

Manchester Airport Group Investments Limited

**Unaudited interim report
and condensed consolidated financial
statements for the six months ended
30 September 2021**

MAGIL

Interim report and accounts 2022

Contents

Strategic Report

Group Chief Executive Officer's operating review	1
Business model	3
Financial review	5
Corporate social responsibility	13

Directors' responsibilities statement	15
---------------------------------------	----

Group financial statements

Accounting policies	16
Condensed consolidated income statement	20
Condensed consolidated statement of comprehensive income	21
Condensed consolidated statement of changes in equity	22
Condensed consolidated statement of financial position	24
Condensed consolidated statement of cash flows	25
Notes to the Group financial statements	26

Group Chief Executive Officer's Operating Review

For the second year running, these interim results reflect the severe challenges the aviation sector has faced as a result of the coronavirus pandemic.

The period, covering 1 April to 30 September 2021, was characterised by ongoing restrictions imposed by the UK Government on international travel.

Restrictions over the summer resulted in Group passenger numbers remaining below 30% of pre-pandemic levels until August 2021, which was in line with the performance of the wider UK aviation sector as a whole.

Total MAG¹ passenger numbers for the first six months of the year were 6.6m, which were 57% up on the corresponding period in 2020 but 82% down on the corresponding period in 2019.

The Group made an adjusted EBITDA² profit of £25.6m at the half-year, compared to a loss of £80.9m in the comparative six months ended 30 September 2020 and a profit of £268.2m for the comparative six months in 2019.

The restrictions on international travel endured throughout the period, despite a staged unlocking of other sections of the domestic economy. Given the UK's successful vaccination programme, it was particularly disappointing that the first six months of the financial year were still significantly behind pre-pandemic financial years.

While the recovery of UK aviation over the summer was modest, it is important to note that passenger volumes across Europe climbed to approximately 60% of pre-pandemic levels during the same period. This performance on the continent, where governments moved more quickly to relax travel restrictions, gave us confidence that latent demand remained for travel and would begin to return once restrictions were eased in the UK.

In this context, MAG's focus during the first six months of this year has remained on tight cost controls, building on the work done in this area during FY21. We maximised our use of the UK Government's Coronavirus Job Retention Scheme (CJRS), agreed a new stability agreement with our Trade Unions – which aligned rates of pay more closely with hours worked – and focused capital expenditure on essential maintenance, COVID-19-related measures and safety critical activity.

The first half of the financial year corresponds broadly with the traditional aviation summer season. It was towards the end of this period that the UK Government's travel policy began to ease, with the gradual shortening of the red and amber categories under its 'traffic light' system and increasing freedoms for vaccinated travellers.

Across all of MAG's airports, airlines have moved quickly to restart services to a wide range of destinations in response to the relaxation of restrictions. Demand from low-cost carriers has been particularly strong, with seat capacity returning to more than 60% of pre-pandemic levels during October 2021.

We have also seen the United States reopening to passengers arriving from Britain from 8 November 2021. This has sparked a positive reaction from carriers looking to re-instate routes from Manchester Airport to the United States, including Aer Lingus, which re-confirmed plans to open a new base at Manchester. It started flights to Barbados in mid-October 2021, with routes to the USA to follow.

While MAG has had an intense focus on controlling cost and driving the recovery of the business throughout the last six months, we have continued to make progress on several longer-term growth initiatives.

In May 2021, the Planning Inspectorate granted permission to increase the number of passengers at London Stansted Airport from 35 million to 43 million passengers per year. The Inspectorate's decision followed an extensive public inquiry which began in January 2021 and is welcome approval of our proposals for growth at the airport without additional flights and within a reduced noise limit. We will now work with our partners and neighbours to continue the sustainable growth of London Stansted and deliver the considerable benefits that growth brings to the local economy.

July 2021 saw the opening of Manchester Airport's extended Terminal 2, which is the cornerstone of its £1 billion Manchester Airport Transformation Programme. The terminal is being opened in a phased way, with airlines gradually moving to the new facility and retailers and food and beverage outlets opening in line with demand. Feedback from customers about the new facilities has been hugely positive.

In the East Midlands, following the Chancellor's Budget announcement in March 2021, we have been working with the UK Government and local partners on the proposal for an East Midlands Freeport, with East Midlands Airport at its heart. Significant progress has been made on the business case for the freeport, which has been submitted to the Government for designation in early 2022.

¹ References to 'MAG' or 'the Group' refer to the group of companies owned by Manchester Airport Group Investments Limited.

² Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, gains and losses on sales and valuation of investment property, and before significant items.

Group Chief Executive Officer's Operating Review continued

We have continued to play a leading role in sector-wide work on aviation sustainability. MAG is proud to be a member of the UK Government's Jet Zero Council and we were identified by the Financial Times as the top-performing transport organization in its European Climate Leaders report. Meanwhile, we announced a partnership with CarbonClick in October, which gives passengers at all our airports the opportunity to offset their flight emissions via our website. We have also signed a flagship Memorandum of Understanding with Fulcrum BioEnergy to support the development of a new refinery for Sustainable Aviation Fuel in Cheshire, which will be connected via a direct pipeline to Manchester Airport.

Over the last two weeks, governments across the world have been working to understand the level of threat posed to public health from the new Omicron variant. While this research is on-going, governments have reintroduced some travel restrictions on a precautionary basis to limit the spread of the new variant. As expected, these new restrictions have impacted demand for international travel. In the event the new variant is judged to be no more harmful than other forms of the virus, we would expect governments to remove these additional measures and support the continued recovery of international travel.

Looking ahead, we are encouraging the UK Government to move quickly to provide clarity on the risk posed by the Omicron variant (and future variants of concern) and ensuring any travel restrictions are appropriate and do not unnecessarily limit or undermine confidence in international travel. In particular, once community transmission of the new variant has been identified in-country, the justification for international travel controls reduces rapidly and any restrictions should therefore be reviewed urgently.

Once this immediate uncertainty has been resolved, we will work with the Government to establish a clear roadmap for 2022 including the conditions under which restrictions can be removed completely. This will make a major contribution to the restoration of consumer confidence as travellers look to book leisure and business trips from MAG airports heading into the new financial year.



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 the last decade, MAG's management team has successfully delivered sustained growth and consistently outperformed its business plan targets.

MAG has successfully right-sized the business by undertaking a series of measures to align costs to FY22 traffic volumes and also implemented a programme of transformational recurring value initiatives that will deliver sustainable value in the medium term.

The UK Government's easing of travel restrictions in recent months has had a positive impact on recovery, reducing uncertainty caused by the traffic light system. The US Government's decision to allow UK passengers to enter the country from early November has also supported recovery in the trans-Atlantic market (particularly for Manchester) and indirectly should boost passenger confidence in the wider travel market.

The recent discovery of the Omicron variant has the potential to delay the recovery in international travel, given the risk of governments maintaining more stringent travel restrictions in response to scientific advice about the level of threat associated with the new variant.

Since the outset of the pandemic, MAG has developed a range of short-term traffic scenarios that consider the latest demand and supply drivers influencing recovery. Looking further ahead, MAG is now considering long-term traffic projections that consider both how demand for air travel and supply-side factors are likely to combine to drive passenger volumes in the future.

While the pandemic has been unprecedented in terms of its global impact on the aviation industry, MAG does expect traffic to return quickly and predicts that passenger volumes will return to pre-pandemic levels (62m) by FY24. This strong recovery and optimism are largely driven by the mix of traffic at MAG's airports with a strong presence of low-cost carriers serving mainly European leisure destinations. In particular, Ryanair have taken a counter-cyclical approach and are continuing with their growth ambitions and expect to fly 225m passengers by FY26, a 51% increase on pre-pandemic levels (149m).

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 in its history, 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. We expect airlines to reintroduce flying programmes as travel restrictions and border controls are eased, in line with a declining level of risk associated with COVID-19. 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 16.

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.

Business model continued

Strategy continued

We have continued to work with UK Government and the industry to restart operations at the earliest safe opportunity. Consistent with UK Government guidance, our safe system for air travel adopted 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 have also been working with industry to implement COVID-19 testing across our airports for colleagues and passengers that supplements wider government policy. This, along with the successful vaccination programme, will help to 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 Stansted; and
- investing in other growth opportunities including complementary airport service businesses.

It will be important that our long-term growth is compatible with the economy-wide commitment to reach net zero emissions by 2050. Our airport operations continue to be carbon neutral and we are working to deliver our commitment to reach net zero at our airports, by no later than 2038. Working with industry colleagues, in partnership with the Government, and through the vehicle of the Jet Zero Council, we are helping to shape the policies that will support the decarbonisation of aviation. We welcome the Government's consultation on its Jet Zero Strategy and recent announcements of support for some of the key enablers, including the modernisation of controlled airspace and the use of Sustainable Aviation Fuels.

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 condensed consolidated financial statements in accordance with UK adopted International Accounting Standard 34 'Interim Financial Reporting'.

Headline Financials

MAG's financial performance for the six months ended 30 September 2021 has been dominated by the impact of COVID-19 upon the global economy in general and the aviation sector in particular. Passenger levels have increased by 57% compared to the comparative period last year, though this still equates to only 18% of pre-COVID-19 levels.

Passenger growth has driven a revenue increase of £65.1m versus the six months to 30 September 2020 and cost reduction activities have delivered cost savings of £41.4m against the same comparative period. This has resulted in adjusted EBITDA¹ levels increasing by £106.5m to £25.6m. The loss before tax for the period of £105.2m was also impacted by depreciation and amortisation in the period at £104.5m, finance costs of £43.5m and additional modest contributions arising from the valuation of the Group's investment properties.

	Six months ended 30 September 2021 (£m)	Six months ended 30 September 2020 (£m)	Change £m	Change %
Passenger numbers (m)	6.6	4.2	2.4	57.1%
Revenue – continuing operations	159.0	93.9	65.1	69.3%
Adjusted EBITDA ¹ – continuing operations	25.6	(80.9)	106.5	
Result from operations– continuing operations	(75.1)	(179.7)	104.6	58.2%
Result before taxation – continuing operations	(105.2)	(212.6)	107.4	50.5%
Result after taxation – discontinued operations	(0.1)	46.1	(46.2)	(100.2%)
Result after taxation – continuing operations	(146.6)	(162.7)	16.1	9.9%
Adjusted cash generated from operations ²	25.3	(122.5)	147.8	
Capital investment	23.8	91.4	(67.6)	(74.0%)
Dividends paid in period	-	-	-	0.0%
Net Debt (including IFRS 16) ³	(1,924.5)	(1,737.1)	(187.4)	(10.8%)
Equity shareholders' funds	2,397.1	2,646.5	(249.4)	(9.4%)

¹ Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, 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

³ Net debt is defined and reconciled in note 24.

Financial review continued

Measures used to assess performance

The Group uses a number of measures to assess financial performance that are not defined within International Financial Reporting Standards (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 EBITDA¹.

The APMs referred to in this report are:

- adjusted EBITDA¹; and
- Net Debt²

The reconciliation of these APMs to the relevant IFRS measures is detailed below for adjusted EBITDA¹ and at note 24 to the accounts for Net Debt. The following APMs are reconciled to the relevant IFRS measure on the face of the Group's Income Statement and Cashflow Statement respectively:

- adjusted result from operations³; and
- adjusted net cash generated from operations⁴

As such, these measures are important and should be considered alongside the IFRS performance measures. The adjustments for the adjusted EBITDA¹, adjusted result from operations³ and adjusted net cash generated from operations⁴ APMs from IFRS measures are separately disclosed and relate to items that are significant in size or non-recurring in nature. In the directors' view they are useful measures for investors because they are measures closely monitored by management to evaluate the Group's financial performance.

