

Manchester Airports Group

Interim Report

Unaudited interim report and condensed consolidated financial statements for the six months ended 30 September 2022

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A foreword from our Chair

The period covered by this report aligns perfectly with the travel industry's summer season. That point is particularly pertinent this year, as it represented the first full summer season since 2019, and therefore provides an opportunity to take stock and reflect on the continued recovery of our business and wider sector.

Aviation companies worldwide experienced difficulties associated with the rapid return of demand to the market after travel restrictions were finally removed.

These challenges were faced most acutely in the earlier part of this period, when labour market conditions, combined with the unique nature of recruiting people into secure aviation environments, hindered our sector's ability to keep pace with demand.

We were clear as a business that, at times, service standards fell below what we would normally expect.

We saw that, above all else, our passengers wanted to get away on their travel and we therefore committed ourselves to work with airlines to avoid flight cancellations wherever possible, even if queues were sometimes longer than we would like. We made a firm commitment to ensuring people could look forward to their summer trips with confidence, as we worked tirelessly to improve their airport experience.

Our team has worked hard to rebuild staffing levels and I am pleased to report that service levels – particularly those in the direct control of MAG – consistently improved throughout the six months of the summer season, a period during which we welcomed more than 2,000 new colleagues into our business.

We are proud to have supported our airlines in operating every flight they could, avoiding the need for cancellations, while ensuring safety and security were never compromised. That meant more than 30.5m people travelled through a MAG airport this summer, many of whom were enjoying their first chance to get away for more than two years.

Now that the summer is behind us, we are focused on delivering a series of strategic priorities that will drive the future of our business. These priority areas are talked about in greater detail throughout this report.

High on the agenda is sustainability and our role in decarbonising the global aviation sector. When we published our FY22 results, I looked forward to the 41st Assembly of the International Civil Aviation Organisation (ICAO) and, as I write this, it is extremely pleasing to see that a new, international commitment to achieving net zero aviation by 2050 has been made. Reaching that agreement was a momentous occasion and we are proud to be playing our part in delivering on our sector's sustainability commitments.

As we look to the future, it is clear we will face some headwinds, not least the financial pressures our customers and colleagues may face. We will retain our commitment to making air travel accessible and affordable to all, maximising the choices available to those who use our airports.

We will continue to invest in the long-term future of our business, ensuring the benefits we deliver to the communities that surround us, the regions we serve, and the UK economy as a whole are as great as they possibly can be.



Sir Adrian Montague OBE
Chair

Chief Executive's review

The first six months of this financial year have seen us deliver the first full summer season since the onset of the coronavirus pandemic.

It was a challenging summer season, as pent-up demand for travel was suddenly released by the removal of testing and quarantine restrictions. The fact that we knew this demand would come back did not make it easier to prepare, given the difficult labour market and that it can typically take up to three months to train and vet new aviation recruits before they can start work.

It is important to acknowledge that service levels in some parts of our business were, at times, not where we expect them to be. This was particularly true in the early months of the summer and applies both to the operations in our direct control and those delivered by our partners, such as airlines, ground handling companies and those that deliver assisted travel services.

With much of our own operational difficulties relating to recruitment challenges, we are pleased now to be in a position where more than 2,000 new colleagues have started work with us, which underlines how important our airports are to the communities surrounding them in relation to employment.

The combined efforts of all our new and existing staff have meant we can now report that service levels have improved considerably as a result of welcoming more colleagues into the business. For example, in November 97% of passengers at Manchester Airport cleared security in under 15 minutes, with 91% waiting for less than 10 minutes.

These challenges affected all parts of the aviation industry, leading to operational difficulties at every stage of the passenger journey. Our approach is always to work collaboratively with our partner organisations, such as airlines, ground handlers and immigration services, seeking assurances about

their operational resilience and providing support where we can. At the same time, we are always clear about the standards we require and the improvements we expect to see made over time. We will continue to take that collaborative and constructive approach.

It is in this spirit that we have worked with our airlines this summer to support them to operate every flight in their schedules. The last thing we wanted was for people's plans to be disrupted with last minute enforced cancellations.

That meant that, across MAG, more than 30m people travelled through our airports between April and the end of September. Many of these people will have been going on holiday, travelling for business or visiting friends and family overseas for the first time in more than two years.

We are proud, as ever, of our role in facilitating these journeys for those living and working in our catchment area, which covers the majority of the UK.

Total passenger volumes for the period represented 84% of 2019 levels, with September being a particularly strong month.

Improved passenger performance meant that revenue for the period increased by 239.5% on last year, to £538.8m. Adjusted EBITDA was up 939.8% to £261.0m, and an operating profit of £22.8m was returned for the first half of the year, improved from a loss of £75.7m in 2021.

Looking forward, there are undoubtedly macro-economic challenges to contend with in the second half of the year, and as we prepare for summer 2023. Cost of living pressures will naturally be at the forefront of people's minds, which makes it more important than ever that we focus on maximising the choices that are available to our passengers, and ensuring that travel through our airports is as affordable and accessible as possible.

Chief Executive's review continued

We remain confident in our proposition, in terms of both value and choice, and anticipate we will see good growth between now and the end of the financial year. By the start of next year's summer season, we expect volumes to be close to what they were in 2019.

Longer-term, our airports will have a pivotal role to play in driving regional economic growth. We provide the connectivity that stimulates increased levels of trade and investment in all parts of the country. Across MAG, we are uniquely positioned to support this growth agenda now, whether that be in the south east of England, the Midlands or the North.

For example, London Stansted Airport operates in the constrained London market, with the capacity to grow to up to 43mppa. As well as serving the Capital, London Stansted has a key role to play in the east of England economy, supporting the international ambitions of fast-growing industries like technology and life sciences.

East Midlands – already the UK's busiest airport for pure freight flights – has the ability to rapidly move high-value goods to and from the world's most important markets and will enable the region to attract and nurture globally-significant advanced manufacturing and logistics companies to the region.

Maximising Manchester Airport's potential will be key to achieving the North's overall growth ambitions, and to driving a rebalancing of the UK economy. With significant spare capacity on its two runways, and an extended Terminal 2 delivered as part of a £1bn once in a generation investment programme, Manchester is poised to connect the North to an ever-growing list of key global destinations. This connectivity will stimulate the flow of people, goods, knowledge and capital, helping the region compete on the international stage.

We look forward to working with the new Government on plans to maximise the short, medium and long term contribution that all our

airports make to their respective regions and the UK as a whole.

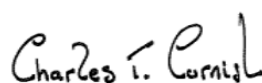
Delivering a sustainable future for MAG, and the aviation sector overall, is one of our most important strategic priorities.

We were pleased to publish our latest CSR Report in October, which re-affirmed our commitment to develop zero carbon airports, provide education, training and employment opportunities for all, and to ensure we give a voice to the local communities we serve as we develop and grow.

We are already working on a range of important programmes to deliver against these commitments, from the formulation of new youth forums at each airport and a pledge to develop a new, industry-leading apprenticeship programme, to our partnerships with Fulcrum BioEnergy and HyNet to provide sustainable aviation fuel and new hydrogen technologies.

The actions we are taking as an individual business go hand in hand with international efforts to decarbonise aviation, and we welcomed the agreement reached at the 41st Assembly of the International Civil Aviation Organisation (ICAO) on a new, global commitment to achieving net zero aviation by 2050. Aviation emissions are inherently international, and it is critical that we approach decarbonisation with a united, global front.

As we look to the future, I would like to thank all our colleagues for the hard work they demonstrated as we navigated the challenges of the past two and a half years. Without this determination and commitment, we would not be in the position we are today. I look forward to working with our team members, and all our other partners, during the remainder of the year.



Charlie Cornish
Group Chief Executive

Our strategy

Our business

At MAG, we believe that our core purpose is to provide the airport facilities and travel services that people need to connect with the world.

The last two years of COVID-19 related disruption have shown just how important air travel is to modern living. The freedom to travel to see friends and family, to meet with colleagues and customers, and to experience different cultures brings with it enormous benefits.

By connecting people and places, air travel supports economic and social development at a global, national and local level. Projections are for the demand for air travel to continue to increase both in the UK and overseas, with more of the world's population able to take advantage of the benefits of international connectivity.

Advances in technology will play a pivotal role in supporting the future of air travel. They will be essential in enabling air travel to decarbonise and achieve net zero by 2050, driving significant improvements in aircraft design and the development of alternatives to fossil fuels. Decarbonisation will be the aviation industry's biggest single challenge in the years ahead. To succeed, governments and aviation businesses will need to work together at a global level to make air travel truly sustainable and enable future generations to benefit in the same way that current generations have.

We are looking forward to air travel becoming even easier and more pleasant than it is today, so that people can spend more time relaxing and doing the things they enjoy.

At a local level, the way we operate our airports really matters to people living in surrounding communities and regions. We recognise how important it is to listen to local voices on a range of local impacts, such as noise and congestion. We know that these issues must be managed carefully and responsibly to minimise the impact on those living nearby.

Our airports also provide employment, skills and career opportunities for their local areas and support economic growth and investment in their regions by providing connectivity to international markets. We want our airports to be brilliant and diverse places to work and build a career, fully representing the communities they serve.

Taken together, these issues are the key influences on how we run our business and provide the context for our strategy.

Our strategy continued

Our stakeholders

We recognise that the way we fulfil our purpose is important to a wide range of stakeholders, including:

- the **passengers and businesses** who rely on our airports to provide the services they need to connect with the world
- the **airlines** that we work in partnership with to develop new routes and services for our passengers
- **colleagues** – both our own and those of partners operating on our sites – who work at our airports today in a wide range of skilled roles, as well as people seeking employment and looking to build careers in aviation
- the **communities** who are impacted by operational activities at each of our airports
- the **regional economies** that prosper through our supply chains and sectors of the UK economy that our airports support, such as tourism and leisure services

We are clear that we will create shareholder value by managing and developing our business in a responsible and sustainable way that recognises the needs of all our stakeholders and maintains the highest standards of safety and security.

Our strategic goals

The Group's strategy is designed to create sustainable value for our shareholders, customers and other stakeholders.

Our strategy responds to the long-term outlook for the Group outlined above, and is focused on delivering four strategic goals:

Enable air travel

Serve passengers by offering facilities and travel services that provide a seamless and enjoyable airport experience

Leverage technology to create products and services that make air travel even easier and more enjoyable

Deliver value and remain competitive to attract airlines and passengers

Generate shareholder value

Generate shareholder value by developing a strong, growing and sustainable business

Provide a compelling investment proposition for shareholders by developing profitable and sustainable growth opportunities

Operate safely and responsibly

Operate airports in a safe and responsible way to protect customers, staff, the environment and local communities

Achieve net zero

Work with our partners and government to reach net zero emissions for our operations by 2038, and for the wider UK aviation industry by 2050

Details of our CSR strategy, which includes our commitments relating to modern slavery, can be found [here](#).

Our strategy continued

In the short term, we will also focus on our recovery from the impacts of the COVID-19 pandemic, which has had a significant adverse impact on the performance of the Group over the last two years.

In the years leading up to the pandemic, the Group delivered sustained growth in shareholder value, significant investment in new facilities and improved levels of customer service. Through this recovery period, we will look to drive the Group back to previous levels of performance as soon as we can.

This will include working with airlines to grow passenger numbers and the choice of services available from our airports. It will also mean recruiting hundreds of new colleagues to deliver an improved passenger experience and bringing forward investment in new facilities to enable longer term growth.

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. We will seek out opportunities to work with others to drive the industry's progress towards achieving net zero by 2050 and our own transition to net zero by 2038.

As passenger demand grows back above pre-pandemic levels, our long-term strategy will focus on investing, transforming and connecting across three focus areas:

- Continued growth at our three airports, supported by sustainable infrastructure improvements;
- Our Group transformation programme, providing improved levels of service and productivity at our airports; and
- Investing in other opportunities including complementary airport services and digital businesses that will accelerate growth.

Working together for a brighter future

Six months into what we anticipate being MAG's first full year of post-pandemic recovery, creating a sustainable future for our business and the communities closest to us remains of paramount importance. We have continued to progress our sustainability goals, set out in our CSR Strategy, 'Working together for a brighter future'.

Our five-year Corporate Social Responsibility strategy is our guide for how we will deliver on our commitments to make our operations sustainable, create opportunities for everyone, and listen and respond to our local communities.

In July, we welcomed the publication of the Government's Jet Zero Strategy, which sets out a road map to reach Net Zero across the aviation industry by 2050. To support the Strategy's publication, and as a founding member of the Jet Zero Council, MAG made five pledges to support the delivery of the Council's goals and help drive the industry forward towards net zero aviation.

We also welcomed the global commitments made at the 41st ICAO Assembly in Montreal in October, uniting the international aviation industry to deliver a Net Zero future by 2050. The significance of this milestone cannot be understated, with it serving as a clear signal from the industry that it is fully committed to decarbonisation.

We published our annual CSR Report later in October, which tracks progress towards delivering our Strategy against its three themes: Opportunity for All, Zero Carbon Airports and Local Voices.

