this period by our shareholders, who have contributed £300m of additional funding to provide the business with cash reserves of £644.5m at 30 September 2020, inclusive of proceeds from the sale of the Group's property book. In addition, our listed bondholders and investors have agreed to new conditions on borrowing, waiving the Group's loan covenants for the period to 31 March 2021, to enable us to operate in the current financial environment.

Together, these actions stand us in good stead for the coming months. They have been underpinned by a full review of our strategic risk register that gives us confidence that, aside from COVID-19 and Brexit, our key risks going forward remain broadly unchanged. The executive and senior management have been engaged throughout the pandemic in assessing the impact upon our strategic and corporate risks and identifying the measures we need to mitigate them. This commentary outlines the key actions we have taken to ensure a robust response to an exceptional risk.

While securing our short-term future, we have also been putting plans in place to allow us to lead the UK aviation industry's fightback from COVID-19. We expect demand for air travel to take several years to return to pre-COVID-19 levels, and our 'one MAG' operating model will leverage group-wide commercial expertise to accelerate the recovery and maximise our strong relationships with the most ambitious airlines, retailers and suppliers.

This approach will capitalise on the fact that we are a united, national airport group – the largest in the country – which operates three airports, with five terminals and four runways across the UK.

We have also been leading industry efforts to influence Government policy so that the aviation industry can fly more people in the short term and recover strongly in the medium-to-long term. We have helped the Government to introduce international travel corridors and then refine their application to consider islands separately from the mainland. Over the summer, this allowed some Greek resorts, and Madeira, to continue to welcome British visitors even though other parts of Greece and Portugal were subject to restrictions. In October, the policy also allowed the Canary Islands to open once more, even with mainland Spain still requiring passengers to quarantine on return.

MAG has called consistently for a testing regime that would allow arrivals from higher risk destinations to quarantine for a shorter period of time. In late November, the Government confirmed that from 15 December it would introduce a 'Test to Release' system. The new system includes many of the features of a unified proposal to the Government that MAG brought the airport industry together behind earlier in the year. Importantly, the Government has also set out its ambition to keep refining the system and introducing faster and cheaper tests when it is safe to do so. MAG has launched testing centres at all of our airports to allow customers to book any tests that they need when arriving in the UK and for those looking to travel to other countries with pre-departure testing requirements.

In the same announcement the Government also confirmed it would provide business rates relief for English airports, up to a maximum of £8m per airport site. The details of the relief scheme will be published in early 2021 and we anticipate MAG will be eligible for approximately £20m of support across our three airports.

Alongside our work to respond to the COVID-19 pandemic, we are continuing to focus on preparations for the end of the UK's transition period as we leave the European Union. We have put in place robust plans and arrangements to prepare the business for 1 January 2021, whatever the result of ongoing negotiations with Brussels. We have been trialling operational processes and ensuring they align with new post-Brexit rules and regulations – both in our terminals and around our cargo processing facilities. We are confident that operational disruption will be minimal.

There are also positive commercial opportunities for MAG once the UK has left the EU. Freeports may allow regions around airports to trade and grow under favourable, incentivised conditions and Duty Free prices on alcohol and tobacco will now be open to all international travellers departing our airports. We have also been working hard to persuade Government to maintain tax-free shopping on other goods for all travellers instead of withdrawing it, to give a considerable boost for the travel and inbound tourism sectors.

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

Group Chief Executive Officer’s Operating Review continued

There remains significant uncertainty about the rate at which demand for air travel will recover following the COVID-19 pandemic, so we are continually updating our forecasts to accurately reflect the latest projections. MAG is a large, but commercially minded and agile business which will be in a good position to take advantage as people look to start flying again. I am confident this demand will return and that MAG’s long term prospects remain strong, despite the globally challenging outlook for our industry at present.

Finally, I would like to take this opportunity to thank all colleagues who have worked so hard for MAG over these past months. It has been a challenge for everyone, at work and at home, and their dedication to MAG – helping build the blocks of our future recovery – has been exemplary and great to see.

Charlie Cornish
Group Chief Executive

Business model

Business Model and Key Priorities

MAG's goal is to deliver sustainable growth in shareholder value, balancing the needs of our customers, passengers, employees and the communities in which we work, while maintaining the highest safety and security standards.

Over recent years MAG's management team has successfully delivered sustained growth and consistently outperformed its business plan targets.

The short-to-medium term impact of the COVID-19 pandemic is currently difficult to assess and it is clear that the recovery will take time, as the broader global economic impacts of the pandemic materialise, and the effects of a second wave of infections and national lockdowns materialise. As a result, airlines continue to reduce the size of their fleets and reduce costs in the short term. The introduction of a national and airport testing programme coupled with the distribution of a vaccine later this year or early next year means that MAG remains confident that traffic will recover to pre-COVID-19 levels in the next three years.

Through this recovery period, our core objective will be to drive the Group back to previous levels of performance as quickly as possible, by maintaining relationships with our airline partners and developing strategies that will support the recovery of the travel sector. As we move through this period, we will progressively increase our focus on driving forward our long-term strategic agenda and look for opportunities to grow shareholder returns through the development of new solutions and products to secure future revenue streams.

Strategy

The COVID-19 pandemic is the single biggest challenge the aviation industry has faced with passenger volumes reducing to near zero as countries and borders have restricted the movement of people. MAG is no different, with significant reductions in traffic across all our airports.

MAG has responded by taking decisive steps to reduce operating costs through the alignment of infrastructure and resources to meet the revised traffic demand. As Government restrictions and border controls are gradually relaxed it is expected that airlines will re-introduce flying programmes. MAG has delivered health measures and controls at our airports to provide a safe environment for our passengers, customers, airlines and colleagues as airlines start up their operations again. Additionally, MAG has implemented an effective strategic finance response to the pandemic which is outlined in the basis of preparation on page 14.

Looking to the future, we will seek to deliver our strategy of investing, transforming and connecting as soon as circumstances permit. However, the scale of the pandemic has demanded that we refocus our priorities in the short-term to ensure that we respond effectively to the immediate challenges we face.

In responding to the challenges associated with the COVID-19 pandemic, we have focused on three key areas: (1) our initial response to the pandemic, (2) the recovery phase and re-start of operations and (3) how we intend to operate once market conditions return to normal.

Our initial response to the pandemic was designed to maintain air connectivity for the repatriation of UK citizens, delivering essential goods to the UK including medical supplies, and providing our infrastructure to support NHS COVID-19 testing centres. At the same time, we have scaled our infrastructure to meet this demand by closing facilities, reducing staff levels to align with the demand and reducing operating hours of our passenger terminals, while at the same time maintaining a 24-hour airside operation.

We continue to work with Government and the industry to restart operations at the earliest safe opportunity. Consistent with Government guidance, our safe system for air travel will adopt a risk-based approach, introducing a range of control measures and new operating processes throughout our airports to mitigate the risk of infection and transmission. We are also working with industry to implement COVID-19 testing across our airports for colleagues and passengers that supplements wider government policy. This, along with a vaccine, will support the recovery of traffic and safe travel.

As traffic volumes return to pre-COVID-19 levels we will return to our strategy to invest in our infrastructure, continue to transform our business and processes, and provide global connectivity that meets our customers' needs and supports our airlines' ambitions. Our long-term strategy will be to focus on the following three key areas:

- utilising our scale to grow passenger traffic across all our airports;
- continuing our successful strategy to accelerate the growth at Manchester and London Stansted; and
- investing in other growth opportunities including complementary airport service businesses.

The timing of future investments will be determined by the recovery of traffic and the economic outlook. MAG will continue to take a balanced approach to align investments with future traffic and economic projections.

Financial review

Introduction

The following financial review, based on the condensed consolidated financial statements of the Group, provides commentary on the performance of the Group's operations. The Group prepares its consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

Headline Financials

MAG's financial performance for the six months ended 30 September 2020 has been dominated by the impact of COVID-19 upon the global economy in general and the aviation sector in particular. The activity level reductions of 85%-90% have resulted in a revenue reduction in excess of £440m (against the comparative six months period) and whilst cost reduction activities have delivered cost savings of £89.5m (against the comparative six months period) this has still resulted in Adjusted EBITDA[1] levels of £270.7m experienced last year reducing to a £81.9m EBITDA loss in this six month period. The loss for the period of £165.1m was also impacted by: depreciation and amortisation levels in the period at £93.4m; finance costs of £42.9m; profit from discontinued activities of £46.1m; and a tax credit of £25.2m.

In addition to the impact of the pandemic upon the Group's financial performance, the movement in inflation and corporate bond yield rates since the year end has added £110.1m to the Group's retirement benefit liability with an offsetting deferred tax benefit of £20.6m. These combined impacts have resulted in a £196.1m (14.6%) reduction in net assets since 31 March 2020.

	Six months ended 30 September 2020 £m	Six months ended 30 September 2019 £m	2020/ 2019 Change £m	2020/ 2019 Change %
Passenger numbers (m)	4.2	36.4	(32.2)	(88.5%)
Revenue – continuing operations	93.8	535.9	(442.1)	(82.5%)
Adjusted EBITDA[1] – continuing operations	(81.9)	270.7	(352.6)	(130.3%)
Result from operations– continuing operations	(183.5)	172.7	(356.2)	(206.3%)
Result before taxation – continuing operations	(236.4)	120.5	(356.9)	(296.2%)
Result after taxation – discontinued operations	46.1	25.9	20.2	78.0%
Result after taxation- continuing operations	(211.2)	83.8	(295.0)	(352.0%)
Adjusted cash generated from operations[2]	(120.6)	266.9	(387.5)	(145.2%)
Capital investment	101.5	279.8	(178.3)	(63.7%)
Dividends paid in period	-	128.0	(128.0)	(100.0%)
Net Debt – (including IFRS 16)	(2,676.0)	(2,468.3)	(207.7)	8.4%
Equity shareholders' funds	1,149.6	1,434.5	(284.9)	(19.9%)

Reconciliation of Adjusted EBITDA to adjusted operating profit and profit from operations

	Six months ended 30 September 2020 £m			Six months ended 30 September 2019 £m		
	Before significant Items	Significant Items	After Significant Items	Before significant items	Significant Items	After Significant Items
Adjusted EBITDA[1]	(81.9)	(8.2)	(90.1)	270.7	(14.6)	256.1
Depreciation and amortization	(93.4)	-	(93.4)	(83.4)	-	(83.4)
Adjusted operating profit/ Profit from operations	(175.3)	(8.2)	(183.5)	187.3	(14.6)	172.7

[1]Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, share of results of associate, gains and losses on sales and valuation of investment property, and before significant items.
[2] Adjusted cash generated from operations is cash generated from operations before significant items

Financial review continued

Measures used to assess performance

The Group uses a number of measures to assess financial performance that are not defined within IFRS and are widely referred to as 'Alternative Performance Measures' ("APMs"). The directors use these measures to review the performance of the Group, as evidenced by performance targets being significantly based on Adjusted EBITDA[1].

The APMs referred to in this report are:
- Adjusted EBITDA[1];
- Adjusted operating profit[2]; and
- Adjusted cash generated from operations[3]

As such, these measures are important and should be considered alongside the IFRS performance measures. The adjustments for each of the APMs from IFRS measures are separately disclosed and relate to items that are significant in size or non-recurring in nature, and where, in the directors' view, their separate disclosure gives a more accurate indication of the Group's underlying financial performance.

For example, costs incurred owing to restructuring activities, additional expenditure owing to Group transformation activities, organisational redesign and Merger & Acquisition activity are considered one-off and are presented within Significant items as adjustments to the IFRS measures of financial performance.

Additional and non-recurring costs recognised in the income statement as a result of the COVID-19 pandemic have not been presented within Significant items.

APMs used within these statements are accompanied by a reference to the relevant IFRS measure and the adjustments made.

Summary trading performance

Passenger Traffic	Six months ended 30 September 2020 (m)	Six months ended 30 September 2019 (m)	Change (m)	Change %
Manchester Airport	1.7	17.4	(15.7)	(90.2%)
Stansted Airport	2.2	15.9	(13.7)	(86.2%)
East Midlands Airport	0.3	3.1	(2.8)	(90.3%)
Total Business	**4.2**	**36.4**	**(32.2)**	**(88.5%)**

During the six months ended 30 September 2020, 4.2m passengers travelled through the Group's three airports. The global COVID-19 pandemic being the cause of the significant decrease of 88.5% in comparison to the same period last year, with all of MAG's airports experiencing similar levels of reduction.

All of MAG's airports have remained open throughout the six month period enabling passengers to take advantage of the UK Government's travel corridors when in operation, but also providing repatriation flights during the early stages of the pandemic and acting as valuable cargo hubs as part of the UK's supply chain.

Whilst the pandemic has impacted all of the carriers servicing MAG's airports, passenger activity levels by location have largely reflected the travel corridors that have been in place throughout the six month period with Dalaman, Antalya, Sabiha Gokcen and Faro each delivering in excess of 100,000 passengers in the period.

[1]Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, share of results of associate, gains and losses on sales and valuation of investment property, and before significant items.
[2] Adjusted operating profit is operating profit before significant items.
[3] Adjusted cash generated from operations is cash generated from operations before significant items.

Financial review continued

Summary Trading Performance continued

Summary of Revenue Stream	Six months ended 30 September 2020 (£m)	Six months ended 30 September 2019 (£m)	Change (£m)	Change %
Aviation income	40.9	218.4	(177.5)	(81.3%)
Retail concessions	10.4	120.5	(110.1)	(91.4%)
Car parking	22.4	147.2	(124.8)	(84.8%)
Property & property related income	9.5	9.3	0.2	2.2%
Other	10.6	40.5	(29.9)	(73.8%)
Total Revenue - continuing operations	**93.8**	**535.9**	**(442.1)**	**(82.5%)**
Total Revenue - discontinued -operations	**8.5**	**15.7**	**(7.2)**	**(45.9%)**

Summary of Revenue by Division	Six months ended 30 September 2020 (£m)	Six months ended 30 September 2019 (£m)	Change (£m)	Change %
Manchester Airport	36.0	264.7	(228.7)	(86.4%)
London Stansted Airport	39.7	215.8	(176.1)	(81.6%)
East Midlands Airport	17.5	44.4	(26.9)	(60.6%)
MAG USA	2.2	7.3	(5.1)	(69.9%)
Group, Consolidation adjustments and other (see note 2)	(1.6)	3.7	(5.3)	(143.2%)
Total Revenue - continuing operations	**93.8**	**535.9**	**(442.1)**	**(82.5%)**
Total Revenue - discontinued -operations	**8.5**	**15.7**	**(7.2)**	**(45.9%)**

The group has experienced an overall revenue reduction of 82.5% in comparison to the prior period. The reductions in the divisions largely mirror the percentage reductions in passengers through the airports with reductions in the region of 80%-90%. The main exception to this being the smaller reduction at East Midlands owing to the increased cargo income.