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

Reconciliation of APMs

The reconciliation of APMs used within these statements are accompanied by a reference to the relevant IFRS measure and the adjustments made:

- adjusted EBITDA¹ (reconciled to result from operations)

	Six months ended 30 September 2021 £m			Six months ended 30 September 2020 £m		
	Before significant items	Significant items	After Significant items	Before significant items	Significant items	After Significant items
Adjusted EBITDA ¹	25.6	3.8	29.4	(80.9)	(8.0)	(88.8)
Depreciation and amortisation	(104.5)	-	(104.5)	(90.8)	-	(90.8)
Adjusted operating profit/result from operations	(78.9)	3.8	(75.1)	(171.7)	(8.0)	(179.7)

Summary trading performance

Passenger Traffic	Six months ended 30 September 2021 (£m)	Six months ended 30 September 2020 (£m)	Change £m	Change %
Manchester Airport	2.7	1.7	1.0	58.8%
Stansted Airport	3.5	2.2	1.3	59.0%
East Midlands Airport	0.4	0.3	0.1	33.3%
Total Business	6.6	4.2	2.4	57.1%

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

² Net debt is defined and reconciled in note 24.

³ Adjusted results from operations before significant items (reconciled to result from operations)

⁴ Adjusted cash generated from operations is cash generated from operations before significant items (reconciled to cash generated from continuing operations)

⁵ Significant items are disclosed in note 3.

Financial review continued

Summary Trading Performance continued

During the six months ended 30 September 2021, 6.6m passengers travelled through the Group's three airports. Until 17 May 2021 the continued impact of the global COVID-19 pandemic and in particular UK Government's 'Stay in UK' regulation continued to suppress passenger numbers. The partial resumption of international travel in May 2021 was held back by the UK Government's approach to implementing the traffic light system, coupled with vaccination and testing requirements which resulted in a reduction in the demand to travel during the early months of the summer peak.

MAG has seen the gradual recovery being led by the low-cost carriers and this is supported by the comparatively higher number of passengers returning to London Stansted Airport. MAG's top 10 locations throughout the period are those served by the low-cost carriers in predominantly Spain and its islands (including the Balearics and the Canaries) and Ireland.

From late summer 2021 we have seen demand levels gradually increase in line with the rollout of vaccine programmes and the easing of restrictions: initially in July as the UK eased quarantine restrictions for fully vaccinated passengers arriving from the USA and European Union (EU); and most recently in October 2021 with the replacement of the expensive PCR testing requirement and reduction in number of countries impacted by the UK's red travel list. Whilst passenger levels over the six month period amounted to 18% of pre-COVID-19 levels, MAG's October 2021 passengers reflected an increase to 51% compared to pre-pandemic activity.

Summary of Revenue Stream	Six months ended 30 September 2021 (£m)	Six months ended 30 September 2020 (£m)	Change £m	Change %
Aviation income	64.9	40.9	24.0	58.7%
Retail concessions	22.7	10.2	12.5	122.5%
Car parking	40.2	21.5	18.7	87.0%
Property & property related income	9.1	9.5	(0.4)	(4.2%)
Other	22.1	11.8	10.3	87.3%
Total Revenue - continuing operations	159.0	93.9	65.1	69.3%
Total Revenue - discontinued operations	-	8.5	(8.5)	(100.0%)

Summary of Revenue by Division	Six months ended 30 September 2021 (£m)	Six months ended 30 September 2020 (£m)	Change (£m)	Change %
Manchester Airport	58.6	36.0	22.6	62.8%
London Stansted Airport	69.4	39.7	29.7	74.8%
East Midlands Airport	25.2	17.5	7.7	44.0%
MAG USA	4.2	1.2	3.0	250.0%
Group, Consolidation adjustments and other (see note 2)	1.6	(0.5)	2.1	
Total Revenue - continuing operations	159.0	93.9	65.1	69.3%
Total Revenue - discontinued operations	-	8.5	(8.5)	(100.0%)

The Group has experienced an overall revenue increase of 69.3% versus the prior period. The increase in divisional revenues largely reflects the percentage increases in passengers, as lockdown eased during the period. All three airports have achieved revenue increases in excess of the passenger uplift, with retail and car parking returns, along with cargo at East Midlands, supporting the recovery. MAG USA showed a significant increase in revenue due to the stronger recovery in the US market. The current period also includes the legacy US lounge and car parking business and UK distribution, increasing the revenue of MAG USA and Group respectively.

Aviation income largely followed the recovery in the number of passengers. Both retail and car parking delivered revenue increases that have outperformed passenger levels which is partially due to the stronger recovery in the US. Retail, which suffered a significant reduction in activity in the previous period, showed the largest proportionate increase. Whilst only essential stores operated in terminals in April 2021, by August 2021 75% of units at Manchester and Stansted had re-opened, with 16 new retailers opening in July 2021 with the launch of the new terminal 2 at Manchester.

Financial review continued

Summary Trading Performance continued

Operating costs	Six months ended 30 September 2021 (£m)	Six months ended 30 September 2020 (£m)	Change (£m)	Change %
Employment costs	(88.7)	(112.8)	24.1	21.4%
Less: Job Retention Scheme income	17.9	31.3	(13.4)	(42.8%)
Net employment costs	(70.8)	(81.5)	10.7	13.1%
Other operating charges	(72.4)	(93.3)	20.9	22.4%
Less: Airport Ground Operator Support Scheme (AGOSS) income	9.8	-	9.8	100.0%
Net Operating Costs - continuing operations	(62.6)	(93.3)	30.7	32.9%
Overall Costs – excluding significant items, depreciation and amortisation	(133.4)	(174.8)	41.4	23.7%
Depreciation and amortisation	(104.5)	(90.8)	(13.7)	(15.1%)
Overall Costs – excluding significant items	(237.9)	(265.6)	27.7	10.4%

Overall costs, excluding significant items, depreciation and amortisation decreased by £41.4m to £133.4m. Underlying employee cost reduction of £10.7m resulted from various cost reduction activities (pay reductions, initiatives to reduce overtime, temporary resources, recruitment, incentives and streamlining employee population). The Group still benefitted from the UK Government's CJRS to the value of £17.9m but this was £13.4m lower than the amount of income secured in the six months to September 2020.

The Group also achieved other operating cost savings of £20.9m in areas including: discretionary travel spend; airfield operations and insurance costs and provision releases mainly due to: improving passenger numbers, reduced level of employees following restructuring and the tapered relief rates. Additionally, the Group also secured a further £9.8m of income under the UK Government's AGOSS scheme (arising due to the extension of the UK Government scheme to support costs incurred by UK airports and groundhandlers in the six months to 30 September 2021).

Adjusted EBITDA ¹ by Division	Six months ended 30 September 2021 (£m)	Six months ended 30 September 2020 (£m)	Change (£m)	Change %
Manchester Airport	1.8	(46.4)	48.2	
London Stansted Airport	12.4	(24.9)	37.3	
East Midlands Airport	11.0	0.3	10.7	3,566.7%
MAG USA	2.6	-	2.6	100.0%
Group, consolidation and other	(2.2)	(9.9)	7.7	77.8%
Total adjusted EBITDA¹ - continuing operations	25.6	(80.9)	106.5	131.6%
Total adjusted EBITDA¹ - discontinued operations	-	7.9	(7.9)	(100.0%)

Adjusted EBITDA¹ for the Group improved by £106.5m changing a loss of £80.9m to a profit of £25.6m. This was driven by the £65.1m of passenger driven revenue increases and £41.4m cost mitigation actions.

Depreciation and amortisation costs relating to continuing operations are £13.7m (15.1%) higher than the prior year at £104.5m. This reflects the additional depreciation charge on the phases of the Manchester Transformation project that were brought into use during the period, accelerated depreciation relating to operational assets and a full amortisation on the intangible assets acquired as part of the US acquisition undertaken by the Group in the previous year. The Group has 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, 10 and 12). Additionally, the Group has assessed the impact of the pandemic on its assets under construction balance of £184.6m and concluded that it is recoverable based upon the business's post-pandemic plans.

The Group has also recognised a credit of £3.8m of Significant items in the six months ended 30 September 2021 (2020: charge of £8.2m). A curtailment gain of £10.4m has been recognised as a result of the Group's closure of its defined benefit pension schemes to future accruals at Manchester, Stansted and East Midlands. This has been partially offset by charges for costs relating to the closure of the Group's defined benefit schemes (£3.4m), an increase in the estimated pay out for contingent consideration on the recent US acquisition (£2.6m), and other costs deemed to be significant in nature (£0.6m).

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

Financial review continued

Summary Trading Performance continued

Results from operations by Division	Six months ended 30 September 2021 (£m)	Six months ended 30 September 2020 (£m)	Change (£m)	Change %
Manchester Airport	(52.5)	(90.9)	38.4	42.4%
London Stansted Airport	(16.8)	(63.2)	46.4	73.4%
East Midlands Airport	4.4	(7.0)	11.4	
MAG USA	(3.2)	(0.7)	(2.5)	(357.1%)
Group, consolidation and other	(7.0)	(17.9)	10.9	60.9%
Total result from operations - continuing operations	(75.1)	(179.7)	104.6	58.5%
Total result from operations - discontinued operations	(0.4)	7.9	(8.3)	(105.1%)

After deducting the above depreciation, amortisation and significant items from adjusted EBITDA¹, the loss from operations for the period is £75.1m, an improvement of £104.6m (58.5%) on the prior period.

Net Financing Costs

Net financing costs increased by £3.7m to £33.0m. They comprised: finance income of £10.5m (30 September 2020: £4.7m) reflecting interest receivable from other MAG Group Companies; and finance costs of £43.5m (30 September 2020: £34.0m). Finance costs (including IFRS 16) has increased by £9.5m to £43.5m, primarily due to:

- a decrease of £6.2m in the capitalisation of borrowing costs relating to capital investment programmes, in line with IAS 23. The reduction of £6.2m, from £6.5m for the six months ended 30 September 2020, to £0.3m for the six months ended 30 September 2021, arose due to the practical completion of significant phases of the Manchester Transformation programme which have subsequently been brought into use.
- an increase of £0.6m in the interest expense on lease liabilities. The expense for the six months ended 30 September 2021 was £11.5m (30 September 2020: £10.9m).

However, the Group reported a net finance cost of £33.0m (six months to 30 September 2020: £29.3m), which reflects interest receivable from other MAG Group Companies.

Cashflow

Cash outflow from operating activities amounted to £23.2m, compared to a cash outflow of £166.1m in the six month period to 30 September 2020. This reflects the gradual recovery of activity levels during the six months period and return to a positive EBITDA position by the Group.

The Group also incurred a cash outflow of £57.3m from investing activities, reflecting a significantly reduced capital cash spend to £49.9m, plus a £19.0m payment of deferred consideration for the US acquisition in 2021, offset by £11m received from other MAG Group Companies. Together with the addition of an outflow of £6.3m for financing activity, the combined impact is an overall decrease of cash and cash equivalents of £86.8m in the six month period from £518.1m at 31 March 2021 to £431.3m at 30 September 2021. The Group has maintained a fully drawn Revolving Credit Facility (RCF) to maximise cash holdings.

Group Financing and Debt

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

Group net debt (including leases) has increased by £85.5m during the six months to £1,924.5m (31 March 2021: £1,839.0m). As at 30 September 2021, the net Group debt of £1,924.5m comprised: long-term fixed rate bonds (£1,437.2m); drawdown funds from the £500m Secured Revolving Credit Facility (£482.9m) and lease liabilities (£435.7m); offset by net cash of £431.3m. This equates to a headroom of £441.3m comprising the net cash balance and £10.0m of committed overdraft facility.