The launch of the report focused particularly on our Opportunity for All pillar, detailing activities delivered by our Aerozones, Airport Academies and Stansted Airport College, both virtually and in person. They all form part of our flagship MAG Connect education and employment programme. For the year 2021-22, 2,200 pupils attended our Aerozones, and more than

10,000 jobseekers gained skills and advice from our Airport Academies.

In the first half of this year, our employment teams have played a significant role in the recruitment of new colleagues across the Group as we have worked to bring our airports to full strength. Since April, we have attended and hosted more than 100 jobs fairs to promote the dynamic career opportunities available across MAG.

We have also worked closely with the Department for Transport on the launch of their 'Generation Aviation' programme, using our expertise and specialised education facilities to create a pipeline of future talent for our sector.

The report also detailed achievements against our Zero Carbon Airports and Local Voices pillars.

On decarbonisation, alongside the publication of our Jet Zero pledges, we marked our partnership with Fulcrum BioEnergy UK to deliver Sustainable Aviation Fuel to Manchester Airport and the successful submission of airspace change designs for London Stansted Airport.

In Local Voices, we highlighted the scale of community engagement we delivered, hosting 30 virtual airport consultative committees with more than 300 attendees and speaking to more than 600 of our local residents in an updated materiality assessment. We also convened the first focus groups for the creation of our Youth Forums, which will amplify the voices of young people in our local communities as we plan for the future.

Working together for a brighter future continued

Since April, MAG's Community Trust Funds at all three of our airports have committed to delivering eco-garden projects at local schools, educating the next generation about sustainability and promoting the importance of bio-diversity. In June, East Midlands Airport announced over £300,000 of funding for 26 schools across the region to deliver their gardens. London Stansted and Manchester airports followed suit in September, with £45,000 and £40,000 on offer from each Community Trust Fund respectively.

Manchester Airport's Community Trust Fund is also celebrating its 25th anniversary, demonstrating the contribution that the airport has been able to make to local communities over a sustained period.

As a marker of MAG's approach to CSR, in October our independently reviewed ['GRESB' ESG rating](#) was renewed as being 'five star' - recognising the real, and material impact our approach to sustainability continues to have.

In the second half of this year, MAG's ambitious and wide-ranging programme of CSR initiatives will continue.

In Zero Carbon Airports, we will launch a Group-wide Conservation Strategy, with detailed commitments on how to protect and restore biodiversity around our airports. We will also continue to work with Government and industry partners on aviation decarbonisation, working together towards net zero by 2050.

As we work to create Opportunity for All, in the second half of this year we will publish our Good Work Charter setting out our commitments on what it means to work at MAG. We are also making important steps forward on equity, diversity and inclusion, with a particular focus on improving gender diversity in our leadership community.

As we continue our work to support Local Voices, Youth Forums will be established at each of our airports to ensure the diversity of the areas closest to our airports is heard and understood.

Financial review

Chief Financial Officer's 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'.

The removal of travel restrictions resulted in MAG delivering a strong financial performance driven by passenger levels at 30.5m (84% of pre-COVID-19 levels) in the six months ended 30 September 2022.

Increased activity levels delivered a £380.1m increase in revenue to £538.8m. This uplift flowed through to adjusted EBITDA which increased by £235.9m to £261.0m. Operating profit also improved by £98.5m to £22.8m, (2021: a loss of £75.7m).

MAG successfully refinanced the £500m Revolving Credit Facility and £90m Liquidity Facility during the year. The legacy of the Group's strategic financial response to the pandemic and careful stewardship has allowed us to maintain strong levels of liquidity with Net Cash and Cash Equivalents at 30 September 2022 amounting to £626.8m (30 September 2021: £432.5m).

Headline Financials

MAG's financial performance for the six months ended 30 September 2022 experienced the anticipated uplift from the pent-up demand to travel for the first summer season since the removal of travel restrictions. Passenger levels have increased by 362% compared to the comparative period last year, and equates to 84% of pre-COVID-19 levels.

Passenger growth has driven a revenue increase of £380.1m versus the six months to 30 September 2021 whilst operating costs before adjusted items and depreciation increased by £144.2m as the Group ramped up its activity levels to meet the passenger demand. This has resulted in adjusted EBITDA levels increasing by £235.9m to £261.0m and adjusted operating profit increasing by £224.0m to £144.5m.

The Group's loss before tax for the period of £94.2m, was heavily impacted by a one-off adjusted item charge of £119.7m following the extinguishment of the Group's deferred debt agreement (DDA) for the exit from the GMPF pension scheme. The GMPF settlement also gave rise to a £116.7m increase in reserves and therefore an overall net movement of £3.0m. The split of the net movement between income statement and reserves is in accordance with the requirements of IAS 19. The loss before tax was also impacted by depreciation and amortisation of £116.5m, net finance costs of £102.8m and a decrease of £14.3m in valuation of the Group's investment properties.

A tax charge of £43.5m and a discontinued operations profit of £3.9m resulted in the loss for the period amounting to £133.8m. However, the overall net assets have increased by £35.0m from the 31 March 2022 position of £724.9m due to actuarial pension gains net of tax across all schemes of £154.9m and foreign exchange gains of £13.9m more than offsetting the loss for the period.

Financial review continued

Headline Financials continued

	Six months ended 30 September 2022 (£m)	Six months ended 30 September 2021 (£m)	Change £m	Change %
Passenger numbers (m)	30.5	6.6	23.9	362.1%
Revenue – continuing operations	538.8	158.7	380.1	239.5%
Adjusted EBITDA ¹ – continuing operations	261.0	25.1	235.9	939.8%
Operating profit/ (loss) – continuing operations	22.8	(75.7)	98.5	-
Loss before taxation – continuing operations	(94.2)	(148.9)	54.7	36.7%
Loss after taxation – continuing operations	(137.7)	(208.7)	71.0	34.0%
Loss after taxation – discontinued operations	3.9	(0.1)	4.0	4,000.0%
Adjusted cash generated from operations ²	288.2	25.4	262.8	1,034.6%
Capital investment	72.2	23.8	48.4	203.4%
Dividends paid in period	-	-	-	0.0%
Net Debt (including IFRS 16) ³	(2,868.8)	(2,923.9)	55.1	1.9%
Equity shareholders' funds	759.9	798.4	(38.5)	(4.8%)

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

² Adjusted cash generated from operations is cash generated from operations before adjusted items.

³ Net debt is defined and reconciled in note 26.

Measures used to assess performance

The Group uses a number of measures to assess financial performance that are not defined within IFRS and are widely referred to as 'Alternative Performance Measures' ("APMs"). The Group's accounting policies relating to APMs are detailed at page 114 of the MAG Annual Report for the year ended 31 March 2022. Additionally, note 28 at page 57 details a full description of all of the Group's APMs, their purpose and definition along with a reconciliation to the nearest IFRS measurement.

APMs are defined by management and should not be considered as comparable with similarly titled measures provided by other companies. They are not considered superior to IFRS measures but are issued by management to provide additional information which may prove useful to the readers of the accounts. Many of the Group's APMs are referred to as 'adjusted' meaning prior to the impact of 'adjusted items'. Adjusted items are separately disclosed and relate to items that are significant in size and/or infrequent in nature, and where, in the directors' view, their separate disclosure gives additional information on the Group's underlying financial performance.

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

Financial review continued

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 and is provided at page 59 in note 28 to the condensed financial statements.

Adjusted EBITDA

The directors use these measures to review the performance of the Group, most notably the Group's performance targets. These are based on a number of measures, but the predominant one applied is adjusted EBITDA¹.

	Six months ended 30 September 2022 £m			Six months ended 30 September 2021 £m		
	Before Adjusted Items	Adjusted Items ³	After Adjusted Items	Before Adjusted items	Adjusted Items ³	After Adjusted Items
Adjusted EBITDA ¹	261.0	(121.7)	139.3	25.1	3.8	28.9
Depreciation and amortisation	(116.5)	-	(116.5)	(104.6)	-	(104.6)
Adjusted operating profit ²	144.5	(121.7)	22.8	(79.5)	3.8	(75.7)

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

² Adjusted operating profit is operating profit before adjusted items

³ Adjusted items are disclosed in note 3.

Summary trading performance

	Six months ended 30 September 2022 (m)	Six months ended 30 September 2021 (m)	Change m	Change %
Passenger Traffic				
Manchester Airport	14.3	2.7	11.6	429.6%
Stansted Airport	14.0	3.5	10.5	300.0%
East Midlands Airport	2.2	0.4	1.8	450.0%
Total Business	30.5	6.6	23.9	362.1%

During the six months ended 30 September 2022, MAG experienced a return to non-pandemic impacted activity levels with 30.5m passengers (30 September 2021: 6.6m) travelling through the Group's three airports. This amounted to 84% of pre-pandemic levels. Operationally, the major challenge experienced by the airports was to recruit and onboard staff, particularly in the security area, to meet the latent demand as it arose. This particularly impacted the early part of the summer season. Through hands-on management, a concerted recruitment effort, coupled with working flexibly with the existing workforce, this enabled the Group to redress matters by the peak season.

MAG has seen an uplift led by the low-cost carrier base with Ryanair and Jet2, driving an increase at all three airports, with EasyJet and TUI also contributing to growth at Manchester. MAG's top 10 locations throughout the period are those served by the low-cost carriers especially in mainland Spain, Portugal, the Balearics, Canaries and Turkey.

Financial review continued

Summary trading performance continued

From mid-summer 2022 the Group has seen demand levels gradually increase with September 2022 amounting to 87% of pre-COVID levels. Whilst the current macro-economic and political uncertainty may give rise to some softening in the second half of the year, the performance to date has placed the Group in a strong position for the full year performance.

Summary of Revenue Stream	Six months ended 30 September 2022 (£m)	Six months ended 30 September 2021 (£m)	Change £m	Change %
Aviation income	204.0	64.9	139.1	214.3%
Retail concessions	119.7	22.7	97.0	427.3%
Car parking	159.1	40.2	118.9	295.8%
Property & property related income	10.6	9.1	1.5	16.5%
Other	45.4	21.8	23.6	108.3%
Total Revenue - continuing operations	538.8	158.7	380.1	239.5%

Summary of Revenue by Division	Six months ended 30 September 2022 (£m)	Six months ended 30 September 2021 (£m)	Change (£m)	Change %
Manchester Airport	239.3	58.6	180.7	308.4%
London Stansted Airport	207.4	69.4	138.0	198.8%
East Midlands Airport	45.7	25.2	20.5	81.3%
CAVU	44.4	4.9	39.5	806.1%
Group, Consolidation adjustments and other	2.0	0.6	1.4	233.3%
Total Revenue - continuing operations	538.8	158.7	380.1	239.5%

The Group has experienced an overall revenue increase of 239.5% versus the prior period. All three airports achieved revenue increases driven by the passenger uplift. East midlands lower percentage growth reflects the higher level of cargo income inherent within their results. East midlands cargo has increased from £15.7m to £15.9m, continuing with the uplift seen at the start of the pandemic.

CAVU, the Group's new global distribution business showed a £39.5m increase over the prior year performance of its MAG US and MAGO components that have now been merged to form CAVU. This was driven by a combination of the recovery of passenger volumes, re-opening of products, together with the impact of the arms-length agreement with the MAG airports to distribute their parking, lounge and fasttrack products online. There is a corresponding reduction in car parking revenue recognised at each of the UK airports reflecting a consistent revenue recognition treatment when analysed at Group level.

Financial review continued

Summary trading performance continued

The principal revenue streams, with the exception of property, saw increases driven by the passenger uplift. Aviation and car parking yields softened slightly due to the volume, but retail saw yield improvements at all airports, in particular Manchester as a result of the full six month impact of the new terminal 2 in the current year figures. Cargo income remained relatively flat with modest growth at East Midlands offset by small reductions at Manchester and Stansted. Other income rose by 108.3% driven by increases in passenger related services.

Operating costs	Six months ended 30 September 2022 (£m)	Six months ended 30 September 2021 (£m)	Change (£m)	Change %
Employment costs	(147.1)	(88.7)	(58.4)	(65.8%)
Less: Job Retention Scheme income	-	17.9	(17.9)	(100.0%)
Net employment costs	(147.1)	(70.8)	(76.3)	(107.8%)
Other operating charges	(130.7)	(72.6)	(58.1)	(80.0%)
Less: Airport Ground Operator Support	-	9.8	(9.8)	(100.0%)
Net Operating Costs - continuing operations	(130.7)	(62.8)	(67.9)	(108.1%)
Overall Costs – excluding adjusted items, depreciation and amortisation	(277.8)	(133.6)	(144.2)	(107.9%)
Depreciation and amortisation	(116.5)	(104.6)	(11.9)	(11.4%)
Overall Costs – excluding adjusted items	(394.3)	(238.2)	(156.1)	(65.5%)

Overall costs, excluding adjusted items, depreciation and amortisation increased by £144.2m to £277.8m. Underlying employment costs increased by £58.4m in line with headcount increase and additional overtime and flexible working incentives to help meet demand. The Group no longer benefitted from the UK Government's CJRS which provided £17.9m of support for the comparative period.