The reductions in revenue measured by the Group's main revenue streams, aviation, retail and car parking, have similarly fallen in line with passenger reductions. Passenger driven aviation income reductions are partially mitigated as a result of increased cargo levels, especially at East Midlands. The reduction experienced in the retail revenue stream is more pronounced with some closures of retail units and yield reductions. MAG looks to work with its retail partners to ensure that both are in a position to take advantage of the increase in activity levels when we emerge from the pandemic. MAG US and other income levels have similarly fallen whereas continuing property income levels have remained flat year on year.

Operating costs	Six months ended 30 September 2020 (£m)	Six months ended 30 September 2019 (£m)	Change (£m)	Change %
Employment costs	(114.6)	(136.1)	21.7	(15.9%)
Less: Job Retention Scheme income	31.3	-	31.3	-
Net employment costs	(83.3)	(136.1)	52.8	(38.8%)
Depreciation and amortization	(93.4)	(83.4)	(10.0)	12.0%
Other operating charges	(92.4)	(129.1)	36.7	(28.4%)
Net Operating Costs - continuing operations	**(269.1)**	**(348.6)**	**79.5**	**(22.8%)**

Financial review continued

Summary Trading Performance continued

Overall costs, excluding significant items, depreciation and amortisation decreased by £89.5m to £175.7m. Employee cost reduction activities of £52.8m resulted from: utilisation of the UK government's job retention scheme (£31.3m), and other employee cost reduction activities (10% pay reduction, initiatives to reduce overtime, temporary resources, recruitment, incentives and streamlining of the leadership population).

The Business has also achieved other operating cost savings of £36.7m in areas including: discretionary spend; rent rates and utilities; maintenance; and policing.

Adjusted EBITDA[1] by Division	Six months ended 30 September 2020 (£m)	Six months ended 30 September 2019 (£m)	Change (£m)	Change %
Manchester Airport	(46.8)	143.0	(189.8)	(132.7%)
London Stansted Airport	(25.0)	114.2	(139.2)	(121.9%)
East Midlands Airport	0.2	19.3	(19.1)	(99.0%)
MAG USA	0.3	(0.1)	0.4	400.0%
Group, consolidation and other	(10.6)	(5.7)	(4.9)	(86.0%)
Total Adjusted EBITDA* - continuing operations	**(81.9)**	**270.7**	**(352.6)**	**(130.3%)**
Total Adjusted EBITDA* - discontinuing operations	**7.9**	**13.5**	**(5.6)**	**(41.5%)**

Adjusted EBITDA[1] position for the Group shows a reduction of £352.6m to a loss of £81.9m driven by the £442.1m passenger driven revenue reduction only partially mitigated by the £89.5m Group's cost mitigation actions compared to the prior period.

Depreciation and amortisation costs relating to continuing operations are £10.0m (12.0%) higher than the prior year at £93.4m. This reflects the full year charge of Group's infrastructure works being brought into use in 2020 and also accelerated depreciation of £3.2m. The Group have considered whether the non-financial assets have been impaired as a result of the pandemic and concluded that no impairment is required (see notes 9 and 13). Additionally, whilst the Group's transformation projects have been paused as a result of the pandemic, management have assessed that the assets under construction balance is recoverable based upon the assumption of resuming the programmes post-pandemic.

The Group has also recognised £8.2m of Significant items in the current year's accounts in comparison to £14.6m in the prior year. The principal components of the charge recognised in the current year relate to: organisational restructuring costs £6.2m; acquisition costs relating to the purchase of three US businesses £1.1m (see note 14); and a one-off insurance claim £0.5m.

Results from operations by Division	Six months ended 30 September 2020 (£m)	Six months ended 30 September 2019 (£m)	Change (£m)	Change %
Manchester Airport	(91.3)	96.4	(187.7)	(194.7%)
London Stansted Airport	(63.2)	78.2	(141.4)	(180.8%)
East Midlands Airport	(7.0)	10.7	(17.7)	(165.4%)
MAG US	(3.0)	(0.1)	(3.1)	(3,100.0%)
Group, consolidation and other	(19.0)	(12.5)	(6.5)	(52.0%)
Total result from operations - continuing operations	**(183.5)**	**172.7**	**(356.2)**	**(206.3%)**
Total result from operations - discontinuing operations	**7.9**	**13.5**	**(5.6)**	**(41.5%)**

After deducting the above depreciation, amortisation and significant items from Adjusted EBITDA[1], the loss from operations for the year is £183.5m, a decrease of £356.2m (206.3%) on the prior year.

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

Financial review continued

Profit on sale of discontinued operations

On 7 August 2020 the Group completed the sale of the majority of its non-core property portfolio and a 50% shareholding in its Airport City joint venture to Columbia Threadneedle Investments and received net proceeds at the time of sale of £352.8m. The sale of the non-core property portfolio generated a post-tax profit of £46.1m and has been recognised in post-tax profit from discontinued operations for the period The sale of the shareholding in the Airport City joint venture is not part of the Group's discontinued operations and the loss on sale of £6.6m has been recognised in the financial statements.

As detailed in the post-balance sheet events note the Group successfully concluded the sale of the remaining non-core property portfolio properties in October 2020.

Financing Costs

Underlying interest payable (including IFRS16) has increased by £13.3m to £84.5m reflecting the accrued interest on the additional £300m shareholder loans issued during the period and the full period impact of bonds issued in the prior year. However, MAG reported a finance cost of £42.9m during the six months to 30 September 2020 (six months to 30 September 2019 £52.8m), which also reflects:

- a credit of £21.8m relating to the modification of existing shareholder loans from the agreement as part of the strategic financing initiate to defer the payment of interest on shareholder loans;
- interest related to pension costs £0.5m (September 2019: £1.1m); and
- The capitalisation of £16.6m (September 2019: £12.1m) of borrowing costs relating to capital investment programmes, in line with IAS 23 and the Group's accounting policies were consistent with prior year.

Cashflow

Cash outflow from operating activities amounted to £165.1m, compared to a cash inflow of £155.8m in the six month period to September 2019, as a result of the COVID-19 pandemic. This was offset by a £209.4m cash inflow from investing activities as MAG secured £352.8m of proceeds before fees from the sale of the Group's non-core property and shareholding in Airport City more than offsetting the capital spend in the period of £113.8m, investment of £23.1m on the Group's US acquisition and associated fees on both acquisitions and disposals. The Group also secured £328.9m cash inflow from financing from shareholders comprising: a £300m injection of shareholder loans; an equity injection of £56.1m (of which £18.7m had been prepaid as at 31 March 2020), net of associated fees. As the Group has maintained a fully drawn Revolving Credit Facility ("RCF") to maximise cash holdings the net impact of the above has been to increase cash levels by £373.2m to £644.5m at 30 September 2020.

Group Financing and Debt

MAG's financing strategy is based upon maintaining its strong investment grade ratings with Fitch and Moody's and a long-term financing structure to support growth. Despite the Global pandemic, as a result of the of the Group's strategic finance response, MAG have been able to maintain its BBB+ and Baa1 credit ratings with both Fitch and Moody respectively in their recent annual ratings exercises.

Group net debt (including leases) has remained consistent in the six months at £2,676.0m (31 March 2020: £2,670.5m). As at 30 September 2020 the net Group debt of £2,676.0m comprised: long-term fixed rate bonds (£1,437.3m); shareholder loans (£879.7m); drawdown funds from the £500.0m Secured Revolving Credit Facility (£482.3m); lease liabilities (£446.3m) and interest accrued on the shareholder loans (£74.9m); offset by cash of £644.5m. This equates to a headroom of £654.5m comprising the cash balance and £10.0m of committed overdraft facility.

As detailed in the Annual Report for the year ended 31 March 2020 the Group implemented a strategic finance initiative as a response to the pandemic. The main changes on the Group's financing over the six months to 30 September 2020 which has enabled the Group to maintain its current liquidity headroom levels were:

- Net cash outflow of £165.1m from operating activities as a result of the pandemic's impact on the activity levels;
- Securing waivers on the results of the Group's loan covenants for 30 September 2020 and 31 March 2021;
- Obtaining additional funding of £300m from MAG's shareholders in the form of loans and a £37.4m equity injection;
- Obtaining over £350m of proceeds through the sale of its non-core property portfolio and partial sale of the Group's joint venture which more than offset investments in infrastructure and the US acquisition; and
- Cash management activities to reduce cash outflows including: fully drawing down its funds on the revolving credit facility; reduction of discretionary expenditure, curtailment of transformation activity, postponing payment of shareholder loan interest, cancellation of the final year-end dividend, utilising the government's job retention scheme, 10% salary reduction and restructuring of staffing levels to reflect the airport activity levels.

Financial review continued

Business outlook

In addition to the immediate and short-term impact on funding MAG has also considered the impact of COVID-19 on:

- the Group as a going concern; and
- the carrying value of both its non-financial and financial assets. COVID-19 is an impairment trigger that has resulted in the Group reviewing the carrying value of its significant assets.

MAG's ongoing going concern assessment following the COVID-19 pandemic, confirms that the going concern assumption can be applied in the preparation of these condensed consolidated interim financial statements. Management's assessment of going concern, including the material uncertainty that the impact of COVID-19 represents, is detailed in the Basis of preparation at page 14.

Management acknowledges the challenges of estimating the recoverable amounts of its assets given their dependency on future cashflows, which depend upon the duration of the pandemic and the social restrictions implemented by governments. As a result, the accounting policies section on page 16 provides more detail of the impairment testing process undertaken.

Capital expenditure

The Group has made an investment of £101.5m in its infrastructure during the six months ended 30 September 2020 of which £16.6m relates to capitalised interest charges. The Group has significantly reduced and refocused its expenditure on capital projects, the focus being on the completion of phases of projects where significant investment had already been incurred prior to the pandemic.

The main capital activity relates to the completion of phase 1 of Manchester transformational programme which is due to complete in February 2021 and will bring in excess of £500m of assets in the course of construction into use. Work on existing phases of Stansted transformational programme were completed in July 2020. Work on future phases of both transformation programmes are temporarily suspended but are expected to recommence when demand returns after the impact of the pandemic has abated.

US Acquisition

On 22 June 2020 MAG acquired 100% of the share capital of 3 US based businesses: airportparkingreservations.com LLC; parksleepfly.com; and shuttlefinder.net. The businesses are predominantly car parking aggregators operating through online platforms but also providing hotel accommodation and shuttle services across the USA and Canada. The consideration for the acquisition was:

- an upfront payment of $31.3m;
- a deferred payment in April 2021 of $25m; and
- a contingent consideration of up to $12.5m dependent upon passenger levels

As a result of the purchase price allocation exercise performed by an independent valuer for the acquisition, the Group have valued the consideration for the purchase at £52.3m of which £15.1m relates to intangible assets, and £40.3m to goodwill.

Pensions

The accounting deficit for all Group schemes is calculated by the Directors and supported by independent scheme actuaries, PwC, who incorporate data taken from a number of sources in calculating the closing deficit position across the four defined benefit schemes. The Greater Manchester Pension Fund (GMPF) comprises 59.2% (31 March 2020: 70.1%) of the net aggregate Group pension scheme deficit.

Summary of changes in aggregate pension scheme deficit	£m
Deficit as at 31 March 2020	(46.2)
Current service & past service cost	(3.2)
Other financial expenses	(0.5)
Contributions	5.6
Actuarial loss	(110.1)
Deficit as at 30 September 2020	(154.4)

During the six months ended 30 September 2020 the Group's defined benefit schemes' IAS 19 accounting deficit of £46.2m at 31 March 2020 increased to £154.4m.

The £110.1m increase in deficit as a result of changes in actuarial assumptions reflected through the Statement of Changes in Equity in the period. The combined impact of decreases in corporate bond rates and an increase in inflation rates increased scheme liabilities by £170.3m. This was partially offset by an increase of £59.9m in scheme asset values with a £0.3m reduction in the impact of the asset ceiling. In addition to the revisions in actuarial assumptions, the deficit was also impacted by contributions of £5.6m in the year which marginally exceeded the current and past service cost and other expenses of £3.7m. The Group will evaluate the impact of the proposed redundancies across the business (as detailed in the Post-Balance Sheet Events note) on the defined pension liability as part of the year end valuation.

Financial review continued

Taxation

The Group has been loss making for the six months ended 30 September 2020 and as a result is in a tax credit position. The Group has recognised a tax credit in the income statement of £25.2m.

Equity Shareholders funds and dividends

Equity shareholders' funds are £1,149.6m as at 30 September 2020 (31 March 2020: £1,345.7m). The movement comprises: additional equity injection of £56.1m, £165.1m loss after tax and significant items, losses on remeasurement of pension liabilities net of tax impact of £89.5m, recorded in equity, and foreign exchange gain of £2.4m which principally relates to the gain on the effective portion of the hedge relating to the forward contract to fix the USD component of the acquisition price of the US subsidiaries. No dividends were proposed or paid by the Group during the period.

Post-balance sheet events

On 7th October 2020, the Group confirmed that it would commence discussions with unions to reduce employee costs as a result of the COVID-19 pandemic. The proposals could result in the loss of up to 892 roles across the Group's three airports.

On 20th October 2020, the Group announced that Neil Thompson, the Group CFO, had taken the decision to leave the Group. On 4th December 2020 the MAG Group announced the appointment of Jan Bramall, previously Group Finance Director, as Group CFO.

On 14th October 2020, the Group disposed of the remaining non-core property at Manchester Airport.

The Group is currently in discussions regarding the closure of its defined benefit schemes.