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

Financial review continued

Group Financing and Debt continued

As detailed in the Annual Report for the year ended 31 March 2021 the Group had implemented further actions to support the viability of the Group as a continuing response to the pandemic. The main changes on the Group's financing over the six months to 30 September 2021 which has enabled the Group to maintain its current liquidity headroom levels were:

- Increasing liquidity on financing actions by keeping the £500m revolving credit facility fully drawn;
- Securing waivers on the results of the Group's loan covenants for 30 September 2021 and 31 March 2022;
- Securing over £27m of further funding through the UK Government's AGOSS and Job Retention Schemes;
- Paring down capital spend to essential maintenance and safety critical activity; and
- Cost reduction activities to reduce cash outflows by reducing of discretionary expenditure, driving cost reduction activities, implementing a variable pay scale in partnership with our trade unions and restructuring of staffing levels to reflect the airport activity levels.

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 continual 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 continues to represent, is detailed in the Basis of preparation at page 16.

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 19 provides more detail of the impairment testing process undertaken.

The increase in activity levels which the business experienced following the easing of travel restrictions over the last six months, along with activity levels returning to 51% of pre-COVID-19 levels during October 2021, reassured management that demand for travel remains strong which will support a recovery in passenger volumes as restrictions are eased.

Capital expenditure

The Group has made an investment of £23.8m in its infrastructure during the six months ended 30 September 2021 (six months ended 30 September 2020: £91.4m). This reflects the Group's cash management actions where capital spend is focused on essential maintenance and safety critical activity and in relation to capital projects, the completion of phases of projects where significant investment had already been incurred prior to the pandemic.

The main capital project activity in the period related to the bringing into use phase 1 of Manchester's Transformational Programme with the opening of the new Terminal 2. Overall MAG brought £725.1m of assets into use in the period. Work on future phases of Manchester and Stansted Transformation Programmes are expected to recommence when demand returns and after the impact of the pandemic has abated.

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 89.5% (31 March 2021: 77.6%) of the net aggregate Group pension scheme deficit.

Summary of changes in aggregate pension scheme deficit	£m
Deficit as at 31 March 2021	(54.9)
Current service & past service cost	(2.4)
Other financial expenses	(0.5)
Contributions	6.1
Curtailment gain	10.4
Actuarial gain	12.6
Deficit as at 30 September 2021	(28.7)

Financial review continued

Pensions continued

During the six months ended 30 September 2021, the Group's defined benefit schemes' IAS 19 accounting deficit of £54.9m at 31 March 2021 reduced to £28.7m.

All of MAG's defined benefit pension schemes were closed to future accruals after a period of consultation. The closure of the schemes resulted in a curtailment gain of £10.4m which has been reflected as a credit to Significant Items in the Group's Income Statement. Additionally, a further £12.6m reduction in the pension deficit arises as a result of changes in actuarial assumptions reflected through the Statement of changes in equity in the period, reflecting the return on assets of £38.1m experienced in the period more than offsetting the revisions in actuarial assumptions. The deficit was also impacted by contributions of £6.1m in the year, which exceeded the £2.9m arising from current service cost, past service cost and finance expenses by £3.2m.

Taxation

The Group has recognised a tax charge in the income statement of £41.4m (30 September 2020: credit of £49.9m). In the 3 March 2021 Budget, it was announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The impact of the change of corporation tax rate is to increase the deferred tax liability by £61.6m as at 30 September 2021, partially offset by deferred tax credits of £3.0m from temporary differences arising in the period.

Current tax for the period is a £17.2m credit, solely due to an adjustment in respect of prior periods.

Equity shareholders' funds and dividends

Equity shareholders' funds are £2,397.1m as at 30 September 2021 (31 March 2021: £2,534.5m). The movement comprises: £146.7m loss after tax and significant items, £0.1m loss due to foreign exchange, and a gain on remeasurement of pension liabilities net of tax impact of £9.4m, recorded in equity. No dividends were proposed or paid by the Group during the period.

Risks and uncertainties

Whilst the Group's principal risks and 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 evolved throughout the six months ended 30 September 2021. 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. Whilst the pervasive impact of COVID-19 remains central to management's ongoing assessment of risk, a key area of focus has been the governance of our risks through the successful recovery from the pandemic.

The Group understands the importance of the risk of climate change to all of our stakeholders and the CSR section on page 14 details the progress that the Group has made towards its Zero Carbon Airports objective.

The principal strategic level risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out on pages 21 to 23 in the 2021 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
- Climate change
- Security breach
- Major Health and Safety incident affecting our customers or colleagues
- Regulatory risk
- Recruitment, development and retention of talented people
- Cyber security

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 2021.

Financial review continued

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.

Post-balance sheet events

Following the closure of MAG Defined Benefit Pension Schemes for future benefit accruals, MAG is currently in discussions with Greater Manchester Pension Fund (GMPF) with respect to the ongoing arrangements relating to the scheme assets and liabilities. These discussions are currently ongoing at the time of the issue of this report. It is envisaged that these will be concluded prior to the issue of the MAGIL Annual Report for the year ended 31 March 2022 and the accounting impact of those discussions will be reflected in the full year accounts.

The recent discovery of the Omicron variant in late November has the potential to delay the recovery in international travel in the short term, given the risk of governments maintaining more stringent travel restrictions in response to scientific advice about the level of threat associated with the new variant. Governments have reintroduced a number of travel restrictions as a precautionary measure, pending further evaluation of new variant. At the current time, it is not possible to assess the impact of these restrictions or additional restrictions that might be imposed in due course.

Corporate social responsibility

'Working together for a brighter future'

Last year we published our new CSR Strategy, 'Working Together for a Brighter Future'¹. Our Strategy, which was developed following extensive stakeholder engagement, establishes three strategic priorities: Zero Carbon Airports; Opportunity for All; and Local Voices. We remain confident that our Strategy is the right one and that, by placing corporate responsibility at the heart of what we do, it will strengthen and accelerate our recovery, however in the short term, it has been necessary to review some of the supporting programme of work in response to the profound impacts of the COVID-19 pandemic. The changes we have made follow an independent assessment of which corporate responsibility issues are most relevant to MAG and its stakeholders at this time, and we have introduced additional initiatives which respond to issues such as wellbeing, flexible working and climate change.

With the eyes of the world on the UK for the recent COP26 climate summit, it is particularly pleasing to report that earlier this year MAG was recognised as the highest performing transport organisation in the Financial Times' 2021 assessment of European Climate Leaders. With growing interest in this important topic, this year we enhanced our annual reporting², adopting recommendations from the Taskforce for Climate-related Financial Disclosures (TCFD). By evaluating climate risks and exposures over the short, medium and long term, this change will inform decision making and support our CSR Strategy.

We recently published our 2020-21 CSR Report, which outlines performance last year, discusses the progress made during the first year of our new CSR Strategy and outlines how our focus on corporate responsibility will enable a sustainable recovery from the global pandemic. Our Report launched alongside the announcement that MAG has been identified as both a 'Sector Leader' and a 'Five Star' infrastructure operator in our first submission to the GRESB environmental social governance (ESG) performance rating.

Our teams have been busy throughout the first half of 2021-22 and, despite the challenges of the COVID-19 pandemic, including significant use of the UK 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.



¹ www.magairports.com/responsible-business

² <https://www.magairports.com/investor-relations/annual-and-interim-reports/>

Corporate social responsibility continued

Zero carbon airports

Climate change is an important issue for our stakeholders, with the topic identified as the most important sustainability issue in our recent materiality assessment. That is why MAG has been responding to the climate challenge for over a decade. Since 2006 we have substantially increased energy efficiency and reduced emissions. The new Terminal 2 at Manchester Airport is 15% more efficient than before, our on-site wind turbines generate renewable electricity for East Midlands Airport and, at London Stansted Airport, we recently entered discussion with planning authorities for consent to construct a solar farm, which will produce enough renewable electricity to power over 5,900 homes. Our airports are independently certified carbon neutral and, through our CSR Strategy, we have committed to reduce our remaining emissions and transition to a net zero carbon business by 2038.

In addition to making MAG a net zero business, we are also fully committed to playing our full part in enabling decarbonisation of the wider aviation industry. Earlier this year the UK Government consulted on its Jet Zero Strategy, which outlines how the UK can maintain and develop its global connectivity through a successful, net zero carbon aviation industry. We welcome the Strategy and look forward to reaching its ambitious goals through working in partnership with the Government through our membership of the Jet Zero Council. Building on the commitment the UK aviation industry has made to achieve net zero carbon by 2050, we welcome the recent announcement by the International Air Transport Association (IATA) that its members are committed to net zero aviation. To support the transition to 'Jet Zero', we recently announced an exciting partnership with Fulcrum Bioenergy who have announced plans to produce Sustainable Aviation Fuel in the northwest. Additionally, all of our airports now offer passengers a facility to offset emissions from their flights by supporting international decarbonisation projects and UK tree planting.

Opportunity for all

The global pandemic has been a difficult period for our airports and their local communities, which have been some of the hardest hit during the pandemic. However, as travel restrictions ease and travel recovers, we anticipate the most rapid period of growth our business has ever experienced. Through MAG Connect, our flagship skills, education, and employability programme, we are well placed to secure a pipeline of talent to support MAG, our business partners and our local communities recover from the COVID-19 pandemic. Our MAG Connect Aerozone on-site education facilities are also preparing to support local schools as they take steps to respond to the disruption to young people's education.

With airport activity increasing, many of our colleagues have been returning to our airports. We understand that the unique circumstances of each colleague mean that increasing hours, returning to the office, or the end of furlough can be a big change. By laying the foundations through our focus on health and wellbeing we are taking steps to support colleagues achieve their best whatever their circumstances. For office-based colleagues we have introduced a new approach to agile working, enabling colleagues to strike the right balance between time at the airport and focused time working from home. Our wide-ranging colleague engagement programmes continue, and include 'Wellbeing Wednesdays', which provide support to all of our colleagues as they establish a 'new normal'. As we work to increase the diversity and inclusivity of MAG, the launch our new LGBTQ+ and Race networks – which are sponsored by senior leaders – provide an opportunity to celebrate the diversity of our people and provide a platform through which all colleagues can seek the support they need to develop their career at MAG.

Local voices

Our airports are at the heart of their local communities and we know that a successful airport supports those who live in the surrounding areas. We also understand the importance of listening to our local communities. During the pandemic we have maintained regular engagement with our airport consultative committees. Through this and other engagement activities we recognise that the pandemic has changed the way people live their lives. Combined with the easing of travel restrictions and increasing numbers of flights, this has changed the way our neighbours experience airport operations. Noise management is a key priority for MAG. In delivering our Noise Action Plans, which were developed by listening to local voices and approved by Government, our airports are working with their airlines and air traffic control partners to minimise the impact of airport operations.

We remain focused on supporting our local communities. That is why each of our airports provides a community fund. These funds receive an MAG contribution and additional funds collected from airlines who exceed published noise limits. So far this year these funds have provided £90,000 of essential funding to 65 local community organisations. In addition, our Community Engagement team work with our communities to identify support that can be provided by our colleagues during volunteering initiatives – with all colleagues encouraged to take part.

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 and IAS 34 Interim Financial Reporting as adopted for use in the UK; 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
MAGIL
9 December 2021

ACCOUNTING POLICIES

Basis of preparation

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2021. The Annual Report was prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The condensed consolidated interim financial information provided in this report is unaudited in the current and prior period. The current and prior periods have 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 2021. 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 have had a material impact on the Group's results.

The comparative figures for the financial year ended 31 March 2021 are not the Group's statutory accounts for that financial year but are derived from those accounts. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) included reference to a matter to which the auditor drew attention by way of emphasis without qualifying their report in respect of a material uncertainty in respect of going concern, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group for the year ended 31 March 2022 will be prepared in accordance with UK-adopted International Accounting Standards.

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 ongoing impact of COVID-19 on the cash flow and liquidity of the Group, for a period in excess of 12 months, and the corresponding impact on cash headroom and financial covenants associated with the Group's financing arrangements.