Other operating costs also increased by £58.1m with significant increases in areas including: rent and rates; airfield operations; car parking costs and utilities. Additionally, the Group no longer benefitted from the UK Government's AGOSS scheme whereas £9.8m of cost support was provided in the comparative period.

Adjusted EBITDA ¹ by Division	Six months ended 30 September 2022 (£m)	Six months ended 30 September 2021 (£m)	Change (£m)	Change %
Manchester Airport	110.3	1.8	108.5	6,027.8%
London Stansted Airport	106.1	12.4	93.7	755.6%
East Midlands Airport	23.3	11.0	12.3	111.8%
CAVU	20.8	2.7	18.1	670.4%
Group, consolidation and other	0.5	(2.8)	3.3	-
Total adjusted EBITDA¹ – continuing operations	261.0	25.1	235.9	939.8%

Adjusted EBITDA¹ for the Group improved by £235.9m increasing the 2021 profit of £25.1m to a profit of £261.0m. This was driven by the £380.1m of mainly passenger driven revenue increases partially offset by £27.7m reduction in UK Government support and £116.5m of increased operating costs.

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

Financial review continued

Summary trading performance continued

Depreciation and amortisation costs relating to continuing operations are £11.9m (11.4%) higher than the prior year at £116.5m. This reflects the full period charge of the phases of the Manchester Terminal 2 Transformation project that were brought into use in the first half of FY22.

The Group has also recognised a charge of £121.7m of adjusted items in operating costs for the six months ended 30 September 2022 (2021: credit of £3.8m). The principal component of the balance is a pension settlement loss of £119.7m which was recognised in the period following the extinguishing of the Group's deferred debt (DDA) agreement with GMPF on 2 September 2022. Overall the net asset movement of the GMPF balance amounted to £3.0m during the period as a £116.7m gain was recognised through reserves. The presentation of the split of the movement through income statement and reserves is covered further at the pensions section (page 53).

The balance of the adjusted items charge relates to transformation and organisational design costs (£1.7m) and additional charges on fees incurred relating to the closure of the defined benefit pensions schemes (£0.3m) which has been classified as adjusted items (consistent with prior periods).

Operating profit by Division	Six months ended 30 September 2022 (£m)	Six months ended 30 September 2021 (£m)	Change (£m)	Change %
Manchester Airport	(71.2)	(52.6)	(18.6)	(35.4%)
London Stansted Airport	70.3	(16.8)	87.1	-
East Midlands Airport	16.8	4.4	12.4	281.8%
CAVU	15.2	(3.1)	18.3	-
Group, consolidation and other	(8.3)	(7.6)	(0.7)	(9.2%)
Total operating profit – continuing operations	22.8	(75.7)	98.5	-

After deducting the above depreciation, amortisation and adjusted items from adjusted EBITDA¹, the operating profit for the year is £22.8m, an improvement of £98.5m on the prior period.

Financing costs

Underlying net interest payable (including IFRS 16) has increased by £6.3m to £100.4m reflecting: additional interest on the deferred shareholder loans payments; increased interest rate on MAG's floating rate liabilities; £0.4m increase in IFRS 16 charge, less a £1.2m of finance lease income. However, MAG's reported net finance costs of £102.8m during the six months to 30 September 2022 (six months to 30 September 2021 £76.5m), also reflects:

- a charge of £4.4m relating to the modification loss of shareholder loans (30 September 2021: credit of £17.7m). The Group agreed with shareholders to defer the payment of interest on shareholder loans as part of the strategic financing initiative in 2020 and 2021. The loss reflects that whilst the profile of future payments of interest and principal due across the loans, is unchanged from the year end, the recent increase in interest rates will result in a greater quantum of interest being payable on the deferred amounts. The difference between the current year charge and prior year credit is the main driver in the movement in reported finance cost;
- interest related to pension credit £0.2m (30 September 2021: charge of £0.5m); and

Financial review continued

Financing costs continued

- the capitalisation of £1.8m (30 September 2021: £0.4m) of borrowing costs relating to capital investment programmes, in line with IAS 23. The increase arose due to the commencement of work on the next phase the Manchester Transformation Programme during the period.

Cashflow

Adjusted cash inflow from operating activities amounted to £288.2m, compared to a cash inflow of £25.4m in the six month period to 30 September 2021. This reflects recovery in passenger levels during the six months period mirroring the increase in adjusted EBITDA to £261.0m (2021: £25.1m) along with improved working capital management.

The Group also incurred a cash outflow of £73.8m from investing activities (30 September 2021: £68.3m which included £19m of deferred consideration payments), reflecting the recommencement of investment in airport infrastructure as we exit the impact of the pandemic. Together with the addition of an outflow of £8.8m for financing activity, relating to costs incurred on the refinancing of the Revolving Credit Facility (RCF) and Liquidity Facility (LF) facilities and payments on lease liabilities, the combined impact is an overall increase of net cash and cash equivalents of £163.9m in the six month period from £462.9m at 31 March 2022 to £626.8m at 30 September 2022. The Group has continued to maintain a fully drawn RCF, which was successfully re-financed during the period, 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 Group's strategic finance response, MAG holds investment grade BBB and Baa1 credit ratings with both Fitch and Moody's respectively reaffirmed in their recent annual ratings exercises.

Group net debt (including leases) has decreased by £87.3m during the six months to £2,868.8m (31 March 2022: £2,956.1m). As at 30 September 2022, the net Group debt of £2,868.8m comprised: long-term fixed rate bonds (£1,438.9m); shareholder loans (£849.0m); drawdown funds from the £500m Secured Revolving Credit Facility (£479.6m); lease liabilities (£455.0m) and interest accrued on the shareholder loans (£273.1m); offset by net cash of £626.8m. This equates to a headroom of £636.8m comprising the cash balance and £10.0m of available overdraft facility.

In May 2022, the Group successfully refinanced the £500m RCF and £90m LF facilities. The existing facilities were due to expire in June 2023 and new facilities have been negotiated with maturity in May 2027. The Group incurred £4.4m in fees securing the re-financing. These fees have been included in the carrying amount of the Group's bank loans and will be released straight line over the term of the facility. At the time of the refinancing the Group had £0.7m in unamortised fees from the original facilities. These have been written off to the income statement and classified within net finance costs.

Business outlook

The six months ended 30 September 2022 saw MAG deliver a strong financial performance. The removal of travel restrictions saw the release of the built-up demand to travel. Operationally the first half of the summer proved challenging for both the Group and our business partners as there was the need to on-board resources and increase operational capacity at a rapid pace. The combined effort of the Group's new and existing staff to address these issues was a key factor in being able to deliver the result.

Financial review continued

Business outlook continued

Looking forward the Group is looking to maintain this solid start to the year and re-commence our investment in our infrastructure, through our capital transformation programmes, to improve our customers' experience. In considering the future, MAG are mindful of the cost of living headwinds that are currently being experienced along with the present economic and political uncertainty. The strategic financial responses the Group put in place during the COVID-19 pandemic have resulted in the current healthy liquidity position as well as a positive relationship with our investors and banks, as evidenced by the successful refinancing of the RCF and LF in May 2022. Moreover, MAG has a good track record of being able to effectively respond to external factors with the levers within its control to effectively safeguard headroom whilst still being able to leverage off opportunities as they arise.

MAG's going concern assessment 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 considerations of the exit from the pandemic along with the uncertainty due to current economic and political climate represents is detailed in the Basis of preparation at page 23.

Capital expenditure

The Group has made an investment of £72.2m in its infrastructure during the six months ended 30 September 2022 (six months ended 30 September 2021: £23.8m). This reflects the Group's recommencement of works on the Manchester and Stansted transformation projects following the exit from the pandemic. Management had previously reduced capital expenditure to essential maintenance during the pandemic as part of the Group's strategic finance response.

Pensions

The accounting surplus/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 surplus/deficit position across the four defined benefit schemes. The movement in net surplus included in the financial statements under IAS 19 increased from £22.1m at 31 March 2022 to £73.5m at 30 September 2022.

Financial review continued

Pensions continued

Summary of changes in aggregate pension scheme surplus	£m
Net surplus on 31 March 2022 ¹	22.1
Current service & past service cost	(0.8)
Other financial expenses	0.2
Contributions	3.9
Settlement Loss on GMPF	(119.7)
Actuarial gain –settlement on GMPF	116.7
Other Actuarial Gain	51.1
Net surplus on 30 September 2022¹	73.5

¹ The surpluses on the Stansted and East Midlands schemes cannot be offset against the liability on the GMPF scheme. The liability on the GMPF scheme (31 March 2022: £1.6m and 30 September 2022: £3.9m) is therefore presented separately in the financial statements.

All of MAG's defined benefit pension schemes were closed to future accrual after a period of consultation in FY22. The Stansted and East Midlands scheme surpluses increased from a combined £23.7m to £77.4m in the period, with £51.1m of the gain, largely arising through increases in discount rates and have been recognised through the statement of comprehensive income. The balance of the surplus increase has arisen due to the excess of scheme contributions in the year over expense taken through the income statement. Both sets of scheme rules provide MAG with the right to a refund and consequently the surplus has been recognised in the financial statements.

During FY22 MAG also entered into a deferred debt arrangement (DDA) with GMPF as part of the Group's exit from the scheme. This resulted in MAG continuing to fund its obligations in the scheme without crystallising a significant exit debt at that time. The DDA provided that should the scheme develop a surplus on an 'exit basis' of calculation then the Group's obligations under the DDA would cease, other than the ongoing financing of any unfunded liabilities.

At 31 March 2022 the GMPF scheme was in an IAS 19 accounting surplus of £26.6m. As this did not comprise a surplus under the exit basis, MAG did not have a right to a refund. Consequently, an asset ceiling, as required by IFRIC 14, resulted in the accounting surplus not being recognised in the accounts. During the six months ended 30 September 2022, changes in market conditions resulted in an increase in discount rates such that by 2 September 2022 a small scheme surplus existed when measured on an exit basis. At that point in time MAG's obligations to GMPF ceased other than the ongoing commitment of unfunded liabilities of £3.9m.

Whilst overall the GMPF liability in the accounts has increased by £2.3m to £3.9m at 30 September 2022 (31 March 2022: £1.6m), IAS 19 requires that the loss on settlement in the Income Statement is calculated without the impact of the accounting basis asset ceiling, with the asset ceiling movement itself being taken through reserves. Consequently, MAG has recognised a settlement loss of £119.7m in the Income Statement, reflecting the difference between the scheme assets and liabilities as at 2 September 2022. This has been classified as an adjusted item. The offsetting impact of removal of the asset ceiling has been recognised directly to reserves in accordance with IAS 19. This, along with other actuarial adjustments for GMPF, amounts to a £116.7m credit.

Financial review continued

Taxation

The Group has recognised a tax charge in the income statement of £43.5m (2021: charge of £59.8m which was primarily due to the impact of the March 2021 budget increasing the corporation tax rate on the Group's deferred tax balances). The current year charge is driven by the current year adjusted profit at the underlying 38% forecast effective corporation tax rate for the year ended 31 March 2023. Whilst the Group was loss-making at the profit before tax level, the current period tax charge was driven by the impact of non-deductible items, such as the GMPF settlement loss

Equity shareholders' funds and dividends

Equity shareholders' funds are £759.9m as at 30 September 2022 (31 March 2022: £724.9m). The movement comprises: £133.8m loss after tax and adjusting items, £13.9m gain due to foreign exchange, and a gain on remeasurement of pension liabilities, including the asset ceiling impact of the settlement of the GMPF scheme, net of tax impact of £154.9m, recorded in equity. No dividends were proposed or paid by the Group during the period.

Risks and uncertainties

MAG is operating at a time of unprecedented uncertainty, including reducing GDP, climate change, Government policy, technological advancement, airline consolidation and economic regulation. There are multiple facets impacting on MAG's risk profile. Whilst the Group's principal risks and uncertainties are consistent at the half year to those disclosed at the year end, MAG leadership recognise the importance of updating and refocusing these to reflect the changing and multi-faceted environment in which the Group is operating.

Ongoing work on the strategic risk register acknowledges the materiality of MAG's principal risks and the fact that these can rarely be regarded in isolation. The longer-term impact of Brexit, continuing uncertainties in the macro-economic environment and associated impacts on the unpredictability of passenger demand are key factors impacting on MAG's risk profile. On the other hand, recognising the importance of IT to the ongoing success of the organisation as we navigate through recovery, the former IT risk has been split into three. These distinguish the importance to MAG of our ability to maintain high quality IT assets, ensure regulatory compliance and maintain a robust defence against cyber-attack.

MAG's risk profile continues to reflect the factors external to the Group that have pervasive impact to the uncertainties we face. The ongoing Ukraine War, inflationary pressures and political uncertainty in the UK are all factors which span multiple areas of operations and represent an element of these risks that is inherently outside of MAG's ability to control.