Corporate social responsibility

'Working together for a brighter future'

Earlier this year, we published our new five-year Corporate Social Responsibility (CSR) Strategy: 'Working together for a brighter future'. This ambitious Strategy builds on the strong progress made in recent years and has been developed using feedback from a wide range of stakeholders, including our Executive and Board. Our Strategy, which is available on our website[4], is founded on three strategic priorities: zero carbon airports; opportunity for all; and, local voices.

Despite the COVID-19 pandemic, we are confident that our approach to CSR is the right one, and that it will support the recovery and future success of our business, our people and the regions we serve. Over recent months we have witnessed growing calls for governments to promote sustainable, green, recoveries; the inequalities of COVID-19 related impacts; and, the strength of well-connected communities. Whilst we are confident that our Strategy is the right one, we are mindful that our CSR programmes will need to reflect changes caused by the pandemic. To better understand these, we have commissioned an independent assessment of which corporate responsibility issues are most relevant to MAG and its stakeholders. This important work will enable us to target our interventions where they are most needed and deliver our Strategy most effectively.

We recently published our 2019-20 CSR Report, which outlines performance last year and discusses the achievements we made during our 2015-20 CSR Strategy. Our teams have been busy throughout the first half of 2020-21 and, despite the challenges of the COVID-19 pandemic, including significant use of the Government's Job Retention Scheme, we have made progress towards the early deliverables of our Strategy. An overview of our activity is provided below.

Strategic Priorities, MAG 2020 CSR Strategy: Working together for a brighter future.

[4] www.magairports.com/responsible-business

Corporate social responsibility continued

Zero carbon airports

Climate change is an important issue for all of our stakeholders. We recognise that we must build on MAG's position as a carbon neutral business, reduce our residual emissions and play our full part in enabling decarbonisation of the wider aviation industry. That is why we are delighted that our CEO, Charlie Cornish, has been invited to join the Government's new Jet Zero Council. The Council, attended by the Prime Minister, signals the priority government places on a sustainable recovery for the UK aviation industry and aims to enable emission-free transatlantic flight within a generation.

Recognising the importance of early action, we are prioritising action to modernise airspace at each of our airports. Delivering operational efficiencies and 20% of the industry's emission reductions over the next decade, these programmes are an important early deliverable of the Decarbonisation Road-Map[1] which MAG led the industry to publish earlier this year. Sustainable aviation fuels (SAF) are another significant opportunity. Collaborative work, supported by MAG, has demonstrated that, by 2038, there could be up to 14 UK 'SAF' production facilities. Collectively, these are expected to create 20,000 jobs, generate £3bn GVA (including 1,520 jobs and £219m GVA in the north west) and produce sustainable fuel to reduce aircraft emissions by 3.6Mt CO_2e each year[2]. Our work in this area is of increasing importance and supported by the launch of our recent zero-emission aircraft competition.

Opportunity for all

MAG Connect is our flagship skills, education, and employability programme, aiming to secure a pipeline of talent to support the aviation industry, and to return economic and social benefits to our most local communities. Despite the challenges of the COVID-19 pandemic, our MAG Connect Aerozones and Airport Academies have adopted innovative solutions to deliver our programmes. Working with partner schools, our Aerozones have developed online education programmes which engage and inspire young people living close to our airports, and have already been delivered to 180 local young people. Our Airport Academies continue to offer important support to anyone looking for employment and training opportunities. They currently offer 99 fully funded training programmes and have enrolled over 350 learners on distance learning courses so far this year.

We know that challenging time present many difficulties to our colleagues and onsite business partners. For those whose roles have been made redundant, MAG Connect Airport Academies offer the practical and emotional support needed to help individuals move into a new role as quickly as possible. Through ongoing training and support programmes, our Airport Academies will play a critical role in helping MAG, our business partners and our local communities recover from the COVID-19 pandemic.

Local voices

Our programmes of community engagement have been more important in recent months than ever before. The COVID-19 pandemic requires bespoke responses to support individual communities. Whilst our colleagues have donated more than 6,500 hours of their time, MAG has made available over £100,000 in grant funding, supporting pandemic response work by 54 community organisations. Using these donations, community organisations and charities have produced personal protective equipment for NHS workers, supported foodbanks in delivering thousands of meals and tackled important issues including mental health, domestic abuse and social isolation.

Whilst COVID-19 has led to a significant reduction in the number of flights, it has also changed the way people live their lives. This has changed the way our neighbours experience airport operations. As a result, we have recorded noise complaints from new individuals in different locations. Responding to these and minimising the impacts of airport operations are a key priority as we recover from the pandemic.

[1] Decarbonisation Road-map: A path to net zero, Sustainable Aviation, 2020, Available online.
[2] New research confirms UK potential to lead the world in sustainable aviation fuel production, Sustainable Aviation, 2020, Available online.

RESPONSIBILITY STATEMENT OF THE DIRECTORS' IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU; and

- the interim management report includes a fair review of the information required by:

    - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

    - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

By order of the Board

CHARLIE CORNISH
GROUP CHIEF
EXECUTIVE, MAG
9 DECEMBER 2020

ACCOUNTING POLICIES

Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2020 has been prepared on a going concern basis, and in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2020, which has been prepared in accordance with IFRS as adopted by the European Union. The historical cost convention is applicable to these financial statements with the exception of investment properties, financial instruments and employee benefit scheme assets and obligations, and assets held for sale which are fair valued at each reporting date.

The condensed consolidated interim financial information provided in this report is unaudited in the current and prior period. The current period has not been subject to review by an external auditor.

The condensed consolidated set of interim financial statements has been prepared by the Group applying the same accounting policies and significant judgements as were applied by the Group in its published consolidated financial statements as at 31 March 2020. No new standards, interpretations and amendments, issued by the International Accounting Standards Board ('IASB') or by the IFRS Interpretations Committee ('IFRIC'), that are applicable for the period that have had a material impact on the Group's results.

Going concern

The directors have prepared the interim financial statements on a going concern basis. In assessing the going concern position of the Group, the directors have considered the potential impact of COVID-19 on the cash flow and liquidity of the Group, for a period in excess of 12 months. The directors have also considered the impact on the next covenant tests at 30 September 2021.

The current economic conditions resulting from the COVID-19 pandemic have had a significant impact on the general economy and the airline industry specifically and the Group's activity levels for the current financial year.

The Group is subject to financial covenants on its Bonds and Bank facilities, being leverage (Net Debt / EBITDA) and interest cover (EBITDA less tax / net finance charges). The covenants are tested half yearly on 31 March and 30 September. As detailed in the Group's annual report for the year ended 31 March 2020, MAG had anticipated the impact of the pandemic on EBITDA and the breaching of covenants at 30 September 2020. As part of the Group's strategic financial response MAG obtained waivers on the results of its loan covenant testing for both 30 September 2020 and 31 March 2021. Consequently, the Group's financial covenants will next be tested at 30 September 2021.

At the interim reporting date of 30 September 2020, the Group had significant financial liquidity available of £654.5 million comprising cash in hand of £644.5 million together with £10 million in undrawn committed overdraft facilities. The Group also has access to a committed £90.0million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months. The Group does not currently expect to utilise the Liquidity Facility.

As disclosed in the 2020 Annual Report, MAG acted promptly and successfully implemented a strategic financing response including: immediate cash mitigation measures across costs and capital expenditure, securing receipt of £300m of additional funding from its shareholders; comprehensive bank and bondholder support waiving the results of loan covenant testing at 30 September 2020 and 31 March 2021; along with a range of future actions.

Since the issue of the 2020 Annual Report, MAG has implemented further actions to support the long-term viability of the Group: claiming support under the UK Government's job retention scheme for furloughed staff; securing over £350.0m of funds from a partial disposal of MAG's property book in August 2020 (with a sale of a further tranche in excess of £59.0m being achieved in October 2020); streamlining of the leadership and back office population by 25% as part of the business's organisational re-design; and an announcement in October to consult on the loss of up to 892 roles from the wider organisation. These actions, coupled with the planned reductions in forecast non-employment costs and capital expenditure, are expected to deliver cash savings in excess of £380m over a two year period.

Further details of the actions the Group has taken are included in the Chief Executive Officer's statement and the Financial Review.

The actual impact of COVID-19 upon the aviation sector continues to evolve. The re-introduction of restrictions during September and October 2020 coupled with quarantine requirements has continued to impact demand levels into the autumn. The Group's work in helping set up international travel corridors has helped provide some mitigation. The timing of the recovery in passenger numbers will be heavily dependent upon the maintenance of these international corridors; the development of testing processes to reduce the need for passengers to quarantine and the global effort to obtain an effective treatment/ vaccine for the virus.

ACCOUNTING POLICIES continued

Going concern continued

The directors have also considered severe but plausible downside scenarios for the business through FY21 and into FY22 reflecting passenger reduction levels for FY22 ranging between 30% and 50% in comparison to pre-COVID-19 levels. The actions put in place by MAG through its financing response, including the debt-holder consents obtained, mean that MAG's next covenant test is not measured until September 2021, with a reporting date of December 2021.

Taking into account the previously outlined level of cash at 30 September 2020 and the aforementioned cash mitigation measures, the directors are confident that the Group has sufficient funds to allow it to operate throughout this period even in reasonable downside scenarios.

The directors also have a period of time to consider and address any emerging or more significant risks in relation to its financial position or for future financial covenant testing dates from September 2021 onwards. Potential actions would include: further reductions in capital investment and operating costs; aviation tariffs in a lower traffic environment; sourcing additional financial support to remedy any short-term shortfalls; or negotiating waivers with the holders for any potential breach of future financial problems beyond the current consent period.

The potential future impact of COVID-19 creates considerable uncertainty in the aviation industry and subsequent travel volumes, therefore there is a risk that in the event of an extended period of severe but plausible trading downsides, MAG might not meet the financial ratios for its September 2021 covenant test. Following its recent successful strategic response to the current impact of COVID-19, the directors expect to be able to solve the issue through a number of measures available, including potentially negotiating further waivers. Nevertheless the possibility of a covenant breach at the end of September 2021 and the subsequent need to seek a waiver at that time or to take other action, cannot be excluded given the current uncertainty and as such represents a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern. The financial statements do not include any adjustments that would be necessary if the going concern basis was inappropriate.

However, having considered all the relevant requirements, including MAG's financial and liquidity position, base case forecasts and severe but plausible downsides, together with actions available to mitigate any significant adverse impacts and the time period available to act, it is accordingly appropriate to adopt a going concern basis for the preparation of the financial statements, and the directors have an expectation that the Group and Company will have adequate resources to continue to operate for the foreseeable future.

Accounting policies in addition to those specified in the Group Annual Report for year ended 31 March 2020

The accounting policies that the Group has adopted to determine the amounts included in respect of material items shown in the statement of financial position, and also to determine the profit or loss, are listed in full in the Group's Annual Report and Accounts for the year ended 31 March 2020. These have been applied on a consistent basis. Additional disclosure relating to specific accounting policies are detailed below:

a) Government Grants related to income

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

b) Financial Instruments

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

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

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

ACCOUNTING POLICIES continued

Critical accounting estimates and judgements

COVID-19 has had a significant impact upon the estimates and judgements applied at the reporting dates. In the preparation of these condensed consolidated financial statements, the Group has made judgements and estimates in a number of key areas. The assumptions and estimates are based on management's best knowledge of the event or actions in question; however, actual results may ultimately differ from these estimates.

Critical Judgements

In preparing the six-month condensed consolidated interim financial information, the areas where judgement has been exercised by management in applying the Group's accounting policies remain consistent with those applied to the Annual Report and Accounts for the year ended 31 March 2020, except for the following critical judgements:

a) Going Concern

The ongoing impact of the COVID-19 pandemic upon the going concern was considered in the Basis of preparation section.

Estimation uncertainty

The key sources of estimation uncertainty remain consistent with those applied to the Annual Report and Accounts for the year ended 31 March 2020. The critical accounting estimates areas that have been reconsidered are: valuation of investment properties; valuation of the Group's net pension liability; and the impairment of the Group's non-financial assets and are detailed below.

a) Investment Properties

MAG's commercial investment properties were valued at fair value at 30 September 2020 by Savills. The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods. Consistent with the Group's treatment in prior years the Group's residential properties have not been revalued at the half year though this has not had a material impact upon the accounts.

b) Pensions

Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at year end, future returns on pension scheme assets and charges to the income statement. The factors have been determined in consultation with the Group's independent actuary taking into account market and economic conditions as at 30 September 2020.

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in note 23.

c) Impairment of non-financial assets

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

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

The Group has considered future traffic levels projections issued by other industry participants in arriving at downside sensitivities to the Group's business plan for both the impairment review and the Group's going concern assessment. The downside sensitivities used by the Group reflect passenger traffic levels ranging between 30% and 50% down on pre-COVID-19 levels in FY22 with activity returning close to pre-COVID-19 levels in FY23. In assessing both going concern and impairment MAG has taken into account the range of cost and cash mitigation measures undertaken as part of the strategic finance response (as outlined in the section on Basis of preparation).

For impairment purposes long-term projections beyond the 7-year business plan time horizon were based upon long-term growth rates. Downside scenarios included low-growth assumptions in considering risks around recoverability of the assets carrying value.

The Group have not recognised an impairment in the reporting period.

ACCOUNTING POLICIES continued

d) Modification of financial instruments

The carrying value of the Group's shareholder loan liabilities are calculated by management's estimate of the cashflow (see financial instruments note on page 15). As a result of the strategic finance response the payment of interest on the shareholder loans has been deferred until the Group is in compliance with its loan covenant requirements. Consequently, management's estimate of the date that deferred interest will be repaid is an accounting estimate that will impact the quantification of the shareholder loan liability.

Risks and uncertainties

The principal strategic level risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out on pages 39 to 42 in the 2020 Annual Report and Accounts, which is available on the Group's website (www.magairports.com).

In summary the Group's principal risks and uncertainties are:

- COVID-19 (including potential airline and retail failures, and funding implications)
- Brexit
- Security breach
- Material sustained disruption
- Major Health and Safety incident affecting our customers or colleagues
- Regulatory risk
- Delivering major programmes
- Recruitment, development and retention of talented people
- Cyber security
- Climate change

Whilst the Group's principal risks & uncertainties are consistent at the half year to those disclosed at the year end, the risk profile and risk response of COVID-19 and Brexit in particular has evolved throughout the six months ended 30 September 2020.