The Group is subject to financial covenants on its Bonds and Bank facilities, being leverage (Net Debt / adjusted EBITDA) and interest cover (adjusted EBITDA less tax / net finance charges). The covenants are tested half yearly on 31 March and 30 September. Following the Group's strategic financial response in 2021, MAG had anticipated that it would breach its covenants when tested at 30 September 2021 and subsequently obtained waivers on its covenant testing at 30 September 2021 and 31 March 2022 and also obtained an agreement to a modified basis of calculation when next tested at 30 September 2022. The modified basis calculating annualised adjusted EBITDA as 1.54 times the adjusted EBITDA for the six months ended 30 September 2022.

As at 30 September 2021, the Group had significant financial liquidity available of £441.3m comprising net cash in hand of £431.3m together with £10.0m in undrawn committed overdraft facilities. The Group also has access to a committed £90.0m Liquidity Facility (available until June 2023) to ensure interest payment obligations can be complied with for over 12 months from the date of approval of these interim financial statements. The Group does not currently expect to utilise the Liquidity Facility. Of the Group's current borrowings, the £500m Revolving Credit Facility (RCF) matures in June 2023 and a £360m bond matures in April 2024.

COVID-19's impact upon the aviation sector has continued throughout the six months ended 30 September 2021. The suspension of all travel corridors in January 2021 impacted adversely upon the passenger levels at the start of the period. The UK Government's roadmap to reopening and the cessation of the 'Stay in the UK' regulation in May 2021 saw a gradual increase in passenger numbers in summer 2021. Further easing of quarantine restrictions to fully vaccinated passengers from Europe & USA in July 2021 resulted in positive trend in activity levels up to the reporting date. This positive trend continued in October and November 2021 with the further change to the international travel rules, the reduction in number of countries impacted by the UK's red travel list.

The recent discovery of the Omicron variant in late November has the potential to delay the recovery in international travel in the short term, given the risk of governments maintaining more stringent travel restrictions in response to scientific advice about the level of threat associated with the new variant. Governments have reintroduced a number of travel restrictions as a precautionary measure, pending further evaluation of new variant. At the current time, it is not possible to assess the impact of these restrictions or additional restrictions that might be imposed in due course.

Throughout the pandemic the Group has taken decisive and proportionate mitigating actions to reduce costs and protect the business during this unprecedented impact upon the economy and the aviation sector. Since the issue of the 2021 Annual Report, the Group has implemented further actions to support the liquidity of the Group by: claiming over £27m of available UK Government funding under the Job Retention Scheme and the Airport and Ground Operations Support Scheme; achieving a 22% reduction in operating costs in the six months compared to comparative period; streamlining the organisation to match activity levels; and implementing variable pay scale in partnership with the Group's trade unions. Further details of the actions the Group has taken are included in the Chief Executive Officer's statement and the Financial Review.

ACCOUNTING POLICIES continued

Going concern continued

The Group's most recent base case forecasts include passenger number projections of 30% of pre-COVID-19 levels for FY22, 85% for FY23 and the planned mitigating actions where they are in management's control. The market anticipates a gradual increase in passengers in the next 12 months, in line with an easing of travel restrictions and return of demand in the UK and overseas markets. In addition to the Group's base case forecasts the directors have also considered a moderate downside scenario where the impact of the delayed summer recovery reduces FY23 activity to 75% of pre-COVID-19 levels.

In the base case scenario, the Group is expected to maintain positive cash headroom in excess of £326m for the 12 month period beyond the signing date of these interim financial statements. This headroom reduces to £261m in the moderate downside scenario. The actions put in place by the Group through its financing response, including the debt-holder covenant waivers obtained, mean that MAG's next covenant test is not measured until September 2022, with a reporting date of December 2022. For both the base case and the moderate downside scenario the Group anticipates that it would comply with its covenant calculations when next tested, on the modified basis explained above, in September 2022.

The directors have also further considered and stress tested forecasts in the event that a severe but plausible downside scenario arose and its impact upon both liquidity headroom and compliance with banking covenants when next tested at 30 September 2022. In the event that the business experienced lock-down activity levels (where monthly passengers are 3% of pre COVID levels) then the Group would have sufficient liquidity to operate for more than twelve months from the reporting date without further funding. Additionally, in the event of a lock-down taking place for a period of two out of the six trading months in the first half of FY23, with the resulting reduction in adjusted EBITDA levels for the six months ending 30 September 2022, then this would give rise to a risk of breaching the default threshold of the Group's leverage covenant in the absence of additional further compensating actions.

The ongoing impact of COVID-19 continues to exert significant uncertainty over the aviation industry. However, based upon their assessments detailed above, the directors have concluded that the Group can maintain sufficient liquidity over the next 12 months. This, coupled with the covenant waivers obtained for September 2021 and March 2022 testing periods, and the Group's current forecasts which anticipate compliance with their banking covenants when next tested at September 2022, have resulted in the directors concluding that it is appropriate to continue to account for the Group as a going concern. However, there remains significant uncertainty and it is plausible that there could be an extended impact on the aviation industry that would impact on liquidity, the Group's refinancing of its Revolving Credit Facility and bond which mature in 2023 and 2024 respectively and the Group's compliance with covenant ratios when next tested. In the event that the impact of the pandemic continues into FY23, then whilst a severe, but plausible, downside scenario would not impact covenant compliance testing in September 2021 and March 2022 given the aforementioned successful consent obtained from bank and bondholders, there would be uncertainty as to whether the Group would breach its covenants when next tested in September 2022.

Whilst the Group has further options to further manage liquidity or address any potential covenant breaches, this uncertainty represents a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern and, therefore, that the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. These interim financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the interim financial statements had not been prepared on a going concern basis.

Accounting policies in addition to those specified in the Group Annual Report for year ended 31 March 2021

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 2021. These have been applied on a consistent basis. Recent amendments to UK adopted International Accounting Standards applicable to the reporting period include:

Rent concessions

On 31 March 2021 the International Accounting Standards Board extended the practical expedient for accounting for Rent Concessions by issuing 'COVID-19 Related rent concessions beyond 30 June 2021' for accounting periods commencing on or after 1 April 2021. The practical expedient is extended permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The application of the expedient did not have a material impact upon the accounts.

Interest rate benchmark reform

In March 2021 the UK Financial Conduct Authority (FCA) formally announced that LIBOR would be discontinued by 31 December 2021. LIBOR was the risk-free rate component of the interest calculation in the RCF. The risk-free rate alternative will become the Sterling Overnight Index Average (SONIA) benchmark. MAG have executed the required changes to its Revolving Credit Facility and Liquidity Facility to transition from LIBOR to SONIA in June 2021 with no changes to commercial terms.

ACCOUNTING POLICIES continued

Interest rate benchmark reform continued

The International Accounting Standards Board issued the update to IFRS 9 for 'Interest Rate Benchmark Reform – phase 2' to apply to accounting periods commencing after 1 January 2021. The application of this standard does not have a material impact on the Group's results.

Other than this there have been no other new standards, interpretations and amendments, issued by the IASB or by the IFRS Interpretations Committee (IFRIC), that are applicable for the period commencing on 1 April 2021 that have had a material impact on the Group's results.

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 2021, 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.

b) Closure of defined benefit pension schemes

The Group's decision to close the defined benefit pension schemes for future service accruals required the directors to determine whether, at the reporting date, there was the degree of control over the closure process as required by IAS 19 in order to account for the scheme closure at the reporting date. This assessment by the directors is detailed in note 20 to the accounts.

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 2021. 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 are detailed below.

b) Investment properties

MAG's commercial investment properties were valued at fair value at 30 September 2021 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.

c) 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 2021.

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. This year that exercise also accounted for the decision to recognise the closure of the defined benefit schemes to future accruals and the resulting curtailment gain that arose. 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 20.

ACCOUNTING POLICIES continued**Estimation uncertainty** continued**d) 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 a moderate downside sensitivity to the Group's business plan for both the impairment review and the Group's going concern assessment. The moderate downside sensitivity used by the Group reflects passenger traffic levels at 75% of 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 4 remaining years of the current business plan time horizon were based upon long-term growth rates. Downside sensitivities included low-growth assumptions in considering risks around recoverability of the assets carrying value.

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

Condensed consolidated income statement*for the six months ended 30 September 2021*

			Unaudited			Unaudited		
		Six months ended 30 September 2021	Six months ended 30 September 2021	Six months ended 30 September 2021	Six months ended 30 September 2020	Six months ended 30 September 2020	Six months ended 30 September 2020	Year ended 31 March 2021
		£m	£m	£m	£m	£m	£m	£m
	Note	Total before significant items	Significant items	Total after significant items	Total before significant items	Significant items	Total after significant items	Total after significant items
Continuing operations								
Revenue	1	159.0	-	159.0	93.9	-	93.9	176.2
Result from operations before significant items	4	(78.9)	-	(78.9)	(171.7)	-	(171.7)	(321.6)
Significant items								
Significant items	3	-	3.8	3.8	-	(8.0)	(8.0)	(37.9)
Result from operations		(78.9)	3.8	(75.1)	(171.7)	(8.0)	(179.7)	(359.5)
Gains and losses on sale and valuation of investment properties	11	2.9	-	2.9	(3.6)	-	(3.6)	1.2
Finance income	5	10.5	-	10.5	4.7	-	4.7	18.5
Finance costs	6	(43.5)	-	(43.5)	(34.0)	-	(34.0)	(78.6)
Result before taxation		(109.0)	3.8	(105.2)	(204.6)	(8.0)	(212.6)	(418.4)
Taxation	7	(41.4)	-	(41.4)	48.4	1.5	49.9	59.1
Result from continuing operations		(150.4)	3.8	(146.6)	(156.2)	(6.5)	(162.7)	(359.3)
Discontinued operations								
Result from discontinued operations (net of tax)	8	0.3	(0.4)	(0.1)	4.1	42.0	46.1	41.9
Result for the period/year		(150.1)	3.4	(146.7)	(152.1)	35.5	(116.6)	(317.4)
Earnings per share expressed in pence per share								
Continuing operations		(85.6)	2.0	(83.6)	(86.8)	20.3	(66.5)	(181.1)
Discontinued operations		(85.8)	2.2	(83.6)	(89.1)	(3.7)	(92.8)	(205.0)
		0.2	(0.2)	-	2.3	24.0	26.3	23.9

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 2021*

		Unaudited Six months ended 30 September 2021	Unaudited Six months ended 30 September 2020	Year ended 31 March 2021
	Note	£m	£m	£m
Result for the period/year		(146.7)	(116.6)	(317.4)
Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss:				
Transfer in of MAG US and UK distribution businesses		-	-	11.7
Remeasurement of retirement benefit liabilities	20	12.6	(110.1)	(9.7)
Deferred tax on remeasurement of retirement benefit liabilities	7	(3.2)	20.6	1.8
Items that are or may be reclassified subsequently to profit or loss:				
Foreign exchange movement		-	2.4	(4.9)
Taxation on foreign exchange movement		-	-	0.4
Hedging gain		-	-	2.4
Other comprehensive income/(loss) for the period/year		9.4	(87.1)	1.7
Total comprehensive loss for the period/year		(137.3)	(203.7)	(315.7)

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 2021*

		Unaudited						
		Attributable to equity holders of the Group						
	Note	Share capital £m	Share premium £m	Hedging reserve £m	Foreign currency reserve £m	Reserves £m	Retained earnings £m	Total £m
Balance at 1 April 2021		175.3	3,059.4	1.0	(3.9)	(1,249.6)	552.3	2,534.5
Total comprehensive income for the period								
Result for the period		-	-	-	-	-	(146.7)	(146.7)
Foreign exchange movement		-	-	-	(0.1)	-	-	(0.1)
Transfer from hedging reserve to foreign currency reserve		-	-	(1.0)	1.0	-	-	-
Remeasurement of defined benefit liabilities, net of tax	7,20	-	-	-	-	-	9.4	9.4
		-	-	(1.0)	0.9	-	(137.3)	(137.4)
Transactions with owners recorded directly in equity								
Issue of C shares		-	-	-	-	-	-	-
Balance at 30 September 2021		175.3	3,059.4	-	(3.0)	(1,249.6)	415.0	2,397.1