Financial review continued

Risks and uncertainties continued

The Group understands the importance of the risk of climate change to all of our stakeholders and the CSR section on page 9 details the progress that the Group has made towards its Zero Carbon Airports objective. Noting the ongoing work and key changes referred to above, the principal strategic level risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out on pages 71 to 74 in the 2022 Annual Report and Accounts, which is available on the Group's website (www.magairports.com)

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

- Longer-term implications of macroeconomic, political and geopolitical risks
- Climate change
- The risks associated with the successful delivery of transformation programmes
- Cyber security
- Security breach
- Major Health and Safety incident affecting our customers or colleagues
- Regulatory risk
- Recruitment, development and retention of talented people

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 2022.



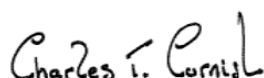
Jan Bramall
Chief Financial Officer

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

By order of the Board,



Charlie Cornish
Group Chief Executive MAG
6 December 2022

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 financial statements are presented in pounds sterling which is also the Group's functional currency.

The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2022. 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 2022. No new standards, interpretations and amendments, issued by the International Accounting Standards Board ('IASB') or by the IFRS Interpretations Committee ('IFRIC'), and endorsed by the UK Endorsement Board, 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 2022 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.

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 geo-political and economic uncertainty along with the residual the impact of COVID-19 on the cash flow and liquidity of the Group, for a period to March 2024, 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 secured financing facilities, being leverage (Net Debt / adjusted EBITDA) and interest cover (adjusted EBITDA less tax / net senior finance charges). The covenants are tested half yearly on 31 March and 30 September. The Group's strategic financial responses in 2020 and 2021 to the COVID-19 pandemic had secured waivers to covenant testing up to 31 March 2022 and an agreement to a modified basis of calculation when 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. Both financial covenants passed when they were tested on 30 September 2022.

Accounting policies continued

As at 30 September 2022, the Group had significant financial liquidity available of £636.8m comprising net cash in hand of £626.8m together with £10.0m in undrawn available overdraft facilities. The Group also has access to a committed £90.0m Liquidity Facility (available until May 2027) 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. The Group successfully re-financed its £500m Revolving Credit Facility and £90m Liquidity Facility in May 2022 extending the maturity from June 2023 to May 2027. Of the Group's other borrowings, a £360.0m bond matures in excess of 12 months after the issue date of these condensed financial statements in April 2024, no other borrowings expire within or just after the going concern forecast period.

Throughout the pandemic, the unprecedented impact of COVID-19 upon the sector has resulted in previous reporting periods including a material uncertainty in relation to going concern. The removal of travel restrictions has resulted in MAG showing a strong recovery in the first half of FY23, with the Group's most recent projections showing expected passenger numbers for the full year at 86% of pre-COVID-19 levels. This strong latent demand coupled with the result of immunization efforts places the Group in a stronger recovery position with increased resilience to any future variants that arise.

However, the directors have recognised the recent political and economic uncertainties experienced and the inflationary pressures experienced in the economy. Whilst the impact of these factors are still uncertain the most up to date assumptions have been incorporated in to the directors' projections for going concern purposes.

The Group's most recent Mid Case forecasts include passenger number projections of 86% of pre-COVID-19 levels for FY23 and 94% for FY24. The market anticipates that whilst COVID-19 is unlikely to suppress passenger numbers through new lockdown measures, the prevailing economic and political uncertainty will result in a stagnation of GDP over the short to medium term with passenger numbers only returning to pre-COVID-19 levels in FY25. In addition to the Group's Mid Case forecasts the directors have also considered a Downside Scenario where the GDP recovery is slower where pre-COVID-19 levels are only reached in FY27.

In the Mid Case Scenario, the Group is expected to maintain positive cash headroom in excess of £120m for the 16 month period beyond the signing date of these interim financial statements. In the Downside Scenario MAG has considered the mitigations within its control that it could implement in the event that a slower passenger growth is anticipated. This would result in deferral of capital, relating to discretionary projects, and other cash spend undertaken during the going concern period. The combined impact of the reduced passenger level and mitigations would result in a headroom of £285m in the Downside Scenario. Under both scenarios the Group meets the financing covenant requirements when tested at all instances throughout the going concern period and also when subsequently tested at 31 March 2024.

The directors have considered in the Downside Scenario the likelihood of the introduction of new travel restrictions and the impact of ongoing economic and political situations. The directors consider that the Group can maintain sufficient liquidity over a period of at least 16 months from the date of the approval of the financial statements and can meet the requirements of the financing covenants when tested over that period.

Accounting policies continued

Additionally, the directors have considered whether the requirement to refinance the £360m bond in April 2024 constitutes a material uncertainty. The directors have concluded that the refinancing does not constitute a material uncertainty for these condensed financial statements as: the maturity is outside of the going concern period assessed; the Group have a successful history of refinancing (most recently with the RCF & LF); and the strong financial performance in the six months to 30 September 2022 evidence good market conditions to underpin any required refinancing. As a result, the directors have a reasonable expectation that the Group will continue as a going concern, and these financial statements have been prepared on that basis.

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 2022

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 2022. These have been applied on a consistent basis.

Recent amendments to UK adopted International Accounting Standards applicable to the reporting period include:

- IAS 16 "Property, Plant and Equipment" - treatment of proceeds from asset prior to intended use;
- IAS 37 "Onerous Contracts" - defining costs to be included in loss-making contract assessment; and
- IFRS 3 "Business Combinations" - update references to conceptual framework

The amendments had no impact on the condensed consolidated interim financial statements for the six months ended 30 September 2022 and no retrospective amendments were required.

Critical accounting estimates and judgements

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 2022, except for the following critical judgements:

a) Going concern

The impact of the macro-economic considerations of the Ukraine war and the cost of living crisis upon the going concern was considered in the Basis of preparation section.

b) Pensions – asset ceiling impact

The Group's exit from its deferred debt arrangement with GMPF on 2 September 2022 constituted a settlement of the defined benefit scheme. The exit only occurred once the scheme was no longer in deficit when calculated on a prudent 'exit basis'. Prior to settlement the accounting basis of calculation, under IAS 19, demonstrated a surplus. However, the asset ceiling requirements of IFRIC 14 resulted in this surplus not being shown in the accounts as no right to refund existed.

Under the requirements of IAS 19 the settlement loss is calculated based upon the accounting surplus at the time of settlement, without accounting for the impact of the asset ceiling, and presented in the income statement. The compensating reduction in asset ceiling impact is shown as a credit to reserves.

For the surpluses on the Group's STAL and EMA defined benefit pension schemes, management have concluded that there exists a right to a refund of such a surplus and consequently under IFRIC 14 there would be no asset ceiling impact and an accounting surplus can be presented in the accounts.

c) Revolving Credit (RCF) and Liquidity Facility (LF) Refinancing

The fees incurred to refinance the RCF and LF are regarded as extending the facilities element of the financial liability, as opposed to the loan element of the liability. The facilities element is an executory contract outside the scope of IFRS 9. Consequently, the fees have been spread over the remaining term of the facilities.

Estimation uncertainty

The key sources of estimation uncertainty are aligned to the Annual Report and Accounts for the year ended 31 March 2022. The critical accounting estimates areas that have been reconsidered are: valuation of investment properties; valuation of the Group's net pension surplus/ liability; and the modification of financial instruments and are detailed below.

a) Investment properties

MAG's commercial investment properties were valued at fair value at 30 September 2022 by JLL. 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 and rental values for similar properties, land valuations and the residual valuation approach for development land. The value of the Group's commercial investment properties has been included in the financial statements at the value advised by its professional advisors. 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.

Accounting policies continued

b) Pensions

Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at year end, future returns on pension scheme assets and charges to the income statement. The factors have been determined in consultation with the Group's independent actuary taking into account market and economic conditions as at 30 September 2022. Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of other comprehensive income. Further details are available in note 22.

c) Modification of financial instruments

The carrying value of the Group's shareholder loan liabilities are calculated by management's estimate of the future cashflows (see financial instruments note 18). As a result of MAG's strategic finance response in 2020 and 2021, the payment of interest on the shareholder loans has been deferred until the Group is in compliance with its loan covenant requirements.

Consequently, management's estimate of the date that deferred interest will be repaid is an accounting estimate that will impact the quantification of the shareholder loan liability. Any revisions in the cashflow estimates will result in a modification gain or loss which is recognised in the income statement at the time that the revision takes place.

The repayment of shareholder loan deferred interest is now estimated to commence on March 2024 and conclude on September 2026.

Condensed consolidated income statement*for the six months ended 30 September 2022*

		Unaudited				Unaudited			
		Six months ended 30 September 2022	Six months ended 30 September 2022	Six months ended 30 September 2022	Six months ended 30 September 2021	Six months ended 30 September 2021	Six months ended 30 September 2021	Year ended 31 March 2022	
		£m	£m	£m	£m	£m	£m	£m	
	Note	Total before adjusted items	Adjusted items	Total after adjusted items	Total before adjusted items	Adjusted items	Total after adjusted items	Total after adjusted items	
Continuing operations									
Revenue	1	538.8	-	538.8	158.7	-	158.7	462.1	
Operating profit/(loss) before adjusted items	4	144.5	-	144.5	(79.5)	-	(79.5)	(113.2)	
Adjusted items									
Adjusted items	3	-	(121.7)	(121.7)	-	3.8	3.8	(17.1)	
Operating profit/(loss)		144.5	(121.7)	22.8	(79.5)	3.8	(75.7)	(130.3)	
Share of result in associate	12	0.1	-	0.1	0.4	-	0.4	0.4	
(Losses) and gains on sale and valuation of investment properties	11	(14.3)	-	(14.3)	2.9	-	2.9	22.6	
Finance income	5	3.4	-	3.4	-	-	-	-	
Finance costs	5	(101.8)	(4.4)	(106.2)	(94.2)	17.7	(76.5)	(181.3)	
Loss before taxation		31.9	(126.1)	(94.2)	(170.4)	21.5	(148.9)	(288.6)	
Taxation	6	(43.5)	-	(43.5)	(59.8)	-	(59.8)	(31.0)	
Loss after taxation		(11.6)	(126.1)	(137.7)	(230.2)	21.5	(208.7)	(319.6)	
Discontinued operations									
Profit/(loss) from discontinued operations (net of tax)	7	-	3.9	3.9	0.3	(0.4)	(0.1)	(1.7)	
Loss for the period/year		(11.6)	(122.2)	(133.8)	(229.9)	21.1	(208.8)	(321.3)	
Earnings per share expressed in pence per share									
Continuing operations		(3.7)	(38.6)	(42.3)	(72.6)	6.7	(65.9)	(101.4)	
Discontinued operations		-	1.2	1.2	0.1	(0.1)	-	(0.5)	

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 2022*

		Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Year ended 31 March 2022
	Note	£m	£m	£m
Loss for the period/year		(133.8)	(208.8)	(321.3)
Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss:				
Remeasurement of retirement benefit liabilities	22	167.8	12.6	63.0
Deferred tax on remeasurement of retirement benefit liabilities	6	(12.9)	(3.2)	(14.6)
Effect of change in rate of corporation tax on deferred tax	6	-	-	(1.3)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign exchange movement		13.9	-	1.3
Taxation on foreign exchange movement	6	-	-	(0.1)
Other comprehensive income for the period/year		168.8	9.4	48.3
Total comprehensive income/(loss) for the period/year		35.0	(199.4)	(273.0)

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 2022

		Unaudited					
		Attributable to equity holders of the Group					
	Note	Share capital	Share premium	Hedging reserve	Foreign currency reserve	Reserves	Total
		£m	£m	£m	£m	£m	£m
Balance at 1 April 2022		316.6	743.3	-	(1.3)	(333.7)	724.9
Total comprehensive income for the period							
Loss for the period		-	-	-	-	(133.8)	(133.8)
Transfer from hedging reserve to foreign currency reserve		-	-	-	-	-	-
Foreign exchange movement		-	-	-	13.9	-	13.9
Remeasurement of defined benefit liabilities, net of tax	6, 22	-	-	-	-	154.9	154.9
		-	-	-	13.9	21.1	35.0
Transactions with owners recorded directly in equity							
Dividends paid to equity holders	8	-	-	-	-	-	-
Balance at 30 September 2022		316.6	743.3	-	12.6	(312.6)	759.9

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2021

		Unaudited					
		Attributable to equity holders of the Group					
		Share capital	Share premium	Hedging reserve	Foreign currency reserve	Reserves	Total
Note		£m	£m	£m	£m	£m	£m
Balance at 1 April 2021		316.6	743.3	1.0	(3.5)	(59.5)	997.9
Total comprehensive income for the period							
Loss for the period		-	-	-	-	(208.8)	(208.8)
Transfer from hedging reserve to foreign currency reserve		-	-	(1.0)	1.0	-	-
Foreign exchange movement		-	-	-	(0.1)	-	(0.1)
Remeasurement of defined benefit liabilities, net of tax		6, 22	-	-	-	9.4	9.4
		-	-	(1.0)	0.9	(199.4)	(199.5)
Transactions with owners recorded directly in equity							
Dividends paid to equity holders		8	-	-	-	-	-
Balance at 30 September 2021		316.6	743.3	-	(2.6)	(258.9)	798.4

