

Manchester Airports Holdings Limited
Annual report and consolidated
financial statements for the year ended
31 March 2020.

Company registration number: 08353309



MAG

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MAG

Officers and professional advisers

Directors

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

Executive Directors

Charlie Cornish (Chief Executive)
Neil Thompson (Chief Financial Officer)
Andrew Cowan
Ken O'Toole

Non-Executive Directors

Sir Adrian Montague CBE (Chairman)
Councillor John Blundell
Sir Richard Leese
Manoj Mehta
Vanda Murray OBE
Robert Napier CBE
Catherine Schefer
Christian Seymour
Jonathan Wragg

Company secretary

Tom Keevil (Jenny Cochrane appointed 1 April 2020)

Registered office

Olympic House
Manchester Airport
Manchester
M90 1QX

Independent auditor

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

The Strategic Report is presented in six sections:

Management review – overview of the year ended 31 March 2020, along with an outlook for the year ahead;

Business overview – overview of the business model and strategy of the Group;

Financial review – presentation and explanation of the key drivers behind the financial performance reported for the year ended 31 March 2020 and analysis of the financial position of the Group as at that date;

Leadership and governance – description of the Board of Directors (the 'Board') and Committees of the Board which provide overall leadership to the Group;

Corporate Social Responsibility ("CSR") – outline of how the Group satisfies its Corporate Social Responsibility requirements; and

Internal controls and risk management – outline of the Group's internal controls, approach to risk management, the key and emerging business risks identified by the Group and the mitigation strategies adopted.

Management review

Chairman's statement

As we publish this report, the conditions being experienced across the entire global economy are exceptionally severe. The travel and tourism sectors – with aviation at their heart – are having to respond quickly to the operational challenges and shifting customer priorities caused by the coronavirus pandemic ("COVID-19").

At this time, this report provides a valuable opportunity to pause and reflect on the performance we have delivered over the past year. Before the pandemic, the Group had a successful year of growth and produced a strong set of financial results. That strength will help see MAG through this difficult period.

We expect international markets soon to reopen fully and, in time, our customers will return to flying through our airports. We must make sure we are in the best possible position to seize that opportunity and grow our business again.

Meanwhile, I want to thank all colleagues across MAG who are doing their part to keep our airports operating while this uncertainty continues. Airports are critical links in our national infrastructure at the best of times, and that role only becomes more important during times like this. You are all key workers and your contribution has made sure the UK economy continued moving throughout the pandemic. My thanks go to you all.



Sir Adrian Montague CBE
Chairman

Chief Executive Officer's Statement

Introduction

This report comes during an unprecedented period for both the aviation industry and the global economy. The spread of COVID-19 has had a profound impact on people's lives and wellbeing in a way that would have been difficult to imagine just a few months ago. Governments across the world have introduced a wide range of measures to control the spread of the virus, including tight restrictions on the movement of people both domestically and internationally.

These restrictions on travel have clearly had a severe impact on the performance of the Group and the wider aviation and travel industry over the last few months. In common with other businesses, we have acted decisively to address these challenges and this report outlines the steps we have taken as part of our initial response to the pandemic.

However, the primary purpose of this report remains to provide a summary of the Group's overall performance for the 12-month period to the end of March 2020.

We have chosen to simplify the presentation of the report this year to reduce the time and costs associated with publishing the document, reflecting our focus across the business on minimising expenditure of all kinds during this immensely difficult period.

Results for FY20

Performance over the full year to March 2020 was positive and we delivered growth in key areas across the Group. The results tell the story of a fundamentally strong, high-performing business that has the underlying ability to deliver sustained growth and good customer service.

While overall passenger numbers for the 12-month period were slightly lower than last year at 59.6 million (-3.6%), it is important to consider the Group's performance in different parts of the year to appreciate how it was performing before trading was impacted by the pandemic.

From April to December 2019, passenger numbers were 0.8% higher across the Group than the previous year, with 50.0 million passengers in this period compared with 49.6 million the year before. This represents a strong performance despite relatively slow economic growth and the collapse of Thomas Cook in September 2019, which at the time was the Group's fourth biggest customer in terms of passenger volumes.

From January to March 2020, passenger numbers were 21.3% lower than the previous year, with 9.6 million passengers in this period compared with 12.2 million the year before. This performance reflects the growing impact of COVID-19 on air travel during the final quarter, which ended with the grounding of the majority of airline fleets from around the middle of March 2020. Passenger volumes in March 2020 were 56.5% lower than the previous year. Also in March 2020, we saw the collapse of Flybe which had been a valued customer for many years and provided a network of important services across the UK.

Throughout the last quarter, MAG airports remained fully open for business, adhering closely to guidelines from Public Health England and the Department for Transport regarding social distancing and health screening on inbound flights. We are proud that our airports have played a critical role in maintaining connectivity for essential domestic and international travel, the repatriation of UK residents, as well as critical import and export capability through our air cargo operations.