Condensed consolidated statement of changes in equity*for the six months ended 30 September 2020*

		Unaudited						
		Attributable to equity holders of the Group						
	Note	Share capital £m	Share premium £m	Hedging reserve £m	Foreign currency reserve £m	Reserves £m	Retained earnings £m	Total £m
Balance at 1 April 2020		175.3	2,668.9	-	-	(1,249.6)	899.5	2,494.1
Total comprehensive income for the period								
Result for the period		-	-	-	-	-	(116.6)	(116.6)
Foreign exchange movement		-	-	-	-	-	2.4	2.4
Remeasurement of defined benefit liabilities, net of tax	7, 20	-	-	-	-	-	(89.5)	(89.5)
		-	-	-	-	-	(203.7)	(203.7)
Transactions with owners recorded directly in equity								
Issue of C shares		-	356.1	-	-	-	-	356.1
Balance at 30 September 2020		175.3	3,025.0	-	-	(1,249.6)	695.8	2,646.5

Condensed consolidated statement of changes in equity

for the year ended 31 March 2021

		Attributable to equity holders of the Group						
		Share capital	Share premium	Hedging reserve	Foreign currency reserve	Reserves	Retained earnings	Total
	Note	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2020		175.3	2,668.9	-	-	(1,249.6)	899.5	2,494.1
Total comprehensive income for the year								
Result for the year		-	-	-	-	-	(317.4)	(317.4)
Transfer in of MAG US and UK distribution business		-	34.4	-	(0.8)	-	(21.9)	11.7
Foreign exchange movement		-	-	-	(4.5)	-	-	(4.5)
Remeasurement of defined benefit liabilities, net of tax	7, 20	-	-	-	-	-	(7.9)	(7.9)
Hedging gain		-	-	1.0	1.4	-	-	2.4
		-	34.4	1.0	(3.9)	-	(347.2)	(315.7)
Transactions with owners recorded directly in equity								
Issue of C shares		-	356.1	-	-	-	-	356.1
Balance at 31 March 2021		175.3	3,059.4	1.0	(3.9)	(1,249.6)	552.3	2,534.5

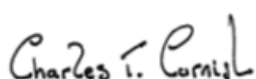
The accompanying notes form an integral part of the consolidated financial statements.

Condensed consolidated statement of financial position

as at 30 September 2021

	Note	Unaudited 30 September 2021 £m	Unaudited 30 September 2020 £m	31 March 2021 £m
Non-current assets				
Goodwill	12	206.8	206.6	206.2
Property, plant and equipment	9	3,193.2	3,311.6	3,263.9
Right-of-use assets	10	417.5	425.3	419.5
Long-term lease receivable	10	11.2	12.9	11.2
Investment properties	11	169.8	161.9	166.9
Intangible assets	12	95.4	52.4	99.9
Other long-term asset		6.3	-	7.1
Deferred tax assets	21	-	-	-
		4,100.2	4,170.7	4,174.7
Current Assets				
Assets held for sale	13	2.0	61.2	2.0
Inventories		3.4	4.9	3.5
Trade and other receivables		95.4	100.4	65.1
Current tax asset		-	18.2	-
Cash and cash equivalents		462.2	711.0	530.0
Amounts owed by group undertakings		664.9	1,271.2	665.4
		1,227.9	2,166.9	1,266.0
Current Liabilities				
Bank overdraft	14	(30.9)	(86.4)	(11.9)
Liabilities directly associated with assets held for sale	13	(0.5)	(11.6)	(0.4)
Trade and other payables		(166.8)	(219.6)	(185.5)
Deferred income		(26.4)	(18.0)	(16.7)
Provisions	19	(12.6)	(4.6)	(12.6)
Current lease liabilities	18	(8.2)	(7.9)	(7.9)
Current tax liabilities		(10.1)	-	(27.2)
Amounts owed to group undertakings		(26.8)	(642.2)	(26.9)
		(282.3)	(990.3)	(289.1)
Net current assets/ (liabilities)		945.6	1,176.6	976.9
Non-current liabilities				
Borrowings	14-17	(1,920.1)	(1,919.6)	(1,920.8)
Retirement benefit liabilities	20	(28.7)	(154.4)	(54.9)
Non-current lease liabilities	18	(427.5)	(434.2)	(428.4)
Deferred tax liabilities	21	(249.6)	(167.0)	(187.9)
Provisions	19	(3.0)	(4.3)	(3.0)
Other non-current liabilities		(19.8)	(21.3)	(22.1)
		(2,648.7)	(2,700.8)	(2,617.1)
Net Assets		2,397.1	2,646.5	2,534.5
Shareholders' equity				
Share capital	22	175.3	175.3	175.3
Share premium	22	3,059.4	3,025.0	3,059.4
Hedging reserve		-	-	1.0
Foreign currency reserve		(3.0)	-	(3.9)
Other reserve		(1,249.6)	(1,249.6)	(1,249.6)
Retained earnings		415.0	695.8	552.3
Total equity		2,397.1	2,646.5	2,534.5

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

The financial statements on pages 16 to 45 were approved by the Board of Directors on 9th December 2021 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 2021

		Unaudited			Unaudited	
		Six months ended 30 September 2021	Six months ended 30 September 2021	Six months ended 30 September 2021	Six months ended 30 September 2020	Year ended 31 March 2021
		£m	£m	£m	£m	£m
	Note	Before significant items	Significant items	After significant items	After significant items	After significant items
Cash flows from operating activities						
Result from continuing operations		(150.4)	3.8	(146.6)	(162.7)	(359.3)
Taxation	7	41.4	-	41.4	(49.9)	(59.1)
Gains and losses on sales and valuations of investment properties	11	(2.9)	-	(2.9)	3.6	(1.2)
Net finance income and expense	5,6	33.0	-	33.0	29.3	60.1
Depreciation and amortisation		104.5	-	104.5	90.8	173.5
(Increase)/decrease in trade and other receivables and inventories		(30.5)	-	(30.5)	6.0	24.8
(Increase)/decrease in amounts owed by group companies		-	-	-	(4.7)	6.8
Decrease in assets held for sale		-	-	-	0.4	-
Increase/(decrease) in trade and other payables		36.1	-	36.1	(40.6)	(68.5)
Decrease in retirement benefits provision		(5.9)	(10.4)	(16.3)	(2.4)	(2.1)
Cash generated from continuing operations		25.3	(6.6)	18.7	(130.2)	(225.0)
Result before taxation - discontinued operations				(0.1)	4.3	4.3
Finance income/(expense) - discontinued operations				0.3	3.6	(3.6)
Interest paid				(42.1)	(43.8)	(80.0)
Tax refund				-	-	42.1
Net cash from operating activities				(23.2)	(166.1)	(262.2)
Cash flows from investing activities						
Purchase of property, plant and equipment				(49.9)	(113.8)	(183.7)
Purchase of US business				(19.0)	(23.1)	(24.3)
Receipt of funds from other group companies				11.0	28.7	27.7
Increase/(Release) of grants				0.6	(0.3)	1.3
Net cash used in investing activities - continuing activities				(57.3)	(108.5)	(179.0)
Proceeds from sale of discontinued operation				-	336.1	400.1
Net cash from investing activities - discontinued operations				-	336.1	400.1
Cash flows from financing activities						
Proceeds from the issue of Share capital				-	37.4	37.4
Fees in relation to refinancing				(2.4)	(4.7)	(4.4)
Funds received from shareholder				-	300.0	300.0
Payment of principal on lease liabilities				(3.9)	(3.6)	(7.8)
Net cash (used in)/from financing activities				(6.3)	329.1	325.2
Net (decrease)/increase in cash and cash equivalents				(86.8)	390.6	284.1
Net cash and cash equivalents at beginning of the period	24			518.1	234.0	234.0
Net cash and cash equivalents at end of the period				431.3	624.6	518.1

For the six months ended 30 September 2020, the categorisation of "increase/(release) of grants" has been moved from cash flow from operating activities to investing activities to reflect the capital nature of the movement.

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

Notes to the financial statements

for the six months ended 30 September 2021

1. Revenue

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

		Unaudited Six months ended 30 September 2021	Unaudited Six months ended 30 September 2020	Year ended 31 March 2021
		Continuing operations £m	Continuing operations £m	Continuing operations £m
	Note			
Aviation income		64.9	40.9	74.3
Commercial income				
Retail concessions		22.7	10.2	16.2
Car parking		40.2	21.5	37.7
Property and property related income		9.1	9.5	20.5
Other		22.1	11.8	27.5
Total commercial income		94.1	53.0	
Total income - continuing operations		159.0	93.9	74.3
Income - discontinued operations ¹	8	-	8.5	8.5
Total income		159.0	102.4	82.8

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 2021 there was no revenue recognised relating to performance obligations that were unsatisfied (30 September 2020: nil, 31 March 2021: 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 2021

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 Officer (Chief Operating Decision Maker) to report its primary information for the purpose of assessment of performance and allocation of resources, with information primarily presented at a segmental operating profit level.

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 2021

	Manchester Airport	London Stansted Airport	East Midlands Airport	Unaudited MAG US ¹	Group, consolidation and other ²	Consolidated - continuing operations	Discontinued operations ³
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Total revenue	60.3	69.4	25.2	4.2	1.9	161.0	-
Inter-segment sales ⁴	(1.7)	-	-	-	(0.3)	(2.0)	-
External Revenue	58.6	69.4	25.2	4.2	1.6	159.0	-
Result							
Segment operating (loss)/profit before significant items	(57.3)	(22.7)	4.7	(0.5)	(3.1)	(78.9)	-
Significant items	4.8	5.9	(0.3)	(2.7)	(3.9)	3.8	(0.4)
Segment operating (loss)/profit after significant items	(52.5)	(16.8)	4.4	(3.2)	(7.0)	(75.1)	(0.4)
Gains and losses on sales and valuation of investment properties						2.9	-
Finance income						10.5	0.3
Finance costs						(43.5)	-
Result before taxation						(105.2)	(0.1)
Other information							
Segment assets	2,066.0	1,163.8	284.8	11.2	1,802.3	5,328.1	-
Segment liabilities	(1,591.8)	(126.8)	(72.0)	(45.0)	(1,095.4)	(2,931.0)	-
Capital expenditure (property, plant and equipment)	6.9	8.3	-	2.8	5.8	23.8	-
Depreciation	56.5	35.0	6.2	1.5	0.4	99.6	-
Amortisation	2.6	0.1	0.1	1.6	0.5	4.9	-
Taxation	(30.7)	(17.3)	(5.5)	-	12.1	(41.4)	-
Result - geographical location							
Segment operating (loss)/profit before significant items	(57.3)	(22.7)	4.7	(0.5)	(3.1)	(78.9)	-

See next page for footnotes.