Condensed consolidated statement of changes in equity

for the year ended 31 March 2022

		Attributable to equity holders of the Group					
		Share capital	Share premium	Hedging reserve	Foreign currency reserve	Reserves	Total
	Note	£m	£m	£m	£m	£m	£m
Balance at 1 April 2021		316.6	743.3	1.0	(3.5)	(59.5)	997.9
Total comprehensive income for the year							
Loss for the year		-	-	-	-	(321.3)	(321.3)
Foreign exchange movement		-	-	-	1.2	-	1.2
Effect of change in rate of corporation tax on deferred tax		-	-			(1.3)	(1.3)
Remeasurement of defined benefit liabilities, net of tax		6, 22	-	-	-	48.4	48.4
Hedging gain		-	-	(1.0)	1.0	-	-
		-	-	(1.0)	2.2	(274.2)	(273.0)
Balance at 31 March 2022		316.6	743.3	-	(1.3)	(333.7)	724.9

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

Condensed consolidated statement of financial position

as at 30 September 2022

	Note	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	31 March 2022 £m
Non-current assets				
Goodwill	13	214.4	206.8	207.7
Property, plant and equipment	9	3,114.5	3,225.7	3,140.9
Right-of-use assets	10	435.6	417.5	417.7
Long-term lease receivable	10	11.2	11.2	11.2
Investment properties	11	170.5	169.8	188.9
Investment in associate	12	7.0	10.5	11.8
Intangible assets	13	86.1	95.4	88.5
Other long-term asset		3.6	6.3	4.3
Retirement benefit assets	22	77.4	-	28.3
		4,120.3	4,143.2	4,099.3
Current Assets				
Assets held for sale	14	-	2.0	2.1
Inventories		4.6	3.3	4.0
Trade and other receivables		147.8	95.2	86.3
Cash and cash equivalents		761.7	463.4	488.6
		914.1	563.9	581.0
Current Liabilities				
Bank overdraft	15	(134.9)	(30.9)	(25.7)
Liabilities directly associated with assets held for sale	14	-	(0.5)	(0.5)
Trade and other payables		(252.2)	(166.8)	(189.4)
Deferred income		(44.3)	(26.4)	(28.2)
Provisions	21	(16.1)	(12.6)	(16.8)
Current lease liabilities	20	(8.8)	(8.2)	(9.8)
Current tax liabilities		(50.3)	(10.1)	(8.9)
		(506.6)	(255.5)	(279.3)
Net current assets/ (liabilities)		407.5	308.4	301.7
Non-current liabilities				
Borrowings	15-19	(3,040.6)	(2,920.7)	(2,983.2)
Retirement benefit liabilities	22	(3.9)	(28.7)	(6.2)
Non-current lease liabilities	20	(446.2)	(427.5)	(426.0)
Deferred tax liabilities	23	(254.1)	(253.5)	(238.3)
Provisions	21	(2.2)	(3.0)	(2.1)
Other non-current liabilities		(20.9)	(19.8)	(20.3)
		(3,767.9)	(3,653.2)	(3,676.1)
Net Assets		759.9	798.4	724.9
Shareholders' equity				
Share capital	24	316.6	316.6	316.6
Share premium	24	743.3	743.3	743.3
Hedging reserve		-	-	-
Foreign currency reserve		12.6	(2.6)	(1.3)
Retained earnings		(312.6)	(258.9)	(333.7)
Total equity		759.9	798.4	724.9

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

The financial statements on pages 23 to 59 were approved by the Board of Directors on 6 December 2022 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 2022

		Unaudited			Unaudited	
		Six months ended 30 September 2022	Six months ended 30 September 2022	Six months ended 30 September 2022	Six months ended 30 September 2021	Year ended 31 March 2022
		£m	£m	£m	£m	£m
	Note	Before adjusted items	Adjusted items	After adjusted items	After adjusted items	After adjusted items
Cash flows from operating activities						
Loss after taxation		(11.6)	(126.1)	(137.7)	(208.7)	(319.6)
Taxation	6	43.5	-	43.5	59.8	31.0
Gains and losses on sales and valuations of investment properties	11	14.3	-	14.3	(2.9)	(22.6)
Net finance costs	5	98.4	4.4	102.8	76.5	181.3
Share of result in associate	12	(0.1)	-	(0.1)	(0.4)	(0.4)
Depreciation and amortisation		116.5	-	116.5	104.6	249.8
Increase in trade and other receivables and inventories		(57.3)	-	(57.3)	(30.1)	(20.8)
Increase in trade and other payables		86.2	-	86.2	36.3	55.3
Decrease/(increase) in retirement benefits provision		(1.7)	119.7	118.0	(16.3)	(8.3)
Cash generated from continuing operations		288.2	(2.0)	286.2	18.8	145.7
Operating profit/(loss) - discontinued operations				3.9	(0.1)	(1.7)
Finance income/(expense) - discontinued operations				-	0.3	-
Non-cash movements - discontinued operations				-	-	1.7
Interest paid				(43.6)	(42.1)	(83.7)
Tax refund				-	-	(0.4)
Net cash from operating activities				246.5	(23.1)	61.6
Cash flows from investing activities						
Purchase of property, plant and equipment				(71.6)	(49.9)	(98.3)
Distributions from/(investment in) associate				4.9	-	(1.3)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				-	-	0.8
Increase/(release) of grants				0.7	0.6	-
US Acquisition				(7.8)	(19.0)	(19.6)
Net cash used in investing activities - continuing activities				(73.8)	(68.3)	(118.4)
Cash flows from financing activities						
Fees in relation to refinancing				(4.4)	(2.4)	(2.4)
Payment of principal on lease liabilities				(4.4)	(3.9)	(8.1)
Net cash from/(used in) financing activities				(8.8)	(6.3)	(10.5)
Net (decrease)/increase in cash and cash equivalents				163.9	(97.7)	(67.3)
Net cash and cash equivalents at beginning of the period	26			462.9	530.2	530.2
Net cash and cash equivalents at end of the period				626.8	432.5	462.9

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

Notes to the financial statements

for the six months ended 30 September 2022

1. Revenue

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

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Year ended 31 March 2022
	Continuing operations £m	Continuing operations £m	Continuing operations £m
Aviation income	204.0	64.9	179.9
Commercial income			
Retail concessions	119.7	22.7	81.2
Car parking	159.1	40.2	126.7
Property and property related income	10.6	9.1	21.1
Other	45.4	21.8	53.2
Total commercial income	334.8	93.8	282.2
Total income - continuing operations	538.8	158.7	462.1

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.

As at 30 September 2022 there was no revenue recognised relating to performance obligations that were unsatisfied (30 September 2021: nil, 31 March 2022: 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 2022

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 CAVU.

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.

With the exception of CAVU, the primary business of all of these Operating Divisions is the operation and development of airport facilities in the UK. CAVU's US revenue is less than 10% of total Group revenue. Consequently, no geographical split of performance has been included.

Six months ended 30 September 2022

	Manchester Airport	London Stansted Airport	East Midlands Airport	Unaudited CAVU ¹	Group, consolidation and other ²	Consolidated - continuing operations	Discontinued operations ³
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Total revenue	241.3	207.4	45.7	63.9	2.0	560.3	-
Inter-segment sales ⁴	(2.0)	-	-	(19.5)	-	(21.5)	-
External Revenue	239.3	207.4	45.7	44.4	2.0	538.8	-
Result							
Segment operating profit/(loss) before adjusted items	48.5	70.3	16.8	15.2	(6.3)	144.5	-
Adjusted items	(119.7)	-	-	-	(2.0)	(121.7)	3.9
Segment operating (loss)/profit after adjusted items	(71.2)	70.3	16.8	15.2	(8.3)	22.8	3.9
Share of result in associate						0.1	-
Gains and losses on sales and valuation of investment properties						(14.3)	-
Finance income						3.4	-
Finance costs						(106.2)	-
(Loss)/profit before taxation						(94.2)	3.9
Other information							
Segment assets ⁵	2,090.5	1,633.9	292.8	129.9	887.3	5,034.4	-
Segment liabilities ⁵	(1,362.0)	(207.2)	(55.3)	(72.7)	(2,577.3)	(4,274.5)	-
Capital expenditure (property, plant and equipment & intangible assets)	41.4	17.3	2.6	8.5	4.1	73.9	-
Depreciation	59.1	35.7	6.5	2.1	6.0	109.4	-
Amortisation	2.7	0.1	-	3.5	0.8	7.1	-
Taxation	12.4	27.3	3.6	4.0	(3.8)	43.5	-
Segment operating (loss)/profit before adjusted items	48.5	70.3	16.8	15.2	(6.3)	144.5	-

See next page for footnotes.

Notes to the financial statements continued

for the six months ended 30 September 2022

2. Business and geographical segments continued

Six months ended 30 September 2021

	Manchester Airport	London Stansted Airport	East Midlands Airport	Unaudited CAVU 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	5.3	0.5	160.7	-
Inter-segment sales ⁴	(1.7)	-	-	(0.4)	0.1	(2.0)	-
External Revenue	58.6	69.4	25.2	4.9	0.6	158.7	-
Result							
Segment operating (loss)/profit before adjusted items	(57.4)	(22.7)	4.7	(0.4)	(3.7)	(79.5)	-
Adjusted items	4.8	5.9	(0.3)	(2.7)	(3.9)	3.8	(0.4)
Segment operating (loss)/profit after adjusted items	(52.6)	(16.8)	4.4	(3.1)	(7.6)	(75.7)	(0.4)
Share of result in associate						0.4	-
Gains and losses on sales and valuation of investment properties						2.9	-
Finance income						-	0.3
Finance costs						(76.5)	-
Loss before taxation						(148.9)	(0.1)
Other information							
Segment assets ⁵	2,066.0	1,163.8	284.8	19.0	1,173.5	4,707.1	-
Segment liabilities ⁵	(1,599.1)	(126.8)	(72.0)	(54.3)	(2,056.5)	(3,908.7)	-
Capital expenditure (property, plant and equipment)	6.9	8.3	-	2.8	5.8	23.8	-
Depreciation	56.6	35.0	6.2	1.5	0.4	99.7	-
Amortisation	2.6	0.1	0.1	1.6	0.5	4.9	-
Taxation	31.8	17.4	5.5	-	5.1	59.8	-
Segment operating (loss)/profit before adjusted items	(57.4)	(22.7)	4.7	(0.4)	(3.7)	(79.5)	-

¹ As reported in the Annual Report for the year ended 31 March 2022, MAG launched its online division, CAVU, on 1 April 2022. CAVU has combined MAG's US businesses with the its MAG online and UK distribution businesses and this is now ran as a separate business segment. The Group's review of the operating and reportable segmentals have replaced the MAG US reporting segment with CAVU. Prior year comparatives have been restated in line with IFRS 8.

The CAVU segment is split between online businesses servicing the North American market and those servicing the UK and European market.

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 15 Borrowings.

³ MAG's non-core property has been disclosed separately as discontinued operations. operations, which was disposed by the Group on 7 August 2020. The ongoing post-sale disclosure reflects changes in conditional balances that have changed since the date of disposal.

⁴ Sales between segments are at arm's length.

⁵ Reflects the segment's assets and liabilities which are external to the Group.

*To better reflect the segmental assets of Stansted, East Midlands and CAVU, £436.1m of segmental assets have been reallocated from the 'group consolidation and other' segment, with £407.2m moving to the Stansted segment, £12.9m to the East Midlands segment and £16.0m being allocated to CAVU.

Notes to the financial statements continued

for the six months ended 30 September 2022

3. Adjusted items

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Year ended 31 March 2022
	£m	£m	£m
Recorded in operating profit			
Adjusted items - operating (costs)/income	(121.7)	3.8	(17.1)
Total adjusted items recorded in operating profit¹	(121.7)	3.8	(17.1)
Adjusted items - finance (costs)/income (see note 5)	(4.4)	17.7	8.8
Total (charge)/credit recorded in finance costs²	(4.4)	17.7	8.8
Total adjusted items recorded in operating profit from continuing operations	(126.1)	21.5	(8.3)
Recorded in operating profit from discontinued operations			
Adjusted items recorded in discontinued operations (see note 7)	3.9	(0.4)	(1.7)
Total (charge)/credit recorded in profit before tax from discontinued operations³	3.9	(0.4)	(1.7)
Total (charge)/credit before tax	(122.2)	21.1	(10.0)

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

The Group has recognised an overall cost of £121.7m in adjusted items for the six months ended 30 September 2022 (30 September 2021: income of £3.8m). A charge of £119.7 has been recognised following the extinguishment of the Group's deferred debt agreement (DDA) for the exit from the GMPF pension scheme. In addition further costs in relation to the Airport transformation scheme (£1.6m), and other costs deemed to be significant in nature (£0.4m) have been recognised in the period.