The change in the COVID-19 risk and MAG's response to the pandemic are central to the narrative in the management's report and are commented upon in the Group Chief Executive's Report along with MAG's preparation for a post-Brexit environment, whatever the outcome of the current discussions with Brussels.

The Group understand the importance of the risk of climate change to all of our stakeholders and the CSR section on page 11 details the progress that the Group has made towards its Zero Carbon Airports objective.

Directors' Responsibilities under s172

Section 172 (1) requires the directors to act, in good faith, in a manner they consider seeks to promote the long-term success of the business. The directors have set out their statement in compliance of Section 172(1) in the Group's audited consolidated financial statements for the period ended 31 March 2020.

Forward-looking statements

This condensed consolidated interim financial information contains forward-looking statements. Although the Group believes that the expectations reflected in these forward- looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Condensed Consolidated income statement

for the six months ended 30 September 2020

	Note	Six months ended 30 September 2020 £m Total before significant items	Unaudited Six months ended 30 September 2020 £m Significant items	Six months ended 30 September 2020 £m Total after significant items	Six months ended 30 September 2019 £m Total before significant items	Unaudited Six months ended 30 September 2019 £m Significant items	Six months ended 30 September 2019 £m Total after significant items	Year ended 31 March 2020 £m Total business
Continuing operations								
Revenue	1	**93.8**	**-**	**93.8**	535.9	-	535.9	893.4
Result from operations before significant items	4	**(175.3)**	**-**	**(175.3)**	187.3	-	187.3	201.3
Significant items								
Significant items	3	**-**	**(8.2)**	**(8.2)**	-	(14.6)	(14.6)	(18.6)
Result from operations		**(175.3)**	**(8.2)**	**(183.5)**	187.3	(14.6)	172.7	182.7
Share of result in associate	12	**(6.4)**	**-**	**(6.4)**	(0.2)	-	(0.2)	-
Gains and losses on sale and valuation of investment properties	11	**(3.6)**	**-**	**(3.6)**	0.8	-	0.8	2.2
Finance costs	5	**(42.9)**	**-**	**(42.9)**	(52.8)	-	(52.8)	(109.5)
Result before taxation		**(228.2)**	**(8.2)**	**(236.4)**	135.1	(14.6)	120.5	75.4
Taxation	6	**23.6**	**1.6**	**25.2**	(39.5)	2.8	(36.7)	(60.1)
Result from continuing operations		**(204.6)**	**(6.6)**	**(211.2)**	95.6	(11.8)	83.8	15.3
Discontinued operations								
Result from discontinued operations (net of tax)	7	**46.1**	**-**	**46.1**	25.9	-	25.9	11.7
Result for the period		**(158.5)**	**(6.6)**	**(165.1)**	121.5	(11.8)	109.7	27.0
Earnings per share expressed in pence per share		**(50.0)**	**(2.1)**	**(52.1)**	38.4	(3.7)	34.6	8.5
Continuing operations		**(64.6)**	**(2.1)**	**(66.7)**	30.2	(3.7)	26.5	4.8
Discontinued operations		**14.6**	**-**	**14.6**	8.2	-	8.2	3.7

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

Condensed Consolidated statement of comprehensive income

for the six months ended 30 September 2020

	Note	**Unaudited Six months ended 30 September 2020 £m**	Unaudited Six months ended 30 September 2019 £m	Year ended 31 March 2020 £m
Result for the period		**(165.1)**	109.7	27.0
Other comprehensive (loss)/income				
Items that will not be reclassified to profit or loss:				
Remeasurement of retirement benefit liabilities	23	**(110.1)**	(47.6)	31.0
Foreign exchange movement		**2.4**	-	(0.3)
Deferred tax on remeasurement of retirement benefit liabilities	6	**20.6**	8.1	(7.1)
Effect of change in rate of corporation tax on deferred tax	6	**-**	-	1.7
Other comprehensive (loss)/income for the year		**(87.1)**	(39.5)	25.3
Total comprehensive (loss)/income for the year		**(252.2)**	70.2	52.3

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

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2020

		Unaudited			
		Attributable to equity holders of the Group			
		Share capital	Share premium	Reserves	Total
	Note	£m	£m	£m	£m
Balance at 1 April 2020		**316.7**	**687.2**	**341.8**	**1,345.7**
Total comprehensive income for the period					
Result for the period		**-**	**-**	**(165.1)**	**(165.1)**
Foreign exchange movement		**-**	**-**	**2.4**	**2.4**
Remeasurement of defined benefit liabilities, net of tax	6, 23	**-**	**-**	**(89.5)**	**(89.5)**
		-	**-**	**(252.2)**	**(252.2)**
Transactions with owners recorded directly in equity					
Issue of C Shares	25	**-**	**56.1**	**-**	**56.1**
Dividends paid to equity holders	8	**-**	**-**	**-**	**-**
Balance at 30 September 2020		**316.7**	**743.3**	**89.6**	**1,149.6**

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2019

		Unaudited			
		Attributable to equity holders of the Group			
		Share capital	Share premium	Reserves	Total
	Note	£m	£m	£m	£m
Balance at 1 April 2019		316.7	687.2	488.8	1,492.7
Total comprehensive income for the year					
Result for the year		-	-	109.7	109.7
Foreign exchange movement		-	-	(0.4)	(0.4)
Remeasurement of defined benefit liabilities, net of tax	6, 23			(39.5)	(39.5)
		-	-	69.8	69.8
Transactions with owners recorded directly in equity					
Dividends paid to equity holders	8	-	-	(128.0)	(128.0)
Balance at 30 September 2019		316.7	687.2	430.6	1,434.5

Condensed consolidated statement of changes in equity

for the year ended 31 March 2020

		Attributable to equity holders of the Group			
		Share capital	Share premium	Reserves	Total
	Note	£m	£m	£m	£m
Balance at 1 April 2019		316.7	687.2	488.8	1,492.7
Total comprehensive income for the year					
Result for the year		-	-	27.0	27.0
Foreign exchange movement		-	-	(0.3)	(0.3)
Remeasurement of defined benefit liabilities, net of tax	23, 6	-	-	23.9	23.9
Effect of change in rate of corporation tax on deferred tax	6			1.7	1.7
		-	-	52.3	52.3
Transactions with owners recorded directly in equity					
Dividends paid to equity holders	8	-	-	(199.3)	(199.3)
Balance at 31 March 2020		316.7	687.2	341.8	1,345.7

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

Condensed consolidated statement of financial position

as at 30 September 2020

	Note	**Unaudited 30 September 2020 £m**	Unaudited 30 September 2019 £m	31 March 2020 £m
Non-current assets				
Goodwill	13	**211.1**	170.8	170.8
Property, plant and equipment	9	**3,365.0**	3,177.7	3,350.9
Right-of-use assets	10	**428.8**	424.9	414.8
Long term lease receivable	10	**12.9**	-	-
Investment properties	11	**161.9**	138.1	137.5
Investment in associate	12	**8.5**	6.9	7.0
Intangible assets	13	**58.9**	46.3	45.4
Deferred tax assets	24	**114.1**	21.1	88.0
		4,361.2	3,985.8	4,214.4
Current Assets				
Assets held for sale	15	**61.2**	472.9	461.4
Inventories		**5.1**	3.9	5.2
Trade and other receivables		**102.6**	153.0	103.3
Current tax asset		**24.8**	-	-
Cash and cash equivalents		**644.5**	27.5	271.3
		838.2	657.3	841.2
Current Liabilities				
Liabilities directly associated with assets held for sale	15	**(11.6)**	(25.8)	(73.7)
Trade and other payables		**(224.5)**	(266.3)	(328.1)
Deferred income		**(19.8)**	(32.7)	(21.3)
Provisions	22	**(4.6)**	(5.0)	(4.6)
Current lease liabilities	21	**(8.5)**	(7.8)	(6.0)
Current tax liabilities		**-**	(18.1)	(2.5)
		(269.0)	(355.7)	(436.2)
Net current assets/ (liabilities)		**569.2**	301.6	405.0
Non-current liabilities				
Borrowings	16-19	**(2,874.2)**	(2,070.0)	(2,524.8)
Retirement benefit liabilities	23	**(154.4)**	(124.6)	(46.2)
Non-current lease liabilities	21	**(437.8)**	(418.0)	(411.0)
Deferred tax liabilities	24	**(286.9)**	(219.7)	(266.4)
Provisions	22	**(4.3)**	-	-
Other non-current liabilities		**(23.2)**	(20.6)	(25.3)
		(3,780.8)	(2,852.9)	(3,273.7)
Net Assets		**1,149.6**	1,434.5	1,345.7
Shareholders' equity				
Share capital	25	**316.7**	316.7	316.7
Share premium	25	**743.3**	687.2	687.2
Retained earnings		**89.6**	430.6	341.8
Total equity		**1,149.6**	1,434.5	1,345.7

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

The financial statements on pages 18 to 45 were approved by the Board of Directors on 9th December 2020 and signed on its behalf by:

Charlie Cornish, Group Chief Executive, MAG

Condensed consolidated statement of cash flows

for the six months ended 30 September 2020

	Note	**Six months ended 30 September 2020 £m Before significant items**	**Unaudited Six months ended 30 September 2020 £m Significant items**	**Six months ended 30 September 2020 £m After significant items**	Unaudited Six months ended 30 September 2019 £m After significant items	Year ended 31 March 2020 £m After significant items
Cash flows from operating activities						
Result before taxation - continuing operations		**(228.2)**	**(8.2)**	**(236.4)**	120.5	75.4
Gains and losses on sales and valuations of investment properties		**3.6**	**-**	**3.6**	(0.8)	(2.2)
Share of result of associate		**6.4**	**-**	**6.4**	0.2	-
Net finance income and expense		**42.9**	**-**	**42.9**	60.2	109.5
Depreciation and amortisation		**93.2**	**-**	**93.2**	83.4	180.8
Decrease/(increase) in trade and other receivables and inventories		**14.0**	**-**	**14.0**	(28.6)	12.2
Decrease/(increase) in assets and liabilities held for sale		**0.4**	**-**	**0.4**	(0.2)	-
(Decrease)/Increase in trade and other payables		**(49.8)**	**-**	**(49.8)**	17.3	12.3
(Decrease)/Increase of grants		**(0.7)**	**-**	**(0.7)**	0.7	6.7
(Decrease)/ Increase in retirement benefits provision		**(2.4)**	**-**	**(2.4)**	9.2	(0.3)
Cash generated from continuing operations		**(120.6)**	**(8.2)**	**(128.8)**	261.9	394.4
Result before taxation – discontinued operations				**4.3**	31.3	13.5
Finance costs - discontinued operations				**3.6**	-	14.7
Gains and losses on sales and valuations of investment properties - discontinued operation				**-**	(25.2)	(9.0)
Non-cash movements – discontinued operations				**-**	-	-
Interest paid				**(44.2)**	(70.5)	(111.1)
Tax paid				**-**	(41.7)	(58.8)
Net cash from operating activites				**(165.1)**	155.8	243.7
Cash flows from investing activities						
Purchase of property, plant and equipment				**(113.8)**	(267.8)	(510.6)
Investment in associate				**(3.1)**	(0.8)	(1.2)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				**-**	0.7	0.7
Acquisition of US subsidiaries				**(23.1)**	-	-
Proceeds from sale of assets held for sale				**-**	1.8	2.0
Fees in relation to the sale of discontinued operation				**(3.4)**	-	-
Proceeds from sale of shareholding in Airport City	29			**13.3**	-	-
Net cash used in investing activities - continuing activities				**(130.1)**	(266.1)	(509.1)
Proceeds from the sale of discontinued operations	29			**339.5**	**-**	**-**
Net cash from investing activities				**209.4**	(266.1)	(509.1)
Cash flows from financing acitivities						
Increase in bank loan borrowings, net of debt issue costs				**-**	(105.0)	349.0
Proceeds from the issue of equity	25			**37.4**	-	-
Issuance of Shareholder loans				**300.0**	-	18.7
Fees incurred in relation to refinancing				**(4.7)**	-	-
Bond issued in the year, net of issue costs				**-**	341.8	341.9
Payment of principal on lease liabilities				**(3.8)**	(3.5)	(6.1)
Dividends paid to shareholders	8			**-**	(128.0)	(199.3)
Net cash from financing activities				**328.9**	105.3	504.2
Net increase in cash and cash equivalents	27			**373.2**	(5.0)	238.8
Cash and cash equivalents at the beginning of the year	27			**271.3**	32.5	32.5
Cash and cash equivalents at the end of the year	27			**644.5**	27.5	271.3

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

Notes to the financial statements

for the six months ended 30 September 2020

1. Revenue

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

	Note	**Unaudited**	Unaudited	
		Six months ended 30 September 2020	Six months ended 30 September 2019	Year ended 31 March 2020
		Continuing operations	Continuing operations	Continuing operations
		£m	£m	£m
Aviation income		**40.9**	218.4	361.2
Commercial income				
Retail concessions		**10.4**	120.5	200.0
Car parking		**22.4**	147.2	234.8
Property and property related income		**9.5**	9.3	18.7
Other		**10.6**	40.5	78.7
Total commercial income		**52.9**	317.5	532.2
Total income - continuing operations		**93.8**	535.9	893.4
Income - discontinued operations[1]	7	**8.5**	15.7	28.9
Total income		**102.3**	551.6	922.3

[1] All income from the discontinued operation relates to property and property related income.

Aviation income includes passenger facility charges, runway charges, passenger security charges and aircraft parking charges, all of which are recognised at the point of departure.

Retail concessions includes duty free income, food and beverage income and airport lounge income.

Other income includes utility cost recharges, fees for airline services and aviation fuel sales.

Revenue from all income streams is recognised in line with IFRS 15. Where the Group has variable elements within contracts with customers, or significant judgements, the Group has been prudent with revenue recognition within the accounts to ensure alignment and consistency with the reduction in passenger numbers as a direct result of COVID-19.

As at 30 September 2020 there was no revenue recognised relating to performance obligations that were unsatisfied (30 September 2019: nil, 31 March 2020: nil). Any billing where performance obligations were not satisfied is held in deferred income.