Notes to the financial statements continued

for the six months ended 30 September 2021

2. Business and geographical segments continued

Six months ended 30 September 2020

	Unaudited						
	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG US ¹	Group, consolidation and other ²	Consolidated - continuing operations	Discontinued operations ³
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Total revenue	36.7	39.7	17.5	1.2	1.0	96.1	8.5
Inter-segment sales ⁴	(0.7)	-	-	-	(1.5)	(2.2)	-
External Revenue	36.0	39.7	17.5	1.2	(0.5)	93.9	8.5
Result							
Segment operating (loss)/profit before significant items	(91.2)	(62.1)	(6.9)	(0.7)	(10.8)	(171.7)	7.9
Significant items	0.3	(1.1)	(0.1)	-	(7.1)	(8.0)	-
Segment operating (loss)/profit after significant items	(90.9)	(63.2)	(7.0)	(0.7)	(17.9)	(179.7)	7.9
Gains and losses on sales and valuation of investment properties						(3.6)	-
Finance income						4.7	-
Finance costs						(34.0)	(3.6)
Result before taxation						(212.6)	4.3
Other information							
Segment assets	2,147.7	1,178.7	284.3	15.1	2,711.8	6,337.6	-
Segment liabilities	(479.5)	(374.6)	(65.3)	(3.8)	(2,767.9)	(3,691.1)	-
Capital expenditure (property, plant and equipment)	72.9	13.4	1.7	-	3.4	91.4	-
Depreciation	43.6	37.2	7.2	-	0.9	88.9	-
Amortisation	1.2	-	-	0.7	-	1.9	-
Taxation	24.2	17.2	0.9	-	7.6	49.9	(0.2)
Result - geographical location							
Segment operating (loss)/profit before significant items	(91.2)	(62.1)	(6.9)	(0.7)	(10.8)	(171.7)	7.9

¹ 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.

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 14 Borrowings.

³ 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.

⁴ Sales between segments are at arm's length.

Notes to the financial statements continued

for the six months ended 30 September 2021

3. Significant items

	Unaudited Six months ended 30 September 2021	Unaudited Six months ended 30 September 2020	Unaudited Year ended 31 March 2021
	£m	£m	£m
Recorded in result from continuing operations			
Significant items - operating income/(costs)	3.8	(8.0)	(37.9)
Total significant items recorded in result from operations¹	3.8	(8.0)	(37.9)
Recorded in result from discontinued operations			
Significant items recorded in discontinued operations (see note 8)	(0.4)	-	-
Profit on sale of discontinued operations	-	42.0	39.3
Total significant items recorded in result from discontinued operations²	(0.4)	42.0	39.3
Total significant items (before tax)	3.4	34.0	1.4

¹ Significant items from continuing operations - operating income/(costs)

The Group has recognised income of £3.8m in Significant items for the six months ended 30 September 2021 (30 September 2020: costs of £8.0m). A curtailment gain of £10.4m has been recognised as a result of the Group's closure of its defined benefit pension schemes to future accruals at Manchester, Stansted and East Midlands. This has been partially offset by charges for costs relating to the closure of the Group's defined benefit schemes (£3.4m), an increase in the estimated pay out for contingent consideration on the recent US acquisition (£2.6m), and other costs deemed to be significant in nature (£0.6m).

² Significant items from discontinued operations

Discontinued operations, significant items for the six months ended 30 September 2021 are costs of £0.4m (30 September 2020: income of £42.0m) relating to final costs in relation to the sale of non-core property and a further update to the escrow provision.

4. Result from operations before significant items

		Unaudited Six months ended 30 September 2021	Unaudited Six months ended 30 September 2020	Unaudited Year ended 31 March 2021
	Note	£m	£m	£m
Turnover	1	159.0	93.9	176.2
Wages and salaries		(75.7)	(95.9)	(168.2)
Social security costs		(7.2)	(8.3)	(15.6)
Pension costs		(5.9)	(8.6)	(17.5)
Coronavirus Job Retention Scheme		17.9	31.3	58.9
Employee benefit costs		(70.8)	(81.5)	(142.4)
Depreciation and amortisation		(104.5)	(90.8)	(173.5)
Profit on disposal of property, plant and equipment		-	-	(0.1)
Other operating charges ¹		(72.4)	(93.3)	(201.3)
Airport and Ground Operations Support Scheme		9.8	-	19.5
Result from continuing operations before significant items		(78.9)	(171.7)	(321.6)
Result from discontinued operations before significant items	8	-	7.9	7.9
Result from operations before significant items - total business		(78.9)	(163.8)	(313.7)

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

Notes to the financial statements continued

for the six months ended 30 September 2021

4. Result from operations before significant items continued

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 reduction in working hours for some employees with a proportionate reduction in their pay and an organisational restructure.

Additionally, the Group utilised 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 £17.9m (30 September 2020: £31.3m, 31 March 2021 £58.9m) has been netted off against the underlying expenditure to which it relates. Additionally the Group utilised £9.8m (30 September 2020: £nil, 31 March 2021: £19.5m) from the Government's Airport and Ground Operations Support Scheme.

5. Finance income

		Unaudited Six months ended 30 September 2021	Unaudited Six months ended 30 September 2020	Unaudited Year ended 31 March 2021
	Note	£m	£m	£m
Interest receivable from Group undertakings		10.5	4.7	18.5
Total finance income - continuing operations		10.5	4.7	18.5

6. Finance costs

		Unaudited Six months ended 30 September 2021	Unaudited Six months ended 30 September 2020	Unaudited Year ended 31 March 2021
	Note	£m	£m	£m
Interest payable on bank loans and overdrafts		3.2	4.2	8.6
Interest payable on bonds		28.6	28.5	56.2
Interest cost on defined benefit pension schemes	20	0.5	0.5	1.1
Interest expense on lease liabilities	18	11.5	10.9	22.1
Capitalisation of borrowing costs	9	(0.3)	(6.5)	(6.1)
Unwind of deferred consideration		-	-	0.3
Finance charge to discontinued operations	8	-	(3.6)	(3.6)
Total finance costs - continuing operations		43.5	34.0	78.6

7. Taxation

Analysis of charge/(credit) in the period/year

		Unaudited Six months ended 30 September 2021	Unaudited Six months ended 30 September 2020	Unaudited Year ended 31 March 2021
		£m	£m	£m
Current taxation				
UK corporation tax on result for the period/year		-	(55.3)	(43.0)
Adjustment in respect of prior year		(17.2)	-	(9.5)
Total current taxation credit		(17.2)	(55.3)	(52.5)
Deferred taxation - continuing operations				
Temporary differences arising in the period/year		(3.0)	5.4	(17.3)
Adjustment in respect of prior year		-	-	10.7
Effect of change in rate of corporation tax		61.6	-	-
Total ordinary deferred taxation charge/(credit)		58.6	5.4	(6.6)
Total taxation charge/(credit) - continuing operations		41.4	(49.9)	(59.1)
Total taxation charge - discontinued operations (note 8)		-	0.2	1.7
Total taxation charge/(credit) - total business		41.4	(49.7)	(57.4)

Notes to the financial statements continued

for the six months ended 30 September 2021

7. Taxation continued

Taxation on items charged/(credited) to equity

	Unaudited Six months ended 30 September 2021	Unaudited Six months ended 30 September 2020	Unaudited Year ended 31 March 2021
	£m	£m	£m
Deferred taxation on remeasurement of retirement benefit liabilities	3.2	(20.6)	(1.8)
Deferred tax on foreign exchange movement	-	-	(0.4)
Total taxation charge/(credit)	3.2	(20.6)	(2.2)

The current taxation credit for the period has been calculated based on the forecast underlying effective tax rate for the full year of 0.73% (30 September 2020: 7.7%).

The deferred tax asset and liability amounts at 30 September 2021 have been calculated at 25% (30 September 2020: 19%).

The tax charge for the six months ended 30 September 2021 is £41.4m (30 September 2020: £49.7m credit). The effective tax rate for the period is higher than the actual corporation tax rate of 19%, predominantly due to the impact of the change in rate on deferred tax liabilities.

The tax payment for the six months ended 30 September 2021 is £nil (2020: £nil), due to the loss position.

8. Discontinued operations

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

	Unaudited Six months ended 30 September 2021	Unaudited Six months ended 30 September 2020	Unaudited Year ended 31 March 2021
	£m	£m	£m
Revenue	-	8.5	8.5
Operating costs	-	(0.6)	(0.6)
Results from operations before significant items	-	7.9	7.9
Significant items	(0.4)	-	-
Finance income	0.3	-	-
Finance costs	-	(3.6)	(3.6)
Attributable tax expense	-	(0.2)	(1.7)
Result of discontinued operation	(0.1)	4.1	2.6
Net profit attributable to discontinued operation (attributable to owners of the Group)	(0.1)	4.1	2.6
Profit on sale of discontinued operation	-	42.0	39.3
Net profit attributable to discontinued operation (attributable to owners of the Group)	(0.1)	46.1	41.9

The Group disposed of its non-core property portfolio on 7 August 2020. Non-core property represented a major line of business for the Group. The trading performance of the portfolio has been classified as a discontinued operation since 1 April 2019.

There has been a loss of £0.1m in discontinued operations in the period, which relates to items attributable to the disposal of the non-core property portfolio. This comprises of £0.3m of finance income from the unwinding of the deferred consideration and £0.4m of significant items. Significant items for the six months ended 30 September 2021 are costs of £0.4m (30 September 2020: income of £42.0m) relating to final costs in relation to the sale of non-core property and a further update to the escrow provision.

Notes to the financial statements continued

for the six months ended 30 September 2021

9. Property, plant and equipment

	Unaudited					Total £m
	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	
2021						
Cost						
At 1 April 2021	156.8	684.2	2,382.6	838.5	886.0	4,948.1
Additions	-	-	-	-	23.8	23.8
Reclassification from assets in the course of construction	-	191.5	274.6	259.0	(725.1)	-
Reclassification to intangible assets (see note 12)	-	-	-	(0.1)	(0.1)	(0.2)
Disposals	-	-	-	(0.3)	-	(0.3)
At 30 September 2021	156.8	875.7	2,657.2	1,097.1	184.6	4,971.4
Depreciation						
At 1 April 2021	53.7	233.1	754.7	642.7	-	1,684.2
Charge for the period	-	11.5	50.6	32.2	-	94.3
Depreciation on disposals	-	-	-	(0.3)	-	(0.3)
At 30 September 2021	53.7	244.6	805.3	674.6	-	1,778.2
Carrying amount						
At 30 September 2021	103.1	631.1	1,851.9	422.5	184.6	3,193.2
Carrying amount						
At 31 March 2021	103.1	451.1	1,627.9	195.8	886.0	3,263.9

The carrying amount of land not depreciated as at 30 September 2021 is £202.8m (31 March 2021: £202.8m).

Capitalised borrowing costs

During the six months ended 30 September 2021, borrowing costs of £0.3m were capitalised (30 September 2020: £6.5m), relating to borrowing costs incurred in FY22 to date. 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 2021 was 3.25% (30 September 2020: 3.25%). These borrowing costs were capitalised due to the transformational capital investment project being undertaken at Manchester Airport.

Impairment Review

During the six months ended 30 September 2021, management carried out an impairment review of the fixed assets, including the useful economic lives of assets. Additional depreciation of £1.9m 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: £0.8m in relation to runway surface assets, due to be replaced by March 2024;
- Stansted: £0.2m of runway surface assets due to be replaced by June 2022, and £0.9m of baggage handling assets to be replaced by March 2022.

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 in note 12.

Assets in the course of construction

Assets in the course of construction have seen a significant decrease in the 6 months to 30 September 2021. This is a result of MAN TP phase 1 being brought into use in July 2021, which constituted the re-opening of Terminal 2 for passenger use. This accounts for the majority of the £725.1m of assets transferred out of assets in the course of construction during the year. The remaining balance predominantly relates to MAN TP phase 2 and STN TP.

Notes to the financial statements continued

for the six months ended 30 September 2021

10. Right-of-use assets

	Land and Buildings £m	Unaudited Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Cost				
At 1 April 2021	226.9	200.8	10.7	438.4
Additions	-	-	0.6	0.6
Remeasurements	-	2.7	-	2.7
At 30 September 2021	226.9	203.5	11.3	441.7
Depreciation				
At 1 April 2021	10.9	6.2	1.8	18.9
Charge for the period	2.9	1.5	0.9	5.3
At 30 September 2021	13.8	7.7	2.7	24.2
Carrying amount				
At 30 September 2021	213.1	195.8	8.6	417.5
Carrying amount				
At 31 March 2021	216.0	194.6	8.9	419.5

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 12.