² Adjusted items from continuing operations - finance costs

An expense of £4.4m (30 September 2021 gain of: £17.7m) relating to finance costs arose during the period due to the deferral of shareholder loan interest and the impact of the rise in UK interest rates (see note 5).

³ Adjusted items from discontinued operations

Discontinued operations, adjusted items for the six months ended 30 September 2022 is income of £3.9m (30 September 2021: costs of £0.4m) relating to a further update to the escrow provision in relation to the sale of non-core property.

4. Operating profit/(loss) before adjusted items

		Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Year ended 31 March 2022
	Note	£m	£m	£m
Turnover	1	538.8	158.7	462.1
Wages and salaries		(129.8)	(75.6)	(156.6)
Social security costs		(11.1)	(7.2)	(14.7)
Pension costs		(6.2)	(5.9)	(11.6)
Coronavirus Job Retention Scheme		-	17.9	18.2
Employee benefit costs		(147.1)	(70.8)	(164.7)
Depreciation and amortisation		(116.5)	(104.6)	(238.8)
Profit on disposal of property, plant and equipment		-	-	0.3
Other operating charges ¹		(130.7)	(72.6)	(189.9)
Airport and Ground Operations Support Scheme		-	9.8	17.8
Operating profit/(loss) from continuing operations before adjusted items		144.5	(79.5)	(113.2)
Operating profit from discontinued operations before adjusted items	7	-	-	-
Operating profit/(loss) from operations before adjusted items - total business		144.5	(79.5)	(113.2)

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 2022

4. Operating profit/(loss) from operations before adjusted items continued

The Group reported overall costs, excluding adjusted items, depreciation and amortisation increasing by £144.2m to £277.8 as the Group flexed its resource levels to meet the increased activity. This reflected cost increases of £116.5m and the Group no longer receiving £27.7m UK Government support (CJRS: £17.9m & AGOSS: £9.8m) which was provided in the comparative period.

5. Finance income and costs

		Unaudited	Unaudited	
		Six months ended	Six months ended	Year ended 31
		30 September 2022	30 September 2021	March 2022
	Note	£m	£m	£m
Interest receivable		2.2	-	-
Finance lease income		1.2	-	-
Total finance income before adjusted items		3.4	-	-
Interest payable on bank loans and overdrafts		7.7	3.2	7.6
Interest payable on bonds		28.4	28.6	56.8
Interest payable on other borrowings		55.8	50.8	103.2
Interest cost on defined benefit pension schemes	22	(0.2)	0.5	0.9
Interest cost on lease liabilities	20	11.9	11.5	22.1
Capitalisation of borrowing costs	9	(1.8)	(0.4)	(0.6)
Unwind of deferred consideration		-	-	0.1
Total finance costs before adjusted items		101.8	94.2	190.1
Adjusted items	3	4.4	(17.7)	(8.8)
Total finance costs after adjusted items		106.2	76.5	181.3

As part of MAG's strategic financial response to the COVID-19 pandemic in 2020, the Group agreed with its Shareholders to a deferral of interest charges in relation to the shareholder loans. The interest on the deferred payments attracts a charge of 3% over the bank deposit rate at the time of the deferral, which is a lower amount than the effective interest rate on the loans. The timing of repayment of the deferred amounts is dependent upon future business projections and therefore is re-estimated at each reporting date. Under IFRS 9, and in line with treatment in prior accounting periods, changes in estimated cashflows result in modification gains or losses, though the quantum is not deemed substantial. As such, the change in timing of the estimated future cashflow has been adjusted in the period of charge, with the corresponding income being recognised in the income statement.

The repayment profiles for deferred interest in these financial statements are assumed to be consistent with the FY23 business plan that was used as the basis for the calculation in the FY22 Annual Report. However, the increase in interest rates since the year end has increased the total amount of interest payable on later deferral tranches. The interest rate revision has given rise to a £4.4m modification loss in the period which has been classified within adjusted items.

During the period the Group refinanced the Revolving Credit Facility (RCF) and Liquidity Facility (LF). The fees incurred on the refinancing of £4.4m are included in the carrying value of bank loans and overdrafts and will be recognised straight-line over the five year facility term. The unamortised costs relating to the previous RCF and LF facilities (£0.7m) were written off to the income statement and are recognised in the interest payable on bank loans and overdrafts.

MAG capitalises borrowing costs in accordance with IAS 23. The increase in interest capitalisation to £1.8m (September 2021: £0.4m) reflects the recommencement of works on the Group's qualifying transformation projects.

Notes to the financial statements continued

for the six months ended 30 September 2022

6. Taxation

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

	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Year ended 31 March 2022
	£m	£m	£m
Current taxation			
UK corporation tax on profit for the period/year	41.1	-	2.7
Adjustment in respect of prior year	-	-	(3.4)
Total current taxation charge/(credit)	41.1	-	(0.7)
Deferred taxation - continuing operations			
Temporary differences arising in the period/year	1.6	(2.7)	(6.4)
Adjustment in respect of prior year	0.8	-	(17.4)
Effect of change in rate of corporation tax	-	62.5	55.5
Total ordinary deferred taxation charge	2.4	59.8	31.7
Total taxation charge - continuing operations	43.5	59.8	31.0
Total taxation charge - discontinued operations (note 7)	-	-	-
Total taxation charge - total business	43.5	59.8	31.0
Taxation on items charged to equity			
	Unaudited Six months ended 30 September 2022	Unaudited Six months ended 30 September 2021	Year ended 31 March 2022
	£m	£m	£m
Deferred taxation on remeasurement of retirement benefit liabilities	12.9	3.2	14.6
Effect of change in rate of corporation tax	-	-	1.3
Deferred taxation on foreign exchange	-	-	0.1
Total taxation charge	12.9	3.2	16.0

The current taxation charge for the period has been calculated based on the forecast underlying effective tax rate for the full year of 38%.

The deferred tax asset and liability amounts at 30 September 2022 have been calculated at 25% (30 September 2021: 25%).

The tax charge for the six months ended 30 September 2022 is £43.5m (30 September 2021: £59.8m). The effective tax rate for the period is higher than the actual corporation tax rate of 19%, predominantly due to the impact of non-deductible items.

The tax payment for the six months ended 30 September 2022 is £nil (2021: £nil).

Notes to the financial statements continued

for the six months ended 30 September 2022

7. Discontinued operations

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

	Unaudited	Unaudited	
	Six months ended 30 September 2022	Six months ended 30 September 2021	Year ended 31 March 2022
	£m	£m	£m
Revenue	-	-	-
Operating costs	-	-	-
Operating profit from operations before adjusted items	-	-	-
Adjusted items	3.9	(0.4)	(1.7)
Finance income	-	0.3	-
Operating profit/(loss) of discontinued operations	3.9	(0.1)	(1.7)
Net profit attributable to discontinued operation (attributable to owners of the Group)	3.9	(0.1)	(1.7)

There has been a profit of £3.9m (30 September 2021: loss of £0.1m) in discontinued operations in the period, which relates to the sale of non-core property portfolio. The income of £3.9m is an adjusted item and relates to a further update in the escrow provision.

8. Dividends

	Unaudited	Unaudited
	Six months ended 30 September 2022	Six months ended 30 September 2021
	£m	£m
Amounts recognised as distributions to equity holders in the period		
Dividend for the year ended 31 March 2022 of nil pence (2021: nil pence) per share	-	-
Proposed interim dividend for the year ended 31 March 2023 of nil pence (2022: nil pence) per share	-	-

Notes to the financial statements continued

for the six months ended 30 September 2022

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	
2022						
Cost						
At 1 April 2022	178.3	859.9	2,528.3	936.9	137.8	4,641.2
Additions	-	-	-	-	72.2	72.2
Reclassification from Assets in the course of construction	-	2.0	5.2	22.4	(29.6)	-
Reclassification from investment properties (note 11)	-	5.8	-	-	-	5.8
Reclassifications to intangible assets	-	-	-	(0.2)	(0.9)	(1.1)
Disposals	-	-	(0.9)	(2.8)	-	(3.7)
At 30 September 2022	178.3	867.7	2,532.6	956.3	179.5	4,714.4
At 30 September 2021	178.5	873.5	2,664.3	1,102.1	187.1	5,005.5
Depreciation						
At 1 April 2022	64.5	245.9	679.2	510.7	-	1,500.3
Charge for the period	-	15.7	45.8	41.8	-	103.3
Depreciation on disposals	-	-	(0.9)	(2.8)	-	(3.7)
At 30 September 2022	64.5	261.6	724.1	549.7	-	1,599.9
At 30 September 2021	64.5	234.1	805.9	675.3	-	1,779.8
Carrying amount						
At 30 September 2022	113.8	606.1	1,808.5	406.6	179.5	3,114.5
Carrying amount						
At 31 March 2022	113.8	614.0	1,849.1	426.2	137.8	3,140.9
At 30 September 2021	114.0	639.4	1,858.4	426.8	187.1	3,225.7

The carrying amount of land not depreciated as at 30 September 2022 is £213.6m (31 March 2022: £213.6m).

Capitalised borrowing costs

During the six months ended 30 September 2022, borrowing costs of £1.8m were capitalised (30 September 2021: £0.4m), 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 2022 was 5.76% (30 September 2021: 5.48%). 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 2022, management considered if there were any trigger events that would lead to a requirement to carry out an impairment review of the fixed assets. No such events were identified and as such a full impairment review will be undertaken at the year end in line with IAS 36.

In 2020 an amendment was made to the useful economic lives of certain Manchester assets. during the six months ended 30 September 2022 additional depreciation of £0.7m has been recognised, 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 which is due by March 2024.

The carrying value of the property, plant and equipment for each CGU was assessed by management as part of the year end impairment exercise.

Assets in the course of construction

Assets in the course of construction have seen an increase in the 6 months to 30 September 2022 as result of MAN TP phase 2 being progressed alongside the investment in the Stansted runway resurfacing.

Notes to the financial statements continued

for the six months ended 30 September 2022

10. Right-of-use assets

	Land and Buildings £m	Unaudited Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Cost				
At 1 April 2022	230.4	203.5	13.7	447.6
Additions	0.3	-	0.1	0.4
Foreign exchange movement	0.7	-	0.6	1.3
Remeasurement	7.0	15.3	-	22.3
At 30 September 2022	238.4	218.8	14.4	471.6
Depreciation				
At 1 April 2022	16.6	9.4	3.9	29.9
Charge for the period	3.3	1.7	1.1	6.1
At 30 September 2022	19.9	11.1	5.0	36.0
Carrying amount				
At 30 September 2022	218.5	207.7	9.4	435.6
Carrying amount				
At 1 April 2022	213.8	194.1	9.8	417.7
At 30 September 2021	213.1	195.8	8.6	417.5

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.

Key lease arrangements

Key lease arrangements are detailed in note 20.

Income from subleasing right-of-use assets

During the six months to 30 September 2022, the income generated from subleasing right-of-use assets was £0.9m, 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 20.

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 2022 is £11.2m.

The amounts receivable under this agreement are as follows:

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

Interest income of £1.2m was earned on the long-term lease receivable in the period.

Notes to the financial statements continued

for the six months ended 30 September 2022

11. Investment Properties

Unaudited

	Investment properties £m
2022	
Valuation	
At 1 April 2022	188.9
Reclassifications to property, plant and equipment (note 9)	(5.8)
Disposals	(0.2)
Transfers from assets held for sale (note 14)	2.1
Revaluation	(14.5)
At 30 September 2022	170.5
Carrying amount	
At 30 September 2021	169.8

The fair value of the Group's commercial investment property portfolio at 30 September 2022 was based on a valuation carried out by JLL Ltd.

A valuation exercise was not carried out for the residential property portfolio at 30 September 2022 as the directors do not believe that the movement from 31 March 2022 would be material. Fisher German LLP carried out the valuation of the Group's residential property portfolio at 31 March 2022

The valuers are independent and have appropriate recognised professional qualifications, and recent experience in the locations and categories of the locations being valued. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties, land valuations and analysis of demand within the vicinity of the relevant properties. 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 £5.2m (30 September 2021: £4.1m).

Losses on sale and valuation of investment properties for the period ended 30 September 2022 was £14.3m (30 September 2021: £2.9m gain), of which £nil was attributable to discontinued operations (30 September 2021: £nil attributable). £14.5m was attributable to losses on revaluation in the period (30 September 2021: £2.9m of gains), and there were £0.2m of gains on sales of investment properties in the six months (30 September 2021: £nil).

Notes to the financial statements continued

for the six months ended 30 September 2022

12. Investment in associate

	Unaudited £m
2022	
Cost and carrying value	
At 1 April 2022	11.8
Investment in associate	0.1
Distributions from associate	(5.0)
Group's share of associate's result	0.1
At 30 September 2022	7.0

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

Included within the investment in associate is an amount of £0.5m (30 September 2021: £0.7m) relating to MAG's own costs incurred in the setting up of its share in Airport City. This will be released to the consolidated income statement on a proportional basis on the sale of plots within the Airport City development.