Notes to the financial statements continued

for the six months ended 30 September 2020

2. Business and geographical segments

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

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

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

Six months ended 30 September 2020

	Unaudited						
	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG US[4]	Group, consolidation and other[2]	Consolidated - continuing operations	Discontinued operations[1]
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Total revenue	36.7	39.7	17.5	2.2	0.5	96.6	8.5
Inter-segment sales[3]	(0.7)	-	-	-	(2.1)	(2.8)	-
External Revenue	36.0	39.7	17.5	2.2	(1.6)	93.8	8.5
Result							
Segment operating profit/(loss) before significant items	(91.6)	(62.1)	(6.9)	(2.8)	(11.9)	(175.3)	7.9
Significant items	0.3	(1.1)	(0.1)	(0.2)	(7.1)	(8.2)	-
Segment operating profit/(loss) after significant items	(91.3)	(63.2)	(7.0)	(3.0)	(19.0)	(183.5)	7.9
Share of result in associate						(6.4)	-
Gains and losses on sales and valuation of investment properties						(3.6)	-
Finance costs						(42.9)	(3.6)
Result before taxation						(236.4)	4.3
Profit on disposal of discontinued operations						-	42.0
Result after taxation						(211.2)	46.1
Other information							
Segment assets	2,156.7	1,179.3	284.3	39.6	1,539.5	5,199.4	-
Segment liabilities	(479.4)	(374.5)	(65.2)	(13.9)	(3,116.8)	(4,049.8)	-
Capital expenditure (property, plant and equipment)	82.4	14.0	1.7	-	3.4	101.5	-
Depreciation	43.6	37.1	7.1	2.4	1.3	91.5	-
Amortisation	1.2	-	-	0.7	-	1.9	-
Taxation	10.7	9.1	0.1	-	5.3	25.2	(0.2)
Result - geographical location							
Segment operating profit/(loss) before significant items	(91.6)	(62.1)	(6.9)	(2.8)	(11.9)	(175.3)	7.9

See next page for footnotes.

Notes to the financial statements continued

for the six months ended 30 September 2020

2. Business and geographical segments continued

Six months ended 30 September 2019 — **Unaudited**

	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG US[4]	Group, consolidation and other[2]	Consolidated - continuing operations	Discontinued operations[1]
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Total revenue	266.4	215.8	44.4	7.3	7.7	541.6	15.7
Inter-segment sales[3]	(1.7)	-	-		(4.0)	(5.7)	-
External Revenue	264.7	215.8	44.4	7.3	3.7	535.9	15.7
Result							
Segment operating profit/(loss) before significant items	99.7	82.0	13.0	(0.1)	(7.3)	187.3	13.5
Significant items	(3.3)	(3.8)	(2.3)	-	(5.2)	(14.6)	-
Segment operating profit/(loss) after significant items	96.4	78.2	10.7	(0.1)	(12.5)	172.7	13.5
Share of result in associate						(0.2)	-
Gains and losses on sales and valuation of investment properties						0.8	25.2
Finance costs						(52.8)	(7.4)
Result before taxation						120.5	31.3
Result after taxation						83.8	25.9
Other information							
Segment assets	1,929.7	1,183.8	280.5	21.7	754.5	4,170.2	472.9
Segment liabilities	(456.3)	(426.4)	(75.0)	(4.9)	(2,220.2)	(3,182.8)	(25.8)
Capital expenditure (property, plant and equipment)	206.9	48.3	3.9	-	18.7	277.8	2.0
Depreciation	42.0	32.2	6.3	-	1.1	81.6	0.1
Amortisation	1.3	-	-	-	0.5	1.8	-
Taxation	21.6	15.4	2.2	-	(2.5)	36.7	5.4
Result - geographical location							
Segment operating profit/(loss) before significant items	99.7	82.0	13.0	(0.1)	(7.3)	187.3	13.5

[1] MAG's non-core property has been disclosed separately as discontinued operations. As at 30 September 2020 the majority of the non core property portfolio had been disposed of by the Group.

[2] Group consolidation and other includes, Group, Head Office, MAG Property, and other subsidiary companies and balances arising on consolidation, which are not specific to the other main operating divisions. Assets include goodwill and fair value adjustments arising on consolidation. Liabilities include borrowings, further details of which can be found in Note 16 Borrowings.

[3] Sales between segments are at arm's length.

[4] As part of the Group's review of the operating and reportable segmentals, given the disposal during the period of the non core property and significant investment in the MAG US division, the Group has disclosed MAG US as a reportable segment, with MAG Property being disclosed within the Group consolidation and other category. Prior year comparatives have been restated in line with IFRS 8.

Notes to the financial statements continued

for the six months ended 30 September 2020

3. Significant items	**Unaudited Six months ended 30 September 2020**	Unaudited Six months ended 30 September 2019	Year ended 31 March 2020
	£m	£m	£m
Recorded in result from continuing operations			
Significant items[1]	**8.2**	14.6	18.6
Total significant items recorded in result from continuing operations	**8.2**	14.6	18.6
Recorded in result from discontinued operations			
Significant items incurred by discontinued operations[2]	**-**	-	6.2
Total significant items recorded in result from discontinued operations	-	-	6.2
Total significant items	**8.2**	14.6	24.8

[1] **Significant items from continuing operations**

Significant items of £8.2m (September 2019: £14.6m) include a number of restructuring programmes across the Group, including the acquisition within MAG US of £1.1m. Additionally, as a consquence of the impact of the COVID-19 outbreak, the Group has reviewed its organisational design which has resulted in an organisational restructure, resulting in significant costs of £6.2m.

[2] **Significant items from discontinued operations**

Significant items of £nil (Year ended 31 March 2020: £6.2m) relates directly to the sale of the Group's non-core property portfolio including advisory fees and additional works not part of the normal course of business. Fees associated with the disposal in the six months to 30 September 2020 are shown as part of the profit on disposal.

4. Result from operations before significant items

	Note	**Unaudited Six months ended 30 September 2020**	Unaudited Six months ended 30 September 2019	Year ended 31 March 2020
		£m	£m	£m
Turnover		**93.8**	535.9	893.4
Wages and salaries		**(97.3)**	(113.6)	(221.2)
Social security costs		**(8.6)**	(10.6)	(21.5)
Pension costs		**(8.7)**	(11.9)	(22.7)
Coronavirus Job Retention Scheme		**31.3**	-	-
Employee benefit costs		**(83.3)**	(136.1)	(265.4)
Depreciation and amortisation		**(93.4)**	(83.4)	(180.8)
Profit on disposal of property, plant and equipment		**-**	-	-
Other operating charges[1]		**(92.4)**	(129.1)	(245.9)
Result from continuing operations before significant items		**(175.3)**	187.3	201.3
Result from discontinued operations before significant items	7	**7.9**	13.5	25.2
Result from operations before significant items - total business		**(167.4)**	200.8	226.5

[1.] Other operating charges includes maintenance, variable rent, rates, utility costs and other operating expenses.

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

Additionally, the Group ultilised the Government's Coronavirus Job Retention Scheme through furloughing a significant proportion of the Group's employees throughout the period of March to September. As such, the reimbursement under the scheme of £31.3m has been netted off against the underlying expenditure to which it relates.

Notes to the financial statements continued

for the six months ended 30 September 2020

5. Finance costs

	Note	**Unaudited Six months ended 30 September 2020 £m**	Unaudited Six months ended 30 September 2019 £m	Year ended 31 March 2020 £m
Interest payable on bank loans and overdrafts		**4.1**	0.6	3.4
Interest payable on bonds		**28.4**	27.4	54.9
Interest payable on other borrowings		**18.8**	32.7	65.2
Interest cost on defined benefit pension schemes	23	**0.5**	1.1	2.2
Interest expense on lease liabilities	21	**11.3**	10.5	21.9
Capitalisation of borrowing costs	9	**(16.6)**	(12.1)	(23.4)
Finance charge to discontinued operations	7	**(3.6)**	(7.4)	(14.7)
Total finance costs - continuing operations		**42.9**	52.8	109.5

As part of MAG's strategic financial response to the COVID-19 pandemic, the Group agreed with its Shareholders to a deferral of interest charges in relation to the shareholder loans.
Under IFRS 9, the change has resulted in a modification of the estimated cashflows of shareholder loans, however this is not deemed a substantial modification. As such, the change in timing of the estimated future cashflow has been adjusted in the period of charge, with the corresponding income being recognised in the income statement. The modification of £21.8m has been reflected in the interest payable on other borrowings.

6. Taxation

Analysis of charge in the year

	Unaudited Six months ended 30 September 2020 £m	Unaudited Six months ended 30 September 2019 £m	Year ended 31 March 2020 £m
Current taxation			
UK corporation tax on profits for the year	**(32.4)**	44.8	34.6
Adjustment in respect of prior year	**-**	-	0.5
Total current taxation (credit)/charge	**(32.4)**	44.8	35.1
Deferred taxation - continuing operations			
Temporary differences arising in the year	**7.2**	(8.1)	3.9
Adjustment in respect of prior year	**-**	-	(4.8)
Effect of change in rate of corporation tax	**-**	-	25.9
Total ordinary deferred taxation	**7.2**	(8.1)	25.0
Total taxation (credit)/charge - continuing operations	**(25.2)**	36.7	60.1
Total taxation charge - discontinued operations	**0.2**	5.4	1.8
Total taxation (credit)/charge - total business	**(25.0)**	42.1	61.9

Taxation on items charged/(credited) to equity	**Unaudited Six months ended 30 September 2020 £m**	Unaudited Six months ended 30 September 2019 £m	Year ended 31 March 2020 £m
Deferred taxation on remeasurement of retirement benefit liabilities	**(20.6)**	8.1	7.1
Effect of change in rate of corporation tax	-	-	(1.7)
Total taxation (credit)/charge	**(20.6)**	8.1	5.4

The current taxation credit has been calculated based on the forecast underlying effective tax rate for the full year of 7.7% (2019: 27.6%).

Notes to the financial statements continued

for the six months ended 30 September 2020

6. Taxation continued

The tax credit for the six months ended 30 September 2020 is £25.0m (2019: £42.1m charge). The effective tax rate for the period is lower than the actual corporation tax rate of 19%, predominantly due to deferred tax assets on tax losses not being recognised. The tax payment for the six months ended 30 September 2020 decreased to £nil (2019: £41.7m), due to the loss position. The Group received a tax refund of £37.0m during October 2020 in relation to accumulated tax losses.

7. Discontinued operations

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

	Unaudited Period ended 7 August 2020	Unaudited Six months ended 30 September 2019	Year ended 31 March 2020
	£m	£m	£m
Revenue	**8.5**	15.7	28.9
Operating costs	**(0.6)**	(2.2)	(3.7)
Results from operations before significant items	**7.9**	13.5	25.2
Significant items			(6.2)
Gains and losses on sales and valuation of investment properties	**-**	25.2	9.2
Finance costs	**(3.6)**	(7.4)	(14.7)
Attributable tax expense	**(0.2)**	(5.4)	(1.8)
Result of discontinued operation	**4.1**	25.9	11.7
Net profit attributable to discontinued operation (attributable to owners of the Group)	**4.1**	25.9	11.7
Profit on sale of discontinued operation	**42.0**	-	-
Net profit attributable to discontinued operation (attributable to owners of the Group)	**46.1**	25.9	11.7

The Group commenced a sales process for its non-core property portfolio during the year ended 31 March 2020 with the sale completing on 7 August 2020. Non-core property represented a major line of business for the Group. Consequently the trading performance of the portfolio has been classified as a discontinued operation since 1 April 2019. Details of the disposal are given in note 29 to the financial statements.

8. Dividends

	Unaudited Six months ended 30 September 2020	Unaudited Six months ended 30 September 2019
	£m	£m
Amounts recognised as distributions to equity holders in the period		
Dividend for the year ended 31 March 2020 of £nil (2019: 40.42 pence) per share	-	128.0
Proposed interim dividend for the year ended 31 March 2021 of £nil (2020: 22.51 pence) per share	-	71.3

Notes to the financial statements continued

for the six months ended 30 September 2020

9. Property, plant and equipment

2020	Unaudited Freehold land and property £m	Other land and buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
Cost						
At 1 April 2020	179.0	646.4	2,329.8	814.7	937.0	4,906.9
Additions	-	0.2	-	0.2	101.1	101.5
Reclassification from assets in the course of construction	-	31.4	14.8	30.6	(76.8)	-
Reclassification from/(to) investment properties (note 11)	-	-	-	-	(0.6)	(0.6)
Other reclassifications	(64.5)	64.5	-	-	-	-
Disposals	(0.5)	(10.8)	-	-	-	(11.3)
At 30 September 2020	**114.0**	**731.7**	**2,344.6**	**845.5**	**960.7**	**4,996.5**
Depreciation						
At 1 April 2020	64.5	216.3	671.1	604.1	-	1,556.0
Charge for the period	-	10.2	45.4	30.7	-	86.3
Other reclassifications	(64.5)	64.5	-	-	-	-
Depreciation on disposals	-	(10.8)	-	-		(10.8)
At 30 September 2020	**-**	**280.2**	**716.5**	**634.8**	**-**	**1,631.5**
Carrying amount						
At 30 September 2020	**114.0**	**451.5**	**1,628.1**	**210.7**	**960.7**	**3,365.0**
Carrying amount						
At 31 March 2020	114.5	430.1	1,658.7	210.6	937.0	3,350.9

The carrying amount of land not depreciated as at 30 September 2020 is £213.6m (31 March 2020: £235.8m).

Capitalised borrowing costs

During the six months ended 30 September 2020, borrowing costs of £16.6m were capitalised (30 September 2019: £12.1m), relating to borrowing costs incurred in FY21. Capitalised borrowing costs were calculated on a monthly basis, by applying the rate of interest for the relevant month to expenditure incurred in that month. The average rate of interest applied in the six months to 30 September 2020 was 5.48% (30 September 2019: 6.03%). These borrowing costs were capitalised due to the transformational capital investment projects being undertaken at Manchester and London Stansted Airports.

Impairment Review

During the six months ended 30 September 2020, management carried out an impairment review of the fixed assets, including the useful economic lives of assets. Additional depreciation of £3.4m has been recognised at Manchester and Stansted in the year, due to replacement of assets prior to the original estimated useful life. The additional depreciation ensures the net book value of the existing assets will be nil by the date of replacement.

The assets to be replaced are:
- Manchester: £0.2m in relation to T2 retail assets due to be replaced by January 2021 and £0.8m in relation to runway surface assets, due to be replaced by March 2024;
- Stansted: £1.2m of runway surface assets due to be replaced by June 2022, and £1.2m of baggage handling assets to be replaced by March 2021.