Key lease arrangements

Key lease arrangements are detailed in note 18.

Income from subleasing right-of-use assets

During the six months to 30 September 2021, the income generated from subleasing right-of-use assets was £0.3m, generated solely from sublets of land and buildings.

Long-term lease receivable

As a result of the sale of the non-core portfolio on 7 August 2020, a rent review was triggered on an existing lease between MAG and Manchester City Council (MCC). The rent increased from £nil to £0.6m per annum from this date, and the lease is in place until 31 August 2288. Further details are disclosed in note 18.

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 2021 is £11.2m.

The amounts receivable under this agreement are as follows:

	£'m Undiscounted	£'m Discounted
Within 1 year	0.6	0.6
1 to 2 years	0.6	0.5
2 to 5 years	1.8	1.5
Over 5 years	151.0	8.6
	154.0	11.2

Notes to the financial statements continued

for the six months ended 30 September 2021

11. Investment Properties

Unaudited

	Investment properties £m
2021	
Valuation	
At 1 April 2021	166.9
Revaluation	2.9
At 30 September 2021	169.8
Carrying amount	
At 30 September 2020	161.9

The fair value of the Group's commercial investment property portfolio at 30 September 2021 was based on a valuation carried out by Savills Plc.

A valuation exercise was not carried out for the residential property portfolio at 30 September 2021 as the directors do not believe that the movement from 31 March 2021 would be material.

Savills Plc is an independent property valuers and has 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 established by reference to market evidence of transaction prices for similar properties, land valuations and discounted cashflow methods. 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.

Significant Unobservable Inputs

- Investment property
- Yields
- Enterprise rental values

Inter-relationship between key unobservable inputs and fair value measurements

- The estimated fair value would increase if:
- yields were lower
 - enterprise rental values were higher
 - occupancy rates were higher
 - non-payment of rent was lower
 - the risk adjusted discount rate was lower

The rental income earned by the Group from its commercial and residential investment properties amounted to £4.1m (30 September 2020: £4.4m).

Gains and losses on sale and valuation of investment properties reported in the consolidated income statement of £2.9m in the period (30 September 2020: £3.6m loss), of which £nil was attributable to discontinued operations (30 September 2020: £nil attributable). There were no sales or purchases of investment properties in the six months (30 September 2020: £nil).

Notes to the financial statements continued

for the six months ended 30 September 2021

12. Intangible assets

	Unaudited			
	Goodwill	Other intangible	Software costs	Total
	£m	assets	£m	£m
		£m		
Cost				
At 1 April 2021	206.2	77.9	59.0	343.1
Reclassification from property plant and equipment (see note 9)	-	0.2	-	0.2
Foreign exchange differences	0.6	0.2	-	0.8
At 30 September 2021	206.8	78.3	59.0	344.1
Amortisation				
At 1 April 2021	-	20.5	16.5	37.0
Charge for the year	-	3.2	1.7	4.9
At 30 September 2021	-	23.7	18.2	41.9
Carrying amount				
At 30 September 2021	206.8	54.6	40.8	302.3
At 1 April 2021	206.2	57.4	42.5	306.1

Goodwill

The goodwill total of £206.8m has been allocated to each of the Group's CGUs. £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 £36.0m attributable to additions to goodwill from the acquisitions of airportparkingreservations.com LLC (£19.2m) and ParkSleepFly.com (£16.6m) and its subsidiary shuttlefinder.net (£0.2m). The goodwill relating to the acquisitions of the three US based entities in the period is denominated in US dollars and as a consequence of the USD: GBP exchange rate at the year end the goodwill attributable to these entities in the year end accounts has increased from £35.4m to £36.0m.

Other intangible assets

The intangible assets total (excluding software costs) of £54.7m of other intangible assets are attributable to Metrolink (£33.2m), airspace redesign (£2.6m), the acquisition of the UK distribution companies (£5.7m) and the remaining £13.2m relates to the acquisitions of airportparkingreservations.com LLC (APR), ParkSleepFly.com (PSF) and shuttlefinder.net (SF). This comprises a £14.5m brought forward balance, and a net reduction of £1.3m due to: amortisation of £1.5m, offset by an increase of £0.2m arising due the change in USD:GBP exchange rate at 30 September 2021.

Software costs

£40.8m of capitalised computer software costs principally relate to operating and financial software.

Impairment

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

- Manchester Airport where the recoverable amount provided a £1,403.6m headroom over the assets carrying value of £1,928.9m;
- London Stansted Airport where the recoverable amount provided £1,074.8m of headroom over the assets carrying value of £1,634.0m;
- East Midlands International Airport where the recoverable amount provided £100.6m of headroom over the assets carrying value of £218.9m;
- MAG US, where each lounge constitutes a CGU where the recoverable amount exceeded the carrying value of £9.7m by £11.5m (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 £9.0m in excess of the asset carrying values (combined carrying value for both businesses £10.1m); and
- AirportParkingReservations.com where the recoverable amount provided a £4.4m headroom over the assets carrying value of £25.1m;
- ParkSleepFly.com where the recoverable amount provided £2.7m of headroom over the assets carrying value of £22.0m;
- ShuttleFinder.net where the recoverable amount provided £0.4m of headroom over the assets carrying value of £0.4m;

Consequently, no impairment has been assessed for the half year.

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.

Notes to the financial statements continued

for the six months ended 30 September 2021

12. Intangible assets continued

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board in March 2021 covering five years. Whilst the Group will update its business plan ahead of the 31 March 2022 year end management appreciate that anticipated passenger recovery levels and timings has evolved since the year end. Consequently, the cashflows were revised to reflect:

- trading performance year to date;
- updated trading assumptions for the outturn for FY22 reflecting passenger activity levels at 30% of pre-pandemic levels and 85% in FY23. Revised activity projections for FY23 and beyond have been incorporated for the Manchester and Stansted CGUs; and
- downside sensitivities reflecting with passenger volumes returning to 75% of pre-COVID-19 levels in FY23. The downside sensitivities incorporate further cash and cost management actions to adjust to the FY22 activity levels.

The discount rates used in the cashflow 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 cashflows was calculated as:

- UK Airport CGUs: 6.78%;
- Looking4Parking and SkyParkSecure: 12.37%; and
- US CGUs (both legacy lounge & car parking business and recently acquired online car parking aggregator businesses): 13.00%

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 4 years (the residual term of the Business Plan from the start of the period) and considered a terminal value of 2% based upon a long-term growth reflecting estimated rates of inflation.

Sensitivity analyses reflecting downside scenarios included: reduced growth rates by 0.5%; and increased post-tax discount rates by 0.5% for each CGU. The impact of these scenarios individually and combined resulted in no impairment.

13. Assets held for sale and associated liabilities

	Unaudited 30 September 2021 £m	Unaudited 30 September 2020 £m	31 March 2021 £m
Assets held for sale			
Current assets			
Investment properties	2.0	61.2	2.0
Total	2.0	61.2	2.0
Associated liabilities			
Current liabilities			
Deferred tax liabilities	(0.5)	(11.6)	(0.4)
Total	(0.5)	(11.6)	(0.4)

Notes to the financial statements continued

for the six months ended 30 September 2021

14. Borrowings

	Note	Unaudited 30 September 2021 £m	Unaudited 30 September 2020 £m	31 March 2021 £m
Overdraft		30.9	86.4	11.9
Current borrowings		30.9	86.4	11.9
Bank loans	15	482.9	482.3	482.6
Bonds	16	1,437.2	1,437.3	1,438.2
Non-current borrowings		1,920.1	1,919.6	1,920.8
Borrowings are repayable as follows:				
In one year or less, or on demand				
Overdraft		30.9	86.4	11.9
		30.9	86.4	11.9
In more than one year, but no more than two years				
Bank loans ¹	15	482.9	-	-
		482.9	-	-
In more than two years, but no more than five years				
Bank loans ¹	15	-	482.3	482.6
Bonds	16	357.7	357.3	357.7
		357.7	839.6	840.3
In more than five years – due other than by instalments				
Bonds	16	1,079.5	1,080.0	1,080.5
Non-current borrowings		1,920.1	1,919.6	1,920.8
Total borrowings		1,951.0	2,006.0	1,932.7

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

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 previous financial year the Group secured the waiving on its next two six-monthly financial covenant tests at 30 September 2021 and 31 March 2022 and a modified basis for covenant testing at 30 September 2022, removing any risk on financial covenants during the current financial year. The impact of this on the Group's going concern assessment is covered in the basis of preparation on page 16. The £2.4m of additional fees incurred by the Group to secure the waivers have been charged to the bond liability and will be amortised over the remaining term of the bonds.

Notes to the financial statements continued

for the six months ended 30 September 2021

15. Bank loans

	Unaudited 30 September 2021 £m	Unaudited 30 September 2020 £m	31 March 2021 £m
Secured revolving credit facility	484.0	484.0	484.0
Less: unamortised debt issue costs ¹	(1.1)	(1.7)	(1.4)
	482.9	482.3	482.6

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 2021, the Group had £nil (30 September 2020: £nil) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The committed borrowing facilities consist of a £500.0m secured revolving credit facility (£484.0m drawn at 30 September 2021), less certain carve-outs in respect of ancillary facilities of £16.0m. The Group also had access to £10.0m of overdraft facilities.

Interest on the Secured Revolving Credit Facility is linked to SONIA plus a margin. See note 14 for further information on financial liabilities, including maturity analysis.

16. Bonds

	Unaudited 30 September 2021 £m	Unaudited 30 September 2020 £m	31 March 2021 £m
Repayable other than by instalments			
MAG bond 4.125% £360.0m due 2024	360.0	360.0	360.0
MAG bond 4.750% £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	(10.0)	(10.5)	(10.3)
Less: unamortised debt issue costs	(12.8)	(12.2)	(11.5)
	1,437.2	1,437.3	1,438.2

Notes to the financial statements continued

for the six months ended 30 September 2021

17. 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 2021 and 2020. 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. 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 2021 Carrying amount £m	30 September 2021 Fair value £m	30 September 2020 Carrying amount £m	30 September 2020 Fair value £m
Financial liabilities:				
Instruments held at amortised cost				
Bank loans	(482.9)	(482.9)	(482.3)	(482.3)
Overdrafts	(30.9)	(30.9)	(86.4)	(86.4)
Trade payables	(31.3)	(31.3)	(47.4)	(47.4)
Bonds	(1,437.2)	(1,572.4)	(1,437.3)	(1,487.6)
	(1,982.3)	(2,117.5)	(2,053.4)	(2,103.7)
Financial assets:				
Instruments held at amortised cost				
Cash at bank and in hand	462.2	462.2	711.0	711.0
Trade receivables	44.6	44.6	39.9	39.9
Other assets held at fair value				
Assets held for sale	2.0	2.0	61.2	61.2
Investment properties	169.8	169.8	161.9	161.9

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.

Notes to the financial statements continued

for the six months ended 30 September 2021

17. Financial Instruments continued

(b) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 30 September 2021 was as follows:

	Unaudited 30 September 2021 £m	Unaudited 30 September 2020 £m
Fixed rate financial liabilities	(1,437.2)	(1,437.3)
Floating rate financial liabilities	(513.8)	(568.7)
	(1,951.0)	(2,006.0)

The revolving credit facility bears an interest rate based on SONIA 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 (decrease)/increase income and equity for the year by the following amounts:

	Unaudited 30 September 2021 £m	Unaudited 30 September 2020 £m
Impact on income statement	(0.5)	1.4
Impact on other comprehensive income	-	-
	(0.5)	1.4

18. Lease liabilities

	Land and Buildings £m	Unaudited Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
At 1 April 2021	227.6	199.8	8.9	436.3
Additions	-	-	0.6	0.6
Interest charge for the period	6.0	5.2	0.3	11.5
Payments of liabilities	(8.8)	(5.5)	(1.1)	(15.4)
Remeasurements	-	2.7	-	2.7
At 30 September 2021	224.8	202.2	8.7	435.7

Maturity analysis of lease liabilities - discounted

	Land and Buildings £m	Unaudited Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Within 1 year	5.7	0.7	1.8	8.2
Within 2 to 5 years	14.7	3.0	6.1	23.8
After 5 years	204.4	198.5	0.8	403.7
Total	224.8	202.2	8.7	435.7

Notes to the financial statements continued

for the six months ended 30 September 2021

18. Lease liabilities continued

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 30 September 2021 to the contract maturity date.