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

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

During the period, the Airport City Limited Partnership made distributions to the Group totalling £5.0m (year ended 31 March 2022: £nil, period ended 30 September 2021: £nil).

	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m
Current assets	36.5	54.0
Current liabilities	(4.2)	(5.2)
Net assets	32.3	48.8
Share of result in associate net assets	6.5	9.8
Revenue	10.2	20.5
Profit for the period	0.6	2.0
Share of result in associate for the period	0.1	0.4

The share of result in associate of £0.1m in the six month period relates to MAG's share of the Airport City's profit of 0.6m in the period.

As part of its investment in Airport City, the Group has agreed to pay an equity contribution up to a maximum of £12.0m if required, of which £3.4m was drawn down at 30 September 2022 (30 September 2021: £7.4m). Airport City has no significant contingent liabilities to which the Group is exposed, and there are no restrictions that would prevent the transfer of funds to the Group (2021: none).

Notes to the financial statements continued

for the six months ended 30 September 2022

13. Intangible assets

	Unaudited			Total £m
	Goodwill £m	Software costs £m	Other intangible assets £m	
Cost				
At 1 April 2022	207.7	74.8	74.6	357.1
Additions	-	1.7	-	1.7
Reclassification from property plant and equipment (see note 9)	-	1.1	-	1.1
Foreign exchange differences	6.7	0.6	1.3	8.6
At 30 September 2022	214.4	78.2	75.9	368.5
Amortisation				
At 1 April 2022	-	35.3	25.6	60.9
Charge for the year	-	4.0	3.1	7.1
At 30 September 2022	-	39.3	28.7	68.0
Carrying amount				
At 30 September 2022	214.4	38.9	47.2	300.5
At 1 April 2022	207.7	39.5	49.0	296.2
At 30 September 2021	206.8	54.6	40.8	302.2

Goodwill

The goodwill total of £214.4m 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 £43.6m attributable to additions to goodwill in prior periods from the acquisitions of airportparkingreservations.com LLC (£23.2m) and ParkSleepFly.com (£20.2m) 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 period end the goodwill attributable to these entities in the period end accounts has increased from £36.9m to £43.6m.

Other intangible assets

The other intangible assets total of £47.2m is attributable to Metrolink (£30.7m), airspace redesign (£3.1m), the acquisition of the UK distribution companies (£2.2m) and the remaining £11.2m relates to the operator and trade names acquired in FY21 from airportparkingreservations.com LLC (APR), ParkSleepFly.com (PSF) and shuttlefinder.net (SF).

Software costs

£38.9m of capitalised computer software costs principally relate to operating and financial software.

Impairment

A detailed impairment assessment was undertaken by management at 31 March 2022. For the six months to 30 September 2022 management considered if there were any trigger events that would require a full impairment assessment to be undertaken, no such events were identified consequently no impairment has been assessed for the half year.

Notes to the financial statements continued

for the six months ended 30 September 2022

14. Assets held for sale and associated liabilities

	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	31 March 2022 £m
Assets held for sale			
Current assets			
Investment properties	-	2.0	2.1
Total	-	2.0	2.1
Associated liabilities			
Current liabilities			
Deferred tax liabilities	-	(0.5)	(0.5)
Total	-	(0.5)	(0.5)

15. Borrowings

	Note	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	31 March 2022 £m
Overdraft	16	134.9	30.9	25.7
Current borrowings		134.9	30.9	25.7
Bank loans ¹	16	479.6	482.9	483.2
Bonds	17	1,438.9	1,437.2	1,438.0
Other borrowings	18	1,122.1	1,000.6	1,062.0
Non-current borrowings		3,040.6	2,920.7	2,983.2
Borrowings are repayable as follows:				
In one year or less, or on demand				
Overdraft		134.9	30.9	25.7
		134.9	30.9	25.7
In more than one year, but no more than two years				
Bank loans	16	-	482.9	483.2
Bonds	17	358.6	-	-
Other borrowings	18	147.7	-	-
		506.3	482.9	483.2
In more than two years, but no more than five years				
Bank loans ¹	16	479.6	-	-
Bonds	17	-	357.7	358.1
Other borrowings	18	125.4	171.5	221.7
		605.0	529.2	579.8
In more than five years – due other than by instalments				
Bonds	17	1,080.3	1,079.5	1,079.9
Other borrowings	18	849.0	829.1	840.3
		1,929.3	1,908.6	1,920.2
Non-current borrowings		3,040.6	2,920.7	2,983.2
Total borrowings		3,175.5	2,951.6	3,008.9

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

Notes to the financial statements continued

for the six months ended 30 September 2022

15. Borrowings (continued)

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

The CTA, together with a Master Definitions Agreement, covers inter alia The Amended and Restated Initial Authorised Credit Facility Agreement (ACF), The Amended and Restated Liquidity Facility Agreement (LF), and the Group's issue of publicly listed fixed rate secured bonds since 2014 comprising 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 2 April 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 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 LF, along with the RCF, were refinanced in May 2022 with the revised maturity date of May 2027 (see note 16). These replaced similar facilities with a maturity date of June 2023.

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

16. Bank loans and overdrafts	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	31 March 2022 £m
Overdraft	134.9	30.9	25.7
Bank loans and overdrafts - current	134.9	30.9	25.7
Secured revolving credit facility	484.0	484.0	484.0
Less: unamortised debt issue costs ¹	(4.4)	(1.1)	(0.8)
Bank loans and overdrafts - non-current	479.6	482.9	483.2
Bank loans and overdrafts - total	614.5	513.8	508.9

¹. Issue costs arising in relation to obtaining finance are amortised over the duration of the financing as part of the effective interest rate. During the period the Group refinanced its £500m Revolving Credit Facility and £90m Liquidity Facility which now have a maturity date of May 2027. Costs incurred of securing the refinancing of £4.4m have been included in the balance of the facility and will be amortised over its term. The unamortised costs of the previous facility at the time of refinancing (£0.7m) have been released to the income statement.

At 30 September 2022 the Group had £nil (30 September 2021: £nil) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £500.0m Secured Revolving Credit Facility (£484.0m drawn as at 30 September 2022) 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 15 for further information on financial liabilities, including maturity analysis.

Notes to the financial statements continued

for the six months ended 30 September 2022

17. Bonds

	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	31 March 2022 £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	(9.5)	(10.0)	(9.8)
Less: unamortised debt issue costs	(11.6)	(12.8)	(12.2)
	1,438.9	1,437.2	1,438.0

See note 15 for further information on financial liabilities, including maturity analysis.

18. Other borrowings

	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	31 March 2022 £m
Repayable other than by instalments			
Shareholders' loan at an interest rate of 12% expiring on 9 February 2055	323.0	291.5	303.5
Shareholders' loan at an interest rate of 10% expiring on 30 September 2056	219.1	195.7	207.9
Shareholders' loan at an interest rate of 10% expiring on 30 September 2057	219.1	193.0	207.9
Shareholders' loan at an interest rate of 10% expiring on 30 September 2058	361.3	320.8	343.1
Less: unamortised debt issue costs	(0.4)	(0.4)	(0.4)
	1,122.1	1,000.6	1,062.0

The Shareholders' loans are unsecured.

As part of MAG's strategic financial response to the COVID-19 pandemic, the Group agreed with its Shareholders to a deferral of interest charges in relation to the shareholder loans. Under IFRS 9, the change has resulted in a modification of the estimated cashflows at each reporting date, however these have not been deemed substantial modifications. As such, the change in timing of the estimated future cashflow has been adjusted in the period of change, with the corresponding income or cost being recognised in the income statement. The current estimated repayment of the deferred shareholder loan interest is expected to commence on 31 March 2024 and conclude on 30 September 2026. The Group have estimated the same repayment profile for the deferred interest as was used in the Annual Report for the year to 31 March 2022. However during the period the rise in UK interest rates has resulted in an increase in the total quantum of interest that MAG estimates it will incur on the deferred payments. This has resulted in a £4.4m modification loss being recognised in the accounts (see note 5).

Notes to the financial statements continued

for the six months ended 30 September 2022

19. 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 2022, 30 September 2021 and 31 March 2022. 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 or liquidation sale, and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

	Unaudited		Unaudited			
	30 September	30 September	30 September	30 September	31 March 2022	31 March 2022
	2022	2022	2021	2021	2022	2022
	Carrying	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	amount	£m	£m	£m	£m	£m
Financial liabilities:						
Instruments held at amortised cost						
Bank loans and overdrafts	(614.5)	(614.5)	(513.8)	(513.8)	(508.9)	(508.9)
Trade payables	(42.7)	(42.7)	(31.3)	(31.3)	(35.7)	(35.7)
Bonds	(1,438.9)	(1,110.4)	(1,437.2)	(1,572.4)	(1,438.0)	(1,458.2)
Other borrowings	(1,122.1)	(823.5)	(1,000.6)	(1,364.0)	(1,062.0)	(1,001.4)
	(3,218.2)	(2,591.1)	(2,982.9)	(3,481.5)	(3,044.6)	(3,004.2)
Financial assets:						
Instruments held at amortised cost						
Cash at bank and in hand	761.7	761.7	463.4	463.4	488.6	488.6
Trade receivables	77.0	77.0	44.6	44.6	47.5	47.5
Other assets held at fair value						
Assets held for sale	-	-	2.0	2.0	2.1	2.1
Investment properties	170.5	170.5	169.8	169.8	188.9	188.9

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.

Notes to the financial statements continued

for the six months ended 30 September 2022

19. Financial Instruments continued

Summary of methods and assumptions used for determining fair values

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

* Refer to note 11 for valuation techniques applied.

(b) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 30 September 2022 was as follows:

	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m
Fixed rate financial liabilities	(2,561.0)	(2,437.8)
Floating rate financial liabilities	(614.5)	(513.8)
	(3,175.5)	(2,951.6)

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 2022 £m	Unaudited 30 September 2021 £m
Impact on income statement	1.4	(0.5)
Impact on other comprehensive income	-	-
	1.4	(0.5)

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for the six months ended 30 September 2022

20. Lease liabilities

	Unaudited			
	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
At 1 April 2022	225.2	201.9	8.7	435.8
Additions	0.3	-	0.1	0.4
Foreign exchange movement	0.9	-	-	0.9
Interest charge for the period	6.2	5.5	0.2	11.9
Payments of liabilities	(9.3)	(5.9)	(1.1)	(16.3)
Remeasurements	7.0	15.3	-	22.3
At 30 September 2022	230.3	216.8	7.9	455.0

Maturity analysis of lease liabilities - discounted

	Unaudited			
	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Within 1 year	6.1	0.8	1.9	8.8
Within 2 to 5 years	18.7	3.4	6.0	28.1
After 5 years	205.5	212.6	-	418.1
Total	230.3	216.8	7.9	455.0

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 2022 to the contract maturity date.

	Unaudited			
	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
In one year or less, or on demand	18.2	11.9	2.2	32.3
In more than one year, but not more than two years	16.8	11.9	2.2	30.9
In more than two years but not more than five years	45.6	35.6	4.1	85.3
In more than five years	733.1	642.6	-	1,375.7
Total	813.7	702.0	8.5	1,524.2

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

Key lease arrangements

Manchester City Council (held within land and buildings):

The Group has a commitment in respect of a land lease with The Council of the City of Manchester (MCC), a related party as described in note 25. Ground rent leases are a base fee of £2.8m, and this element of the lease contributed £52.3m 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 £53.9m to the closing finance lease liability. As property element lease payments are variable depending on an index or rate, this element has given rise to a further £86.2m contribution to the closing lease liability. All elements of the main MCC lease are included in the measurement of the lease liability.

The sale of non-core property 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.

Notes to the financial statements continued

for the six months ended 30 September 2022

20. Lease liabilities continued

Key lease arrangements continued

In total, all arrangements with MCC contributes £203.5m 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 £9.3m, and £2.6m for capital investment in the network, contributing £216.9m to the closing lease liability in airport infrastructure. Remaining amounts of £0.3m 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 £13.7m to the closing right-of-use asset and lease liability.

21. Provisions

	Unaudited		
	Post sale commitments £m	Other provisions £m	Total £m
Current	-	16.8	16.8
Non-Current	2.1	-	2.1
01 April 2022	2.1	16.8	18.9
Charged to income statement	0.1	0.1	0.2
Utilised	-	(0.8)	(0.8)
30 September 2022	2.2	16.1	18.3
Current	-	16.1	16.1
Non-Current	2.2	-	2.2
30 September 2022	2.2	16.1	18.3

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 £2.2m. 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.