The carrying value of the property, plant and equipment for each CGU was assessed by management as part of the year end impairment exercise. The details of this review is detailed at note 13.

Assets in the course of construction

Assets in the course of construction are at peak levels of £960.7m at 30 September 2020. Management expect that, subject to a return in passenger demand, approximately 66.5% of this balance will be brought into use in the second half of the year ended 31 March 2021. Management expect that, whilst the COVID-19 pandemic has temporarily paused or reduced activity on some asset programmes, these activities will recommence when demand returns. Consequently, management view that no impairment of these balances is required.

Notes to the financial statements continued

for the six months ended 30 September 2020

10. Right-of-use assets

	Unaudited			
	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Cost				
At 1 April 2020	221.3	198.4	3.9	423.6
Additions	2.8	-	7.6	10.4
Remeasurements	17.3	5.6	(0.9)	22.0
Disposals	(0.4)	-	-	(0.4)
Transfers to long term lease receivables (see note below)	(12.8)	-	-	(12.8)
At 30 September 2020	**228.2**	**204.0**	**10.6**	**442.8**
Depreciation				
At 1 April 2020	5.5	3.0	0.3	8.8
Charge for the period	3.0	1.7	0.5	5.2
At 30 September 2020	**8.5**	**4.7**	**0.8**	**14.0**
Carrying amount				
At 30 September 2020	**219.7**	**199.3**	**9.8**	**428.8**
Carrying amount				
At 31 March 2020	215.8	195.4	3.6	414.8

Impairment Review

The carrying value of the right-of-use assets for each cash generating unit ("CGU") was assessed by management as part of the year end impairment exercise. The details of this review is detailed at note 13.

Key lease arrangements

Key lease arrangements are detailed in note 21.

Income from subleasing right-of-use assets

During the six months to 30 September 2020, the income generated from subleasing right-of-use assets was £0.9m, generated solely from sublets of land and buildings.

Losses generated from sale and leaseback transactions

During the six months to 30 September 2020, a loss of £0.7m was generated from sale and leaseback transactions in relation to the disposal of the Group's non-core property portfolio.

Long term lease receivable

As a result of the sale of the non-core portfolio on 7 August 2020, a rent review was triggered on an existing lease between MAG and Manchester City Council (MCC). The rent increased from £nil to £0.6m per annum from this date, and the lease is in place until 31 August 2288. Further details are disclosed in note 21.

The £0.6m per annum rental charge is to be passed on to the purchasers of the non-core property portfolio under identical terms to the arrangement with MCC. Management has therefore derecognised the right-of-use asset arising on the rent review, and replaced this with a long term lease receivable. The present value of amounts receivable as at 30 September 2020 is £12.9m.

The amounts receivable under this agreement are as follows:

	£'m Undiscounted	£'m Discounted
Within 1 year	0.6	-
1 to 2 years	1.2	-
2 to 5 years	1.8	-
Over 5 years	158.6	12.9
	162.2	**12.9**

Notes to the financial statements continued

for the six months ended 30 September 2020

11. Investment Properties

2020	Unaudited Investment properties £m
Valuation	
At 1 April 2020	**137.5**
Reclassification from assets in the course of construction (note 9)	**0.6**
Disposals	**-**
Transfers from assets held for sale	**27.4**
Revaluation	**(3.6)**
At 30 September 2020	**161.9**

The fair value of the Group's commercial investment property at 30 September 2020 has been arrived at on the basis of a valuation carried out at that date by Savills Plc. A valuation exercise was not carried out for the residential property portfolio at 30 September 2020, as the Directors do not believe the movement from 31 March 2020 would be material. Savills 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 discounted cash flow methods. The independent investment property valuations have been reported on the basis of 'material uncertainty', consequently, less certainty, and a higher degree of caution should be attached to the valuation than would normally be the case. Under IAS 40 a fair value method has been adopted to revalue investment properties that become occupied by the Group and are transferred to property, plant and equipment.

The fair value measurement for all of MAG's investment properties has been categorised as a Level 3 fair value based upon the inputs to the valuation technique used. The valuers have used the following bases of valuation:

Commercial Property

Valuation Technique

• Investment property – the investment property valuations as having been carried out using the comparative and investment methods. The valuation of the commercial property has been assessed using analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the property and taking into account size, location, terms and other factors.
• Land under development – residual valuation approach estimates the Gross Development Value (GDV) of the proposed development (usually the market value using the investment method and making an appropriate deduction for development costs, finance and developer's profit.
• Other Development land – valuation was based upon the net price per acre in the current market.

Inter- relationship between key unobservable inputs and fair value measurements

The estimated fair value would increase if:
• market rental growth was higher
• void periods were shorter
• occupancy rates were higher
• non-payment of rent was lower
• the risk adjusted discount rate was lower

The valuation of the investment property was undertaken on 30 September 2020 during the COVID-19 pandemic. Consequently the depth of impact of the pandemic and its impact on the property market has led to the valuers to report on the basis of a material uncertainty.

Gains and losses on sales and valuation of investment properties reported in the consolidated income statement of a £3.6m loss in the period (30 September 2019: £26.0m gain) includes £3.6m of valuation losses on investment property (30 September 2019: gain of £24.8m), of which £nil was attributable to discontinued operations (30 September 2019: £25.2m attributable). There were no gains on sale in the six months (30 September 2019: gains on sale of £1.2m, with £nil attributable to discontinued operations).

12. Investment in associate

2021	Unaudited £m
Cost and carrying value	
At 1 April 2020	**7.0**
Investment in associate	**3.1**
Group's share of associate[1]	**0.2**
Disposal[2]	**(1.8)**
At 30 September 2020	**8.5**

Notes to the financial statements continued

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12. Investment in associate continued

The investment in associate relates to the Group's investment in Airport City.

Included within the investment in associate balance is an amount of £0.7m (31 March 2019: £2.5m) relating to MAG's own costs incurred in the setting up of its share in Airport City. This will be released to the consolidated income statement on a proportional basis on the sale of plots within the Airport City development. During the six month period £1.8m of set up costs (representing 5/7th's of the costs) were disposed as a result of the sale.

Airport City, a partnership with three other partners to develop part of the land around Manchester Airport for hotels, offices and logistics and advanced manufacturing, was formally constituted on 8 October 2014.

Airport City's year end date is coterminous with the Group's year end, and the financial information detailed below is consistent with the Airport City financial statements prepared to the same date. Summarised financial information of the Group's investment in Airport City is as follows.

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m
Current assets	**42.4**	34.2
Current liabilities	**(3.3)**	(3.5)
Net assets	**39.1**	30.7
Group's share of associate's net assets[2]	**7.8**	21.5
Revenue		
Result for the period	**0.4**	(0.2)
Group's share of associate's result for the period[1]	**0.2**	(0.2)

[1] During the period to 7 August 2020, MAG held a 70% shareholding in the partnership and, as a result of the sale, held 20% for the period from 7 August 2020 to 30 September 2020. The weighted average shareholding across the six month period was therefore approximately 55%.

The share of result in associate of £6.4m in the six month period relates to MAG's £0.2m share of the Airport City's profit of £0.4m in the period, plus a loss on sale of £6.6m from selling a 50% shareholding. The disposal is discussed further below and in note 29 to the financial statements.

[2]On 7 August 2020, the Group disposed of a 50% shareholding in the Airport City Limited Partnership. Further details of the disposal can be found in note 29 to the financial statements. As a result of the disposal, the Group now holds a 20% shareholding in the Airport City Limited Partnership. In previous years, where the shareholding has been 50% or more, the directors applied IFRS 10 'Consolidated Financial Statements' and IAS 28 Revised 'Investment in Associates' in maintaining equity accounting for the investment.

As in previous years, MAG does not have control over the partnership due to decisions on all key matters requiring a 79.9% majority to proceed. Since MAG still do not have control as a result of the sale, there has been no change in the accounting treatment of the Airport City investment as a result of the disposal in the period. However, given the shareholding is now between 20% and 50% the holding is classified as an associate, rather than an equity accounted investee.

As part of its investment in Airport City, the Group has agreed to pay an equity contribution up to a maximum of £12.0m if required, of which £6.1m was drawn down at 30 September 2020. Airport City has no significant contingent liabilities to which the Group is exposed, and there are no restrictions that would prevent the transfer of funds to the Group (30 September 2019: none).

13. Intangible assets

		Unaudited	
	Goodwill £m	**Other intangible assets £m**	**Total £m**
Cost			
At 1 April 2020	170.8	60.4	231.2
Additions (see note 14)	40.3	15.4	55.7
Disposals	-	-	-
At 30 September 2020	**211.1**	**75.8**	**286.9**
Amortisation			
At 1 April 2020	-	15.0	15.0
Charge for the year	-	1.9	1.9
At 30 September 2020	**-**	**16.9**	**16.9**
Carrying amount			
At 30 September 2020	**211.1**	**58.9**	**270.0**
At 1 April 2020	170.8	45.4	216.2

Notes to the financial statements continued

for the six months ended 30 September 2020

13. Intangible assets continued

Of the goodwill total of £211.1m, £166.3m is attributable to the acquisition of London Stansted Airport, £4.5m attributable to the acquisition of the UK distribution companies, with the remaining £40.3m attributable to additions to goodwill in the period from the acquisitions of airportparkingreservations.com LLC (£20.8m) and ParkSleepFly.com and its subsidiary shuttlefinder.net (£19.5m).

The intangible assets total of £58.9m is attributable to Metrolink (£35.7m), airspace redesign (£2.3m), the acquisition of the UK distribution companies (£6.5m) and the remaining £14.4m relates to the acquisitions of airportparkingreservations.com LLC (APR), ParkSleepFly.com (PSF) and shuttlefinder.net (SF), which comprises £15.1m of additions and £0.7m of amortisation for the period. The remaining £0.3m of additions in the period relate to airspace redesign spend in the period which is currently under construction and not subject to amortisation.

Impairment

The Group's CGU's used in the Group's impairment assessment are;

- Manchester Airport where the recoverable amount provided a £1,973m headroom over the assets carrying value of £1,941.0m;
- London Stansted Airport where the recoverable amount provided £2,035.0m of headroom over the assets carrying value of £1,669.0m;
- East Midlands International Airport where the recoverable amount provided £243.0m of headroom over the assets carrying value of £231.0m;
- MAG US, where each lounge constitutes a CGU where the recoverable amount exceeded the carrying value of £14.0m by £22.5m (with all lounges being in excess of their carrying value);
- MAG's UK Distribution Companies (where the CGU's are the Looking4Parking and SkyParkSecure businesses) where the recoverable amount amounts for each business is more than £10.0m in excess of the asset carrying values (combined carrying value for both businesses £14.0m); and
- Each of the newly acquired US based businesses constitute a separate CGU. The goodwill and intangible assets of these businesses (as detailed at note 14) have been valued based upon current passenger recovery expectation in FY22 which has determined the contingent consideration calculated upon purchase. Consequently, no impairment has been assessed for the half year. The carrying value of these assets will be assessed for impairment at 31 March 2021.

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

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board in April 2020 covering five years and detailed longer term forecasts to cover a further 20 years beyond that point. The budget estimated passenger levels at 85% of pre-COVID-19 levels for FY22. Whilst the Group will update its business plan ahead of the 31 March 2021 year end management appreciate that anticipated passenger recovery levels and timings has evolved since the year end. Consequently, the cashflows were revised to reflect:

- Key transactions which had occurred within the year which did not align with budget timings (e.g. the early completion of the non-core property portfolio in August 2020);
- Updated trading assumptions for the outturn for FY21. Reduction in passenger levels being mitigated by the Group's cost reduction and cash management activities; and
- A number of downside sensitivities reflecting the current industry projections of passengers in FY22 (ranging from 30% to 50% below pre-COVID-19 passenger volumes) with passenger volumes returning to 95% of pre-COVID-19 levels in FY23. The downside sensitivities incorporate further cash and cost management actions to adjust to the FY22 activity levels.

These projections and downside sensitivities for the timing and rate of passenger volume recoveries are in line with the projections used for going concern. For the purposes of the impairment assessment the business reflected the budget for the first 7 years and considered a terminal value based upon a long-term growth reflecting estimated rates of inflation. The business used a budget of 7 years as opposed to the 5 years advised under IAS 38 to reflect the additional period for the business to return to normal trading levels post COVID-19 recovery.

The discount rates used in the cash flow forecasts have been estimated based on post-tax rates that reflect the market participant's assessment of the time value of money and the risks specific to the cash generating unit. In determining the discount rates, the Group has sought to arrive at a Weighted Average Cost of Capital (WACC) using the capital asset pricing model for a market participant. The post-tax rate used to discount the forecast cash flows was calculated as: pre-tax 8.44%, post-tax 6.86% for the UK airport CGUs. and pre-tax: 10.32%; post-tax: 8.36% for MAG US, Looking4Parking and SkyParkSecure.

Sensitivity analyses reflecting downside scenarios include:

- UK Airports: reflecting reduced passenger volumes in FY22 in line with the 3 sensitivities; increased discount rates of pre-tax 8.64% (post-tax 7.0%); and lower growth rates of 2.0%. The impact of these scenarios individually and combined result in no impairment;
- UK Distribution: reflecting reduced passenger volumes in FY22 in line with the sensitivities; increased discount rates of pre-tax 12.20% (post-tax 9.64%); and lower growth rates of 2.0%. The impact of these scenarios individually and combined result in no impairment; and
- US Lounges - reflecting reduced passenger volumes in FY22 of between 25% & 30% in line with US market data; increased discount rates of pre-tax 12.20% (post-tax 9.64%); and lower growth rates of 2.0%. The impact of these scenarios individually and combined resulted in an impairment of less than £0.1m.

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14. Acquisitions

On 22 June 2020, the Group acquired 100% of the membership interests of AirportParkingReservations.com LLC, ParkSleepFly.com LLC and Shuttlefinder.net LLC, for initial cash consideration of $31.3m. An additional amount of $25.0m payable on 2 April 2021, and a further contingent amount of up to $12.5m is payable in April 2022 dependent upon post-pandemic aviation market recovery, linked to aggregated US passenger enplanements. As at the half year, the Group regard the consideration as amounting to £52.3m based on fair valuation work performed on the contingent consideration and the underlying criteria for the additional payment being met.