	Unaudited			Total £m
	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	
In one year or less, or on demand	17.4	11.0	2.1	30.5
In more than one year, but not more than two years	16.5	11.0	2.1	29.6
In more than two years but not more than five years	42.0	33.1	4.8	79.9
In more than five years	735.8	608.2	0.9	1,344.9
Total	811.7	663.3	9.9	1,484.9

The expense relating to variable lease payments not included in the measurement of lease liabilities is £0.5m.

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 23. 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 £51.4m 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 £86.4m 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 on 7 August 2020 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 resulted in a remeasurement adjustment of £11.2m in the land and buildings category and the lease contributes £11.2m to the closing lease liability.

In total, all arrangements with MCC contributes £201.4m of the closing lease liability in land and buildings, and no element of the annual rent is excluded from the measurement of the lease liability.

UK Power Networks (held within airport infrastructure):

A significant portion of the airport infrastructure lease liability relates to an electricity distribution agreement with UK Power Networks. Included in the measurement of the lease liability are minimum amounts payable under the agreement, relating to a base fee of £8.7m, and £2.4m for capital investment in the network, contributing £202.2m to the closing lease liability in airport infrastructure. Remaining amounts of £0.4m 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.

Abrdn, formerly Aberdeen Standard (held within land and buildings):

The Group has a commitment in relation to a lease of office property at Manchester Airport with Abrdn (formerly 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 £14.0m to the closing right-of-use asset and lease liability.

Notes to the financial statements continued

for the six months ended 30 September 2021

19. Provisions

	Unaudited		
	Post sale commitments £m	Other provisions £m	Total £m
Current	-	12.6	12.6
Non-Current	3.0	-	3.0
01 April 2021	3.0	12.6	15.6
Charged to income statement	-	-	-
Utilised	-	-	-
30 September 2021	3.0	12.6	15.6
Current	-	12.6	12.6
Non-Current	3.0	-	3.0
30 September 2021	3.0	12.6	15.6

Post sale commitments

As part of the Group's disposal of its non-core property portfolio in August 2020, the Group entered into post-completion commitments to third parties as a result of the sale. The directors have estimated the cost of providing these services to be £3.0m. The directors anticipate that these post-completion commitments will be achieved within the next 2 to 4 years and as such the provision has been disclosed as non-current. The estimated cashflows have been discounted based upon the initial estimated cash outlay less future income streams, discounted at 8%.

Other provisions

The other provisions balance includes; a provision for the completion of the restructuring programme, provisions in relation to insurance claims liabilities arising from incidents which have occurred at either Manchester Airport, London Stansted Airport or East Midlands International Airport; a provision for legal costs in respect of claims relating to land and similar claims across the Group; and immaterial provisions recognised by the Group.

During the period, there has been £nil utilised and £nil released to the income statement in relation to the restructuring programme, or insurance claims. There has been £nil utilised and £nil released during the period for all other claims arising from COVID-19 or other claims.

20. Retirement benefits

	Unaudited 30 September 2021 £m	Unaudited 30 September 2020 £m	31 March 2021 £m
Balance in schemes at the start of the period	(54.9)	(46.2)	(46.2)
Movement in period:			
Current service cost recognised in income statement	(2.4)	(3.2)	(7.4)
Contributions	6.1	5.6	11.4
Past service costs and curtailments recognised in the income statement	10.4	-	(1.9)
Net interest expense recognised in the income statement	(0.5)	(0.5)	(1.1)
Total remeasurements in the statement of comprehensive income	12.6	(110.1)	(9.7)
Balance in schemes at the end of the period	(28.7)	(154.4)	(54.9)

Notes to the financial statements continued

for the six months ended 30 September 2021

20. Retirement benefits continued

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 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.

Scheme closures

In December 2020, the Group and the underlying entities associated with its defined benefit schemes announced a consultation with the active members of the Greater Manchester Pension Fund (GMPF), the M.A.G (STAL) Pension Scheme and the E.M.I.A. Pension Scheme to close the schemes to future accrual of benefits. Following the end of the consultation, the closure of the respective schemes was confirmed to members by the Group. The majority of active members stopped accruing benefits from 31 July 2021 and became deferred members, with the remaining active members stopping accrual of benefits on 31 August 2021. This gave rise to a curtailment gain of £10.4m representing a break of salary linkage on active pension benefits being replaced with price inflationary increases on deferred pension benefits which has been recognised in the income statement as a significant item (note 3).

21. Deferred taxation

	Deferred tax asset £m	Unaudited Deferred tax liability £m	Total £m
At 1 April 2021	-	(187.9)	(187.9)
Charge to income	-	(58.6)	(58.6)
Charge to equity	-	(3.2)	(3.2)
Transfer to liabilities held for sale	-	0.1	0.1
At 30 September 2021	-	(249.6)	(249.6)

In the 3 March 2021 budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This change was enacted in the six month period to 30 September 2021. The change in tax rate accounts for £61.6m of the net deferred tax liability increase of £61.7m.

Deferred tax assets and liabilities have been offset in the disclosure above. The following is the analysis of the deferred tax balance for financial reporting purposes:

	30 September 2021 £m	30 September 2020 £m
Deferred tax liabilities	(249.6)	(167.0)
Deferred tax asset	-	-
	(249.6)	(167.0)

22. Share Capital and share premium

	Number of shares m	Unaudited Share Capital £m	Share Premium £m
Issued, called up and fully paid			
At 1 April 2021	175.3	175.3	3,059.4
At 30 September 2021	175.3	175.3	3,059.4

Notes to the financial statements continued

for the six months ended 30 September 2021

23. 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 2021 the amount of loans outstanding owed to MCC by the Group was £313.9m (30 September 2020: £313.9m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2020: £nil) to MCC during the year and paid interest of £nil (30 September 2020: £nil).

As at 30 September 2021 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 2020: £268.0m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2020: £nil) to the other nine councils during the year and paid interest of £nil (30 September 2020: £nil).

Interest has accrued on the shareholder loans to the value of £59.3m (30 September 2020: £26.0m) for MCC and £51.3m (30 September 2020: £22.7m) for the other nine councils.

Included in Other operating charges (see Note 4) are costs for rent and rates amounting to £13.4m (30 September 2020: £17.3m) and other sundry charges of £0.4m (30 September 2020: £0.2m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

Transactions involving IFM GIF

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

As at 30 September 2021 the amount of loans outstanding owed to IFM GIF by the Group was £320.1m (30 September 2020: £320.1m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2020: £nil) to IFM GIF during the year and paid interest of £nil (30 September 2020: £nil).

Interest has accrued on the shareholder loans to the value of £60.9m (30 September 2020: £26.8m) for IFM GIF.

Transactions involving Manchester Airports Holdings Limited

Manchester Airports Holdings Limited (MAHL) is the ultimate parent company of Manchester Airport Group Investments Limited.

As at 30 September 2021 the amount of loans outstanding owed to MAHL was £241.3m (30 September 2020: £197.6m), relating to cash historically transferred by the MAGIL Group to MAHL for dividend payments made by MAHL to its shareholders in prior years, and interest on the unpaid balance. Included within finance income is interest on loans outstanding owed by MAHL of £1.8m (30 September 2020: £1.9m).

Transactions involving Manchester Airport Finance Holdings Limited

Manchester Airport Finance Holdings Limited (MAFHL) is the parent company of Manchester Airport Group Investments Limited.

As at 30 September 2021 the amount of loans outstanding owed by MAFHL was £856.9m (30 September 2020: £968.9m), relating to interest payments on shareholder loans held outside of the MAGIL Group, and interest on the unpaid balance. Included within finance income is interest on loans outstanding owed by MAFHL of £7.1m (30 September 2020: £4.7m).

Transactions involving Airport City (Manchester) Limited

Airport City (Manchester) Limited is a fellow Group company of the MAHL Group.

As at 30 September 2021 the balance outstanding owed by Airport City (Manchester) Limited was £31.5m (30 September 2020: £40.0m), relating to the transfer of assets and funding. During the period Airport City (Manchester) Limited repaid funding of £8.5m (30 September 2020: repaid funding of £3.1m).

Transactions involving MAG Overseas Investments Limited

MAG Overseas Investments Limited (MAGOIL) is a fellow Group company of the MAHL Group.

As at 30 September 2021 the net balance owed to MAGOIL was £9.0m (30 September 2020: £24.3m owed by MAGOIL), relating to funding provided by the MAGIL Group. During the period the MAGIL Group provided funding of £nil (30 September 2020: £7.5m). Included within finance income is interest on loans outstanding owed by MAGOIL of £1.6m (30 September 2020: £nil).

Transactions with the pension schemes

The Group operate one defined contribution pension scheme and four defined benefit pension schemes. The contributions made by the Group to those schemes during the period are set out in note 20.

Notes to the financial statements continued

for the six months ended 30 September 2021

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

	1 April 2021 £m	Unaudited Cash flow £m	Other non-cash movements £m	30 September 2021 £m
Cash at bank and in hand	530.0	(67.8)	-	462.2
Cash on short term deposit	-	-	-	-
Cash and cash equivalents disclosed in the statement of financial position	530.0	(67.8)	-	462.2
Overdrafts	(11.9)	(19.0)	-	(30.9)
Total cash and cash equivalents (including overdrafts)	518.1	(86.8)	-	431.3
Current debt	-	-	-	-
Non-current debt	(1,920.8)	2.4	(1.7)	(1,920.1)
Net debt	(1,402.7)	(84.4)	(1.7)	(1,488.8)
IFRS 16				
Current debt	(7.9)	-	(0.3)	(8.2)
Non-current debt	(428.4)	3.9	(3.0)	(427.5)
	(436.3)	3.9	(3.3)	(435.7)
Net debt (including IFRS 16)	(1,839.0)	(80.5)	(5.0)	(1,924.5)

25. Capital commitments and contingent liabilities

	Unaudited 30 September 2021 £m	Unaudited 30 September 2020 £m	31 March 2021 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	20.0	17.9	18.4

As at 31 March 2021, STN TP had been paused, and so the majority of capital commitments in place at 30 September 2021 relate to MAN TP. The new Terminal 2 was completed and brought into operation in July 2021, resulting in a substantially reduced commitments balance at 30 September 2021, when compared to 30 September 2020.

The Group has performance bonds and other items arising in the normal course of business amounting to £2.8m at 30 September 2021 (30 September 2020: £1.5m).

26. Post balance sheet events

Following the closure of MAG Defined Benefit Pension Schemes for future benefit accruals, MAG is currently in discussions with Greater Manchester Pension Fund (GMPF) with respect to the ongoing arrangements relating to the scheme assets and liabilities. These discussions are currently ongoing at the time of the issue of this report. It is envisaged that these will be concluded prior to the issue of the MAGIL Annual Report for the year ended 31 March 2022 and the accounting impact of those discussions will be reflected in the full year accounts.

The recent discovery of the Omicron variant in late November has the potential to delay the recovery in international travel in the short term, given the risk of governments maintaining more stringent travel restrictions in response to scientific advice about the level of threat associated with the new variant. Governments have reintroduced a number of travel restrictions as a precautionary measure, pending further evaluation of new variant. At the current time, it is not possible to assess the impact of these restrictions or additional restrictions that might be imposed in due course.