Notes to the financial statements continued

for the six months ended 30 September 2022

22. Retirement benefits

	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	31 March 2022 £m
Balance in schemes at the start of the period	22.1	(54.9)	(54.9)
Movement in period:			
Current service cost recognised in income statement	(0.8)	(2.4)	(3.2)
Contributions	3.9	6.1	15.2
Settlements	(119.7)	-	(7.5)
Past service costs and curtailments recognised in the income statement	-	10.4	10.4
Net income/(expense) recognised in the income statement	0.2	(0.5)	(0.9)
Total remeasurements in the statement of comprehensive income	167.8	12.6	63.0
Balance in schemes at the end of the period	73.5	(28.7)	22.1

The total of £73.5m shows the net position across the Group, however the surplus in Stansted and EMIA (£77.4m in total) cannot be offset against the deficit of the GMPF (£3.9m), so these are presented separately in the statement of financial position.

During the period the Group operated four defined benefit pension schemes as follows:

- The Greater Manchester Pension Fund (GMPF) (MAG exit 2 September 2022)
- M.A.G (STAL) Pension Scheme.
- E.M.I.A Pension Scheme.
- The Airport Ventures Pension Scheme (AVPS).

collectively the "Schemes"

STAL has a surplus of £66.5m (30 September 2021: £8.7m) which would be in the form of refunds. The Group's assessment is that it has a right to a refund of surplus under the IFRIC 14 requirements based on the scheme rules. Since the scheme closed in the prior year, the surplus can only be recognised as a right to refund.

EMIA has a surplus of £10.9m (30 September 2021: £11.7m deficit) which would be in the form of refunds. The Group's assessment is that it has a right to a refund of surplus under the IFRIC 14 requirements based on the scheme rules. Since the scheme closed in the prior year, the surplus can only be recognised as a right to refund.

The AVPS has a surplus of Nil (30 September 2021: Nil).

GMPF has a deficit of £3.9m (30 September 2021: £25.7m deficit).

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

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.

Notes to the financial statements continued

for the six months ended 30 September 2022

22. Retirement benefits continued

GMPF

On 2 September 2022, in line with the Deferred Debt Agreement (“DDA”) signed on 22 March 2022, MAG was discharged from its obligations and liabilities to GMPF, since the value of the assets equaled the value of the liabilities on an agreed exit basis. Discharging these assets and liabilities has led to a settlement, which has been recognised through Profit & Loss as an exceptional event in line with IAS 19. This cost has occurred since the assets and liabilities discharged are equal when the liabilities are valued on a very prudent exit basis.

On an exit basis there is no surplus. On an IAS 19 basis, which values liabilities on a less prudent basis than the exit basis, there is an accounting surplus on exit resulting in the settlement loss.

This settlement loss in the Profit & Loss has been more than offset by a gain in the OCI from unwinding the existing cap on the value of the scheme's surplus, as required by IFRIC 14.

The impact of this exceptional event is a net balance sheet credit of £3.0m, which is the net of the £119.7m P&L charge and £116.7m OCI credit.

Note MAG has retained an obligation to make payments in respect of the unfunded liabilities related to GMPF. This amounts to £3.9m at 30 September 2022.

23. Deferred taxation

	Deferred tax asset £m	Unaudited Deferred tax liability £m	Total £m
At 1 April 2022	35.5	(273.8)	(238.3)
(Charge)/credit to income	(9.8)	7.4	(2.4)
Charge to equity	-	(12.9)	(12.9)
Transfer from liabilities held for sale (note 14)	-	(0.5)	(0.5)
At 30 September 2022	25.7	(279.8)	(254.1)

The deferred tax asset and liability amounts at 30 September 2022 have been calculated at 25% (31 March 2022: 25%).

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 2022 £m	31 March 2022 £m
Deferred tax liabilities	(279.8)	(273.8)
Deferred tax asset	25.7	35.5
	(254.1)	(238.3)

24. 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 2022	316.6	316.6	743.3
At 30 September 2022	316.6	316.6	743.3

Notes to the financial statements continued

for the six months ended 30 September 2022

25. 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

Manchester City Council ('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 2022 the amount of loans outstanding owed to MCC by the MAHL Group was £313.9m (31 March 2022: £313.9m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (31 March 2022: £nil) to MCC during the period and paid interest of £nil (31 March 2022: £nil).

As at 30 September 2022 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 £267.9m (2021: £267.9m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (31 March 2022: £nil) to the other nine councils during the period and paid interest of £nil (31 March 2022: £nil).

Interest during the six months has been accrued on the shareholder loans to the value of £18.3m (year to 31 March 2022: £34.6m) for MCC and £15.4m (year to 31 March 2022: £29.7m) for the other nine councils. The cumulative interest accrual on the shareholder loans is £97.0m as at 30 September 2022 (31 March 2022: £76.8m) for MCC and £81.6m (31 March 2022: £66.2m) for the other nine councils.

Included in external charges are charges for rent and rates amounting to £6.9m (2021: £1.4m) and other sundry charges of £nil (2021: £0.4m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

During the period, amounts of £nil (31 March 2022: £nil) were received from MCC and the nine borough councils.

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 owns 35.5% of the share capital of the Company. During the period, the Group was party to the following transactions with IFM GIF.

As at 30 September 2022 the amount of loans outstanding owed to IFM GIF by the Group was £320.1m (31 March 2022: £320.1m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (31 March 2022: £nil) to IFM GIF during the period and paid interest of £nil (31 March 2022: £nil).

Interest during the period has been accrued on the shareholder loans to the value of £18.3m (year to 31 March 2022: £35.4m). The cumulative interest accrual on the loan as at 30 September 2022 is £97.0m (31 March 2022: £78.7m).

Transactions involving associate

As at 30 September 2022 the amounts owing were £nil (31 March 2022: £nil) and amounts owed were £nil (30 September 2021: £0.1m).

During the six months ended 30 September 2022, income amounting to £1.1m (year ended 31 March 2022: £1.3m) was earned from MAG's associate, relating to services rendered by the Group on behalf of the associate. £5.0m was distributed from the associate to MAG in the six months (year ended 31 March 2022: £1.3m invested in associate). Additionally, the group earned £0.1m from its 20% share of the associate's result for the period (31 March 2022: £0.4m).

Transactions with the pension schemes

During the period the Group operated one defined contribution pension scheme and four defined benefit pension schemes. The contributions made by the Group to those schemes during the period are detailed in note 22.

Notes to the financial statements continued

for the six months ended 30 September 2022

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

	1 April 2022 £m	Unaudited Cash flow £m	Other non-cash movements £m	30 September 2022 £m
Cash at bank and in hand	488.6	273.1	-	761.7
Cash on short term deposit	-	-	-	-
Cash and cash equivalents disclosed in the statement of financial position	488.6	273.1	-	761.7
Overdrafts	(25.7)	(109.2)	-	(134.9)
Total cash and cash equivalents (including overdrafts)	462.9	163.9	-	626.8
Current debt	-	-	-	-
Non-current debt	(2,983.2)	4.4	(61.8)	(3,040.6)
Net debt	(2,520.3)	168.3	(61.8)	(2,413.8)
IFRS 16				
Current debt	(9.8)	-	1.0	(8.8)
Non-current debt	(426.0)	4.4	(24.6)	(446.2)
	(435.8)	4.4	(23.6)	(455.0)
Net debt (including IFRS 16)	(2,956.1)	172.7	(85.4)	(2,868.8)

27. Capital commitments and contingent liabilities

	Unaudited 30 September 2022 £m	Unaudited 30 September 2021 £m	31 March 2022 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	60.0	20.0	21.8

Capital commitments have increased substantially as a result of the runway resurfacing programme at Stansted, alongside the continuation of Phase 2 of MAN TP at Manchester.

The Group has performance bonds and other items arising in the normal course of business amounting to £3.2m at 30 September 2022 (31 March 2022: £2.9m). As part of its investment in Airport City the Group has agreed to pay an equity contribution up to a maximum of £12m if required.

Notes to the financial statements continued

for the six months ended 30 September 2022

28. Alternative Performance Measures (APMs)

Overview

These APMs are primarily used to:

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

Adjusted items

Many of the Group's APMs are measures prior to the impact of adjusted items.

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

• Impairment of assets

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

• Major reorganisation of businesses and costs associated with acquisitions

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

• Costs associated with the modification of financial instruments, close out of previous financing arrangements upon refinancing

Costs associated with the refinancing and changes to debt facility agreements during the current and prior year are included within adjusted items as they are significant in size, do not form part of the underlying trading activities.

• Other specific items

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

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

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

APM	Closest Equivalent Statutory Measure	Purpose	Definition
Income statement measures			
Adjusted EBITDA	Operating profit	<p>The Group's adjusted EBITDA measure is consistent with the way that Executive Management and the Board assess the Group's financial performance.</p> <p>Additionally, it is a key metric used by the investor community to assess performance of the Group's operations.</p>	<p>Earnings before interest, tax, depreciation and amortisation prior to the impact of adjusted items.</p> <p>Reconciled to GAAP from Result from operations measured in accordance with IFRS excluding:</p> <ul style="list-style-type: none"> • Depreciation and amortisation (note 4), and; • The impact of adjusted items (note 3).

Notes to the financial statements continued

for the six months ended 30 September 2022

28. Alternative Performance Measures (APMs) continued

APM	Closest Equivalent Statutory Measure	Purpose	Definition
Income statement measures			
Adjusted Result from operations	Operating profit	Adjusted result from operations is a measure of the GAAP metric whilst adjusting for adjusted items.	Operating profit/(loss) measured in accordance with IFRS excluding the impact of adjusted items (note 3).
Earnings per share – attributable to ordinary shareholders before adjusted items	Basic earnings per share	Earnings per share – attributable to ordinary shareholders before adjusted items provides the Group's equity holders with a post-tax measure of profitability split by class of shares.	Calculated as profit after tax adjusted for the impact of adjusted items divided by the weighted average of ordinary shares (A, B & C shares).
Cashflow measures			
Adjusted cash generated from operations	Net cash from operating activities	This is a a measure of the Group's cash generation from operation and and working capital efficiency after adjusting for the impact of adjusted items.	Net cash from operating activities before the cash impact of adjusted items.
Other measures			
Net Debt	Borrowings	Net debt is a prominent metric used by credit rating agencies and investors to assess the strength of a company's balance sheet.	Borrowings less cash and cash equivalents. The measure excludes financial lease liabilities calculated under IFRS 16. Where the Annual Report references 'Net Debt (including IFRS 16)' this aggregates the Net Debt amount and the carrying value of lease liabilities
Net Senior Debt	Borrowings	Net Senior Debt is used in the calculation of the Group's leverage covenant.	Comprising the Group's Secured funding arrangements (Bonds and drawdown RCF) less cash and cash equivalents. Reconciled to GAAP measure Borrowings (by excluding the carrying value of shareholder loans) less cash and cash equivalents.
Return on Capital Employed ('ROCE')	Calculated from Result for the period/year and Net Assets	ROCE is a commonly used profitability metric to assess the efficient allocation of the Group's resources irrespective of capital structure.	ROCE is calculated from adjusted operating profit as a percentage of average capital employed, and on a historical cost basis.

Notes to the financial statements continued

for the six months ended 30 September 2022

28. Alternative Performance Measures (APMs) continued

The following analysis provides a reconciliation of each APM to their nearest equivalent statutory measure.

Reconciliation of APMs to Statutory Measures

	Note	Unaudited Six months ended 30 September 2022 £m	Unaudited Six months ended 30 September 2021 £m	Year ended 31 March 2022 £m
Operating profit/(loss) before adjusted items	4	144.5	(79.5)	(113.2)
<i>Adjusted items deducted to arrive at APM:</i>				
Impairment of assets		-	-	(9.2)
Major reorganisation of businesses and costs associated with acquisitions.		(1.8)	(6.0)	(3.5)
Legal and other items		(119.9)	9.8	(4.4)
		(121.7)	3.8	(17.1)
Operating profit/(loss)		22.8	(75.7)	(130.3)
Adjusted profit/(loss) from operations		144.5	(79.5)	(113.2)
Add back: Depreciation and amortisation	4	116.5	104.6	238.8
Adjusted EBITDA*		261.0	25.1	125.6
Cash generated from continuing operations		286.2	18.8	145.7
Total adjusted items in results for continued operations before tax		(126.1)	(21.5)	(8.3)
		(126.1)	21.5	(8.3)
<i>Add back of non-cash adjusted items:</i>				
Shareholder loan modification loss/(gain)		4.4	(17.7)	(8.8)
Impairment of property, plant and equipment		-	-	11.0
Working capital movements, relating to adjusted items		-	-	(6.6)
Curtailment gain		-	(10.4)	(10.4)
Non-cash pension settlement loss		119.7	-	2.3
Non-cash adjusted items:		124.1	(28.1)	(12.5)
Cash impact of adjusted items to be added back		(2.0)	(6.6)	(20.8)
Adjusted cash generated from operations		288.2	25.4	166.5
Total cash and cash equivalents (including overdrafts)		626.8	432.5	462.9
Non-current debt	15	(3,040.6)	(2,920.7)	(2,983.2)
Net Debt (excluding IFRS 16)		(2,413.8)	(2,488.2)	(2,520.3)
Cash at bank and in hand	26	761.7	463.4	488.6
Overdraft	26	(134.9)	(30.9)	(25.7)
Net Cash		626.8	432.5	462.9