The three businesses are online aggregators and distributors of airport parking and associated travel booking options in North America, holding a combined list of over 1,000 operator relationships with coverage of all major North American airports. Together, they represent the largest airport parking distributor in the US market.

The Board believes that the excess of cash consideration paid over net identifiable assets on acquisition of £40.3m is best considered as goodwill on acquisition, and in line with IFRS 3, the Group have a 12 month window in which to reassess the fair value of the assets acquired. The provisional goodwill calculation is summarised below:

		Unaudited	
	Book value	**Measurement adjustments**	**Provisional fair value at 22 June 2020**
	£m	**£m**	**£m**
Acquiree's net assets at acquisition date:			
Intangible assets (net of amortisation)	0.4	14.7	15.1
Cash	0.7	-	0.7
Deferred tax liability	-	(2.7)	(2.7)
Trade and other payables	(1.1)	-	(1.1)
Net identifiable assets	-	12.0	12.0
Goodwill identifiable on acquisition	-	40.3	40.3
Total consideration	**-**	**52.3**	**52.3**

Total consideration split:	**£m**
Up front payment	**23.8**
Deferred consideration[1]	**18.8**
Contingent consideration[1]	**7.0**
Effective portion of hedging instrument[2]	**2.7**
	52.3

Notes:

[1] As at the half year, the Group regard the consideration as amounting to £25.8m based on fair valuation work performed by PriceWaterhouseCoopers on the contingent consideration and the underlying criteria for the additional payment being met. Since the contingent consideration is due after 12 months, this amount has been discounted to present value with reference to prevailing market rates.

[2] The net assets acquired as part of the purchase have been translated at the prevailing spot rate as at 30 September 2020, and the £2.7m gain on the effective hedge resulting from purchasing a forward at a more beneficial rate has been recorded in other comprehensive income in the period.

Impact on income statement resulting from the acquisition

Included in the six month period ended 30 September 2020 is revenue of £1.2m and profit before tax of £0.1m in respect of the three entities.

Six-month impact of acquisitions

Had the acquisition of AirportParkingReservations.com Inc, ParkSleepFly.com Inc and Shuttlefinder.net LLC been effected at 31 March 2020, the revenue and loss before tax of the Group for the 26 week period to 30 September 2020 would have been £1.4m and £0.8m respectively.

Acquisition costs

Acquisition related costs amounting to £1.1m have been excluded from the consideration transferred and have been recognised as an expense in the year, within significant items in the consolidated income statement.

Forward contract for up front payment and deferred consideration

MAG has entered into a forward contract to purchase $25.0m at a closing rate of 1.3125 USD to GBP at 2 April 2021, in order to satisfy the up front payment and deferred consideration element detailed above. This is in line with the Group's risk management strategy and consequentially Management have chosen to apply hedge accounting to the transaction.

Notes to the financial statements continued

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15. Assets held for sale and associated liabilities

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m	31 March 2020 £m
Assets held for sale			
Current assets			
Right-of-use assets	**-**	5.0	2.8
Investment properties	**61.2**	443.2	432.8
Investment in associate	**-**	17.1	17.6
Trade and other receivables	**-**	7.6	8.2
Total	**61.2**	472.9	461.4
Associated liabilities			
Current liabilities			
Non-current lease liabilities	**-**	(5.0)	(2.7)
Deferred tax liabilities	**(11.6)**	(9.9)	(62.8)
Trade and other payables	**-**	(9.9)	(3.8)
Current lease liabilities	**-**	(1.0)	(0.2)
Deferred income	**-**	-	(4.2)
Total	**(11.6)**	(25.8)	(73.7)

In the six month period to 30 September 2020, MAG sold the majority of its non-core property portfolio which was classified as held for sale at 31 March 2020. Assets held for sale as at 30 September 2020 represent the remaining elements of the non-core property portfolio, retained investment property at Bournemouth Airport, and associated deferred tax liabilities.

In October 2020, £59.2m of the investment properties held for sale above were sold.

16. Borrowings

	Note	**Unaudited 30 September 2020 £m**	Unaudited 30 September 2019 £m	31 March 2020 £m
Bank loans	17	**482.3**	27.6	481.9
Bonds	18	**1437.3**	1,440.9	1,441.4
Other borrowings	19	**879.7**	601.5	601.5
Accrued interest on shareholder loans	19	**74.9**	-	-
		2,874.2	2,070.0	2,524.8
Borrowings are repayable as follows:				
In one year or less, or on demand				
Bank loans[1]	17	**-**	-	-
		-	-	-
In more than one year, but no more than two years				
Bank loans[1]	17			-
		-	-	-
In more than two years, but no more than five years				
Bank loans[1]	17	**482.3**	27.6	481.9
Bonds	18	**357.3**	357.9	358.1
Accrued interest on shareholder loans		**74.9**	-	-
		914.5	385.5	840.0
In more than five years – due other than by instalments				
Bonds		**1080.0**	1,083.0	1,083.3
Other borrowings		**879.7**	601.5	601.5
		1,959.7	1,684.5	1,684.8
Non-current borrowings		**2,874.2**	2,070.0	2,524.8
Total borrowings		**2,874.2**	2,070.0	2,524.8

[1] Repayment of the bank loan amount is based upon the maturity of the RCF facility.

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for the six months ended 30 September 2020

16. Borrowings continued

The Group is party to a Common Terms Agreement (CTA) where bank and bond creditors benefit from the same suite of representations, warranties and covenants. The CTA was signed on 14 February 2014.

The CTA, together with a Master Definitions Agreement, covers inter alia The Amended and Restated Initial Authorised Credit Facility Agreement (ACF), The Amended and Restated Liquidity Facility Agreement (LF), and the Group's issue of publicly listed fixed rate secured bonds since 2014 comprise issues in February 2014, April 2014 respectively with further issuances in 2017 and 2019.

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

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

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

The Group issued a £350.0m publicly listed fixed rate secured bond on 9 May 2019 with a scheduled and legal maturity of 31 March 2044. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay the Revolving Credit Facility.

The Amended and Restated LF Agreement has total facilities of £90.0m (increased from £60.0m on 1 April 2019) and is sized to cover 12 months interest on secured debt. The LF Agreement is a 364-day revolving facility with a five year term on each annual renewal.

The Group's borrowings are all secured by a fixed and floating charge over substantially all of the assets of the Group.

During the six months ended 30 September 2020 the Group secured the waiving of the results of loan covenant testing as at 30 September 2020 and 31 March 2021. Consequently the next covenant testing is due at 30 September 2021. The impact of this upon the Group's going concern assessment is covered at the basis of preparation on page 14. The £4.7m of fees incurred by the Group to secure the loan waivers have been charged to the bond liability and will be amortised over the remaining term of the bonds.

17. Bank loans

	Unaudited 2020	Unaudited 2019	2020
Secured revolving credit facility	**484.0**	30.0	484.0
Less: unamortised debt issue costs[1]	**(1.7)**	(2.4)	(2.1)
	482.3	27.6	481.9

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

At 30 September 2020 the Group had £nil (30 September 2019: £455.0m) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £500.0m secured revolving credit facility (£484.0m drawn at 31 March 2020), less certain carve-outs in respect of ancillary facilities of £16.0m. The Group also had access to £10.0m of overdraft facilities.

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

18. Bonds

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m	31 March 2020 £m
Repayable other than by instalments			
MAG bond 4.125% £360.0m due 2024	**360.0**	360.0	360.0
MAG bond 4.75% £450.0m due 2034	**450.0**	450.0	450.0
MAG bond 2.875% £300.0m due 2039	**300.0**	300.0	300.0
MAG bond 2.875% £350.0m due 2044	**350.0**	350.0	350.0
Less: discount on issue	**(10.5)**	(10.9)	(10.7)
Less: unamortised debt issue costs	**(12.2)**	(8.2)	(7.9)
	1,437.3	1,440.9	1,441.4

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19. Other borrowings	**Unaudited 30 September 2020 £m**	Unaudited 30 September 2019 £m	31 March 2020 £m
Repayable other than by instalments			
Shareholders' loan at an interest rate of 12% expiring on 9 February 2055	**251.9**	251.9	251.9
Shareholders' loan at an interest rate of 10% expiring on 30 September 2056	**175.0**	175.0	175.0
Shareholders' loan at an interest rate of 10% expiring on 30 September 2057	**175.0**	175.0	175.0
Shareholders' loan at an interest rate of 10% expiring on 30 September 2058	**300.0**	-	-
Less: unamortised debt issue costs	**(0.4)**	(0.4)	(0.4)
Less: refinancing adjustment[1]	**(21.8)**	-	-
	879.7	601.5	601.5

The Shareholders' loans are unsecured.

On 2 July 2020, £300m of shareholder loans were issued with an interest rate of 10% and a maturity of 30 September 2058.

[1]As part of MAG's strategic financial response to the COVID-19 pandemic, the Group agreed with its Shareholders to a deferral of interest charges in relation to the shareholder loans. Under IFRS 9, the change has resulted in a modification of the estimated cashflows, however this is not deemed a substantial modification. As such, the change in timing of the estimated future cashflow has been adjusted in the period of charge, with the corresponding income being recognised in the income statement. The modification of £21.8m has been reflected in the interest payable on other borrowings.

20. Financial Instruments

(a) Fair values versus carrying amounts of key financial instruments

The following table provides a comparison, by category, of the carrying amounts and the fair values of the Group's key financial instruments as at 30 September 2020 and 2019. Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced of liquidation sale, and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

	Unaudited		Unaudited	
	30 September 2020 Carrying amount £m	**30 September 2020 Fair value £m**	30 September 2019 Carrying amount £m	30 September 2019 Fair value £m
Financial liabilities:				
Instruments held at amortised cost				
Bank loans and overdrafts	**(482.3)**	**(482.3)**	(27.6)	(27.6)
Trade payables	**(49.2)**	**(49.2)**	(60.8)	(60.8)
Bonds	**(1,437.3)**	**(1,487.6)**	(1,440.9)	(1,705.2)
Other borrowings	**(879.7)**	**(931.2)**	(601.5)	(663.4)
Accrued interest on shareholder loans	**(74.9)**	**(74.9)**	-	-
	(2,923.4)	**(3,025.2)**	(2,130.8)	(2,457.0)
Financial assets:				
Instruments held at amortised cost				
Cash at bank and in hand	**644.5**	**644.5**	27.5	27.5
Trade receivables	**40.4**	**40.4**	84.4	84.4
Other assets held at fair value				
Assets held for sale	**61.2**	**61.2**	472.9	472.9
Investment properties	**161.9**	**161.9**	138.1	138.1

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for the six months ended 30 September 2020

20. Financial Instruments continued

Fair value hierarchy

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

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

Bonds are measured by a level 1 valuation method.
All other financial instruments carried at fair value have been measured by a level 2 valuation method.
Investment properties carried at fair value have been measured by a level 3 valuation method.

Summary of methods and assumptions used for determining fair values

Financial Instrument	Level	Estimate Basis
Bonds	1	The fair value of publicly listed bonds is based on market prices or, if not available, brokers' quotes. The carrying value is net of unamortised issue costs.
Bank loans	2	The fair value of the bank loans approximates to the carrying value given their floating rate basis and interest setting frequency. The carrying value is net of unamortised issue costs.
Other Borrowings	2	The fair value of other borrowings is based on a discounted cash flow methodology that reflects movements in underlying market rates.
Cash at bank and in hand	2	The fair value of cash at bank and in hand approximates to the carrying value as all deposits have same day access.
Trade receivables and payables	2	The fair value of trade receivables and trade payables approximates to the carrying value given their short-term nature.
Investment Properties	3*	The fair values of investment properties are based on an income capitalisation methodology.

* Refer to note 11 for valuation techniques applied.

(b) Hedging on acquisitions

On 22 June 2020, the Group acquired 100% of the share capital of US companies airportparkingreservations.com LLC, parksleepfly.com and shuttlefinder.net (subsidiary of parksleepfly). Under the share purchase agreements, all three acquisitions have non-contingent deferred payments due in April 2021. In line with Group risk management strategy, management have opted to take out forward contracts to purchase USD at a closing rate of 1.3125 in order to eliminate the foreign exchange risk on the payment. The timing and amount due under these agreements is fixed, and therefore the forward contract is a perfect hedge.

For more details on the acquisitions, and the valuation of these future obligations, see note 14 to the financial statements.

(c) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 30 September 2020 was as follows:

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m
Fixed rate financial liabilities	**(2,391.9)**	(2,042.4)
Floating rate financial liabilities	**(482.3)**	(27.6)
	(2,874.2)	(2,070.0)

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

The Group has prepared an analysis of the impact of potential, likely changes in interest rates.
The result of an increase in interest rates of 1% per annum would be to increase/(decrease) income and equity for the year by the following amounts:

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m
Impact on income statement	**1.6**	-
Impact on equity	**-**	-
	1.6	-

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21. Lease liabilities

	Unaudited			
	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
At 1 April 2020	**215.4**	**198.1**	**3.5**	**417.0**
Additions	3.5	-	7.6	11.1
Interest charge for the period	5.8	5.3	0.2	11.3
Payments of liabilities	(9.0)	(5.4)	(0.7)	(15.1)
Remeasurements	17.3	5.6	(0.9)	22.0
At 30 September 2020	**233.0**	**203.6**	**9.7**	**446.3**

Maturity analysis of lease liabilities - discounted

	Unaudited			
	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Within 1 year	6.3	0.5	1.7	8.5
Within 2 to 5 years	18.0	2.2	6.0	26.2
After 5 years	208.7	200.9	2.0	411.6
Total	**233.0**	**203.6**	**9.7**	**446.3**

Maturity analysis of lease liabilities - undiscounted

The table below shows the gross undiscounted contractual cash outflows in relation to the Group's lease liabilities as at 31 March 2020 to the contract maturity date.

	Unaudited			
	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
In one year or less, or on demand	18.4	10.9	2.1	31.4
In more than one year, but not more than two years	17.5	10.9	1.9	30.3
In more than two years but not more than five years	45.3	32.7	5.0	83.0
In more than five years	756.9	626.0	2.0	1,384.9
Total	**838.1**	**680.5**	**11.0**	**1,529.6**

The expense relating to variable lease payments not included in the measurement of lease liabilities is £1.5m.

Key lease arrangements

Manchester City Council (held within land and buildings):

The Group has a commitment in respect of a land lease with The Council of the City of Manchester (MCC), a related party as described in note 26. Ground rent leases are a base fee of £2.8m, and this element of the lease contributed £52.4m to the closing lease liability in land and buildings.

Further minimum amounts are payable under the main lease agreement with MCC. Payments have two elements, one element variable based on turnover, and one element based on rental value of a number of properties at Manchester airport. The minimum amounts due on the turnover element are based on a percentage of the prior rent paid. Whilst variable lease payments are typically excluded from the calculation of lease liability under IFRS 16, management have concluded that these minimum percentage payments qualify as an in-substance fixed lease payment, contributing £54.7m to the closing finance lease liability. As property element lease payments are variable depending on an index or rate, this element has given rise to a further £86.2m contribution to the closing lease liability. All elements of the main MCC lease are included in the measurement of the lease liability.

The sale of non-core property in the period represented a trigger event on an additional supplementary lease to the main agreements, where rent was previously peppercorn. The lease is 275 years from 1 September 2013 and the review resulted in the rent charge increasing to £0.6m per annum, effective from the completion date on 7 August 2020. This has resulted in a remeasurement adjustment of £12.8m in the land and buildings category and the lease contributes £12.9m to the closing lease liability.

In total, all arrangements with MCC contributes £206.2m of the closing lease liability in land and buildings, and no element of the annual rent is excluded from the measurement of the lease liability.

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for the six months ended 30 September 2020

21. Lease liabilities continued

Key lease arrangements continued

UK Power Networks (held within airport infrastructure):

A significant portion of the airport infrastructure lease liability relates to an electricity distribution agreement with UK Power Networks. Included in the measurement of the lease liability are minimum amounts payable under the agreement, relating to a base fee of £8.6m, and £2.3m for capital investment in the network, contributing £203.4m to the closing lease liability in airport infrastructure. Remaining amounts of £0.7m are due, relating to a volume and recharge element. These are variable in nature with no minimum commitment, and therefore excluded in measurement of the lease liability.

Aberdeen Standard (held within land and buildings):

The Group has a commitment in relation to a lease of office property at Manchester Airport with Aberdeen Standard. Included in the measurement of the lease liability is fixed rent due under the lease, currently £1.0m and reviewed five-yearly to reflect prevailing market rates. The obligations under this lease have contributed £14.2m to the closing right-of-use asset and lease liability.

22. Provisions

	Unaudited		
	Post sale commitments £m	**Other provisions £m**	**Total £m**
Current	-	3.1	3.1
Non-Current		1.5	1.5
01 April 2020	**-**	**4.6**	**4.6**
Charged to income statement	4.3	0.1	4.4
Utilised	-	(0.1)	(0.1)
30 September 2020	**4.3**	**4.6**	**8.9**
Current	-	4.6	4.6
Non-Current	4.3	-	4.3
30 September 2020	**4.3**	**4.6**	**8.9**

Post sale commitments

As part of the Group's disposal of its non core property portfolio in August 2020, the Group entered into commitments for the provision of certain commitments to third parties as a result of the sale, post completion under the sale and purchase agreement. Management has estimated the cost of the cost of providing these services to be £4.3m. Management anticipate that the satifsaction of the provision will be achieved within the next 2 to 4 years, as such the provision has been disclosed as being non-current.

Other provisions

The other provisions balance includes: a provision in relation to insurance claims liabilities from incidents which have occurred at either Manchester Airport, Stansted Airport or East Midlands International Airport; a provision relating to potential land claims made against the Group at its airports including legal fees, and small immaterial provisions recognised by the Group.

During the period, there has been £0.1m utilised during the period and £0.1m released to the income statement during the period in relation to motor claims. There has been £nil utilised or released during the period for all other claims due to the impact of COVID-19 on the Group. The Group have restarted processing agreed claims during the reporting period and the impact of these will be released in the FY2021 full year annual report and accounts, as such, £4.6m has been classed as current as at 30 September 2020, with £nil being disclosed as non-current.

23. Retirement benefits

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m	31 March 2020 £m
Balance in schemes at the start of the period	(46.2)	(83.9)	(83.9)
Movement in period:			
Current service cost recognised in income statement	(3.2)	(7.5)	(12.2)
Contributions	5.6	7.9	13.5
Past service costs and curtailments recognised in the income statement	-	7.6	7.6
Net interest expense recognised in the income statement	(0.5)	(1.1)	(2.2)
Total remeasurements in the statement of comprehensive income	(110.1)	(47.6)	31.0
Balance in schemes at the end of the period	**(154.4)**	**(124.6)**	**(46.2)**

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for the six months ended 30 September 2020

23. Retirement benefits continued

Related deferred tax assets on any pension deficits are reported separately under the requirements of IAS 12 'Income taxes'.

The key driver for the significant increase in the net defined benefit obligation is a significant decrease in assumed discount rates and increase in inflation. In line with IAS 19 requirements, the discount rate assumption has been set with reference to the rate of return on high quality corporate bonds of equivalent currency and term to the scheme's liabilities at the reporting date. As at 31 March 2020, an average rate of 2.35% was applied, whilst an average rate of 1.475% has been applied to value scheme assets and obligations as at 30 September 2020 as a result of declines in corporate bond yields over the six months.

Both the East Midlands International Airport and Greater Manchester Pension Fund pension schemes contain Level 3 assets where valuation is not based upon observable market data. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar assets and discounted cash flow methods. The independent valuations have been reported on the basis of 'material uncertainty', consequently, less certainty, and a higher degree of caution should be attached to the valuation than would normally be the case.
The valuation techniques applied to the Level 3 assets within the Group's pension schemes are:
•GMPF pooled investment vehicles – as determined by relevant fund managers including market prices; quotations; discounted cashflows; comparable transaction pricing or industry multiples; or other pricing methodology;
•GMPF investment properties - estimates of open market value reflecting assumptions on: rental growth; void rates; and discount rates;
•EMIA Annuities (to discharge liability relating to specific scheme members) – valued at the corresponding amount of the relevant scheme member's scheme obligation; and
•EMIA With profits insurance policies – cumulative reversionary bonuses declared and current terminal bonus.

24. Deferred taxation

	Unaudited		
	Deferred tax asset £m	**Deferred tax liability £m**	**Total £m**
At 1 April 2020	88.0	(266.4)	(178.4)
Credit/(charge) to income	5.5	(12.7)	(7.2)
Deferred tax on acquisitions (see note 14)	-	(2.7)	(2.7)
Charge to equity	20.6	-	20.6
Transfer from liabilities associated with assets held for sale[1]	-	(5.1)	(5.1)
At 30 September 2020	**114.1**	**(286.9)**	**(172.8)**

[1]Investment properties that were held for sale as at 31 March 2020 were no longer being held for sale at 30 September 2020, and therefore the associated deferred tax liability has been transferred back into deferred tax liabilities.

25. Share Capital and Share Premium

	Unaudited		
	Number of shares m	**Share Capital £m**	**Share Premium £m**
Issued, called up and fully paid			
At 1 April 2020	316.7	316.7	687.2
Issue of C shares in the period	-	-	56.1
At 30 September 2020	**316.7**	**316.7**	**743.3**

On 21 May 2020 MAHL issued 30 C-shares for £56.1m. The £56.1m has been classified to equity on completion of the share issue.

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26. Related party transactions

The ultimate parent entity is Manchester Airports Holdings Limited, a company registered in England and Wales. The ultimate controlling entity is Manchester Airports Holdings Limited.

Transactions involving the Council of the City of Manchester and the other council shareholders

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

As at 30 September 2020 the amount of loans outstanding owed to MCC by the Group was £313.9m (30 September 2019: £207.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2019: £nil) to MCC during the year and paid interest of £nil (30 September 2019: £6.5m). The increase in the year is in relation to the funds of £106.5m injected (£300.0m in total from all shareholders) on the 9th July 2020.

As at 30 September 2020 the amount of loans outstanding owed to the other nine councils (each of which is a related party to Manchester Airports Holdings Limited by virtue of its shareholding) by the Group was £268.0m (30 September 2019: £180.9m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2019: £nil) to the other nine councils during the year and paid interest of £nil (30 September 2019: £6.0m).

Included in external charges are charges for rent and rates amounting to £17.3m (30 September 2019: £12.8m) and other sundry charges of £0.2m (30 September 2019: £0.3m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

During the year, amounts of £37.4m (2019: £18.7) were received from MCC and the nine borough councils for equity issued in May 2020.

Transactions involving IFM

The IFM Global Infrastructure Fund (IFM) (which is advised by IFM Investors PTY Ltd), is a related party to Manchester Airports Holdings Limited as IFM owns 35.5% of the share capital of the Company.

As at 30 September 2020 the amount of loans outstanding owed to members of the IFM group by the Group was £320.2m (30 September 2019: £213.7m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2019: £nil) to members of the IFM group during the year and paid interest of £nil (30 September 2019: £6.9m). The increase in the year is in relation to the funds of £106.5m injected (£300m in total from all shareholders) on the 9th July 2020.

Transactions involving associate

As at 30 September 2020 the amounts owing were £nil (30 September 2019: £nil) and amounts owed were £nil (30 September 2019: £0.1m). Net assets of £nil (30 September 2019: £nil), comprising freehold land, were sold to the associate by the Group during the year. During the year MAG entered into a transaction to purchase the car parking spaces from Airport City.

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

	Unaudited			
	1 April 2020 £m	Cash flow £m	Other non-cash movements £m	30 September 2020 £m
Cash at bank and in hand	271.3	373.2	-	**644.5**
Cash on short term deposit	-	-	-	-
Cash and cash equivalents disclosed in the statement of financial position	**271.3**	**373.2**	**-**	**644.5**
Overdrafts	-	-	-	-
Total cash and cash equivalents (including overdrafts)	**271.3**	**373.2**	**-**	**644.5**
Current debt	-	-	-	-
Non-current debt	(2,524.8)	(295.3)	(54.1)	**(2,874.2)**
Net debt	**(2,253.5)**	**77.9**	**(54.1)**	**(2,229.7)**
IFRS 16				
Curent debt	(8.5)	-	-	**(8.5)**
Non-current debt	(408.5)	3.8	(33.1)	**(437.8)**
	(417.0)	**3.8**	**(33.1)**	**(446.3)**

Notes to the financial statements continued

for the six months ended 30 September 2020

28. Capital commitments and contingent liabilities

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m	31 March 2020 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**18.0**	148.4	100.7

At the end of March 2020, activity levels on the MAN-TP and STN-TP projects were significantly slowed down to ensure that investment was focused on projects already in progress, namely the completion of the eastern section of Terminal 2 at Manchester and enabling works at the arrivals terminal at Stansted. Further phases of both programmes have been pushed back until the economic environment normalises. In the case of both MAN-TP and STN-TP, these components of both programmes have progressed in the six months to 30 September 2020 and this is reflected in a reduced capital commitment at the period end.

The Group has performance bonds and other items arising in the normal course of business amounting to £1.5m at 30 September 2020 (30 September 2019: £3.3m). As part of its investment in Airport City the Group has agreed to pay an equity contribution up to a maximum of £12m if required, of which £6.1m was drawn down at 30 September 2020.

29. Disposal of subsidary and investment in Airport City

Sale of MAG Investment Assets Limited

As discussed in note 7, on 7 August 2020, the Group disposed of its interest in the entire shareholding of MAG Investment Assets Limited.

The profit on disposal of £42.0m on MAG Investment Assets Limited is calculated as follows:

	Unaudited 7 August 2020 £m
Consideration for the sale:	
Cash and cash equivalents	339.3
Deferred consideration[1]	18.9
Total Consideration:	358.2
Movement in Group net assets as a result of the disposal:	(293.1)
Directly attributable costs of sale[2]	(18.8)
Profit on disposal of subsidiary, before provision for future costs	46.3
Provision for future costs in association with the sale (see note 22)	(4.3)
Profit on disposal of subsidiary, net of provision for future costs	42.0

[1] Under the share purchase agreement, there is deferred consideration of up to £20m The amount represents a rent guarantee which is held on deposit that the purchaser can draw down on in the event of tenant default in the 3 years up to 7 August 2023.

	£'m
Gross payments due	20.0
Discounting of net expected receipts	(1.1)
	18.9

[2] Directly attributable costs of sale:

	£'m
Fees incurred in six months to 30 September 2020	(8.3)
Loss on sale and leaseback triggered by sale	(0.7)
Future fees pending billing	(9.8)
	(18.8)

Cash flows in relation to the discontinued operation are as follows:

	£m
Net cash from operating activities - discontinued operations	0.5
Net cash from investing activities - discontinued operations	339.5
	340.0

Notes to the financial statements continued

for the six months ended 30 September 2020

29. Disposal of subsidary and investment in Airport City continued

Sale of 50% shareholding of Airport City Limited Partnership

In addition, as discussed in note 12, on 7 August 2020, the Group disposed of a 50% interest in the Airport City Limited Partnership, generating a loss on disposal of £6.6m.

The loss on disposal is as follows:

	Unaudited 7 August 2020 £m
Consideration for the sale:	
Cash and cash equivalents	13.3
Total Consideration:	**13.3**
Movement in Group net assets as a result of the disposal:	(19.9)
Loss on disposal of 50% of Airport City Limited Partnership	**(6.6)**

Since the Group still possess a 20% shareholding in the Airport City Limited Partnership, the share of result in associate for the period is part of the result from continuing operations. The loss on disposal is disclosed within significant items under continuing operations.

	£m
Proceeds from sale of shareholding in Airport City	**13.3**
	13.3

30. Post balance sheet events

On 7th October 2020, the Group confirmed that it would commence discussions with unions to reduce employee costs as a result of the COVID-19 pandemic. The proposals could result in the loss of up to 892 jobs across the Group's three airports.

On 20th October 2020, the Group announced that Neil Thompson, the Group CFO, had taken the decision to leave the Group. On 4th December 2020 the MAG Group announced the appointment of Jan Bramall, previously Group Finance Director, as Group CFO.

On 14th October 2020, the Group disposed of the remaining non-core property at Manchester Airport.

The Group is currently in discussions regarding the closure of its defined benefit schemes.