Management review continued

Chief Executive Officer's Statement continued

Results for FY20 continued

The overall strong passenger performance across the year was reflected in a robust financial performance, with revenue up 3.7% and adjusted EBITDA up 6.8% (down 1.0% on a like-for-like basis, pre IFRS 16 adjustments**) despite some of the headwinds described above. This performance stood MAG in good stead as we entered the next phase of the COVID-19 pandemic in April.

This positive overall performance was partly driven by our close engagement with airline customers and our commercial approach to route development. This included a strong focus on backfilling the capacity left by Thomas Cook through the winter period, with new routes and capacity offered by airlines as diverse as Ryanair, easyJet, Jet2.com and TUI. Aside from these new routes, Air India also established ground-breaking new routes to India from London Stansted – to Amritsar and Mumbai, and Emirates doubled the frequency of its popular Dubai link from Stansted to twice daily. We had also been due to launch an important new route from Manchester to Shanghai, our third direct route to China, in April.

Over the year, we also delivered strong growth in non-aeronautical revenues. Car parking, retail and other income sources all increased, showing the value of the investment we have made in new capacity at our airports.

This same investment has been a key driver in sustained improvement in customer service levels across the Group. We have coupled these new facilities and infrastructure with a programme focused on the importance of providing a positive experience for our passengers. I would particularly like to thank colleagues for the commitment they have shown in delivering an improved passenger journey over the year.

Part of our focus on customer service is down to our investment in innovative new products, like our popular in-house lounge brands, Escape and 1903, our new PremiAir private terminal at Manchester which opened in February to superb reviews, and improved mobile and digital experiences through our unique digital business, MAG-O.

We have also been investing in bricks and mortar to prepare for our airports' growth and made good progress with our £1bn Manchester Airport Transformation Programme. A new Pier opened on time and key building work on the Terminal 2 extension, including new check-in and arrivals halls, is due to complete in the FY21 financial year. It has been great to see passengers benefiting from the new facilities already opened and we are now almost ready to take a huge step forward with the opening of new check-in, departure lounge, new restaurants and bars at Manchester, when the time is right to bring these into service.

Our diverse geographic strategy is also paying dividends. Our MAG US business now has 12 lounges open and has launched a successful car park booking product which works in partnership with airports in the US. When COVID-19 recovery is underway, our potential to grow on both sides of the Atlantic will be key and going forward we see the US as an important growth market for MAG.

This year we also launched a new five-year CSR strategy, which we have developed to support our leadership of the need to tackle both the global and local impacts of aviation. Our 2020 strategy assumes three key principles for the future. Firstly, that protecting the environment must be central to every plan we make. Secondly, that the UK must remain globally connected to be successful, and thirdly, that the UK economy needs rebalancing to enable all parts of the country to benefit from growth. Together, these three principles will ensure our continued growth is sustainable at a global and national level, but also at a local level, at a time when jobs will be needed more than ever in the communities our airports serve.

Through its chairmanship of Sustainable Aviation, MAG has also been leading the UK aviation sector in its efforts to develop a plan to reach net zero carbon by 2050. As an industry we will achieve this goal through operational improvements and airspace modernisation, exciting new technologies, sustainable aviation fuels, and carbon removal projects. We are pleased and proud to have been part of securing this ground-breaking commitment in February 2020, bringing our sector in line with the UK Government's overall zero carbon targets.

Our response to COVID-19

COVID-19 represents the greatest challenge MAG and the wider aviation industry has ever faced, and we acted quickly to reduce expenditure wherever possible to protect the long-term future of the Group.

In March 2020, we consulted with our colleagues and unions on the introduction of a package of measures to reduce our costs and preserve the Group's long-term position. These cost-saving measures included enforced annual leave, reduced working hours and temporary pay cuts. In parallel, we have carried out a comprehensive cost review, paused all non-essential capital projects and frozen recruitment. These were difficult but necessary decisions for us to take, and we recognise the impact they have had on our people.

With passenger volumes at very low levels, we have furloughed a high proportion of colleagues under the Government's Job Retention Scheme. The scheme provides important temporary support to employers and employees, and we welcomed the Chancellor's decision to extend this through to the end of October. In addition, we asked all MAG colleagues to accept a 10% salary cut for 12 months, and I am grateful to colleagues for their willingness to support the company through these challenging times. Putting all these measures in place was part of our strategy to minimise impacts on colleagues' pay and protect long-term employment.

*As explained in note 34 of the consolidated financial statements.

Management review continued

Chief Executive Officer's Statement continued

Our response to COVID-19 continued

Some elements of our operations have remained busy and made an important contribution to the UK's wider COVID-19 response. East Midlands Airport, normally the country's most important airport for cargo aircraft, continued this role and in the middle of the COVID-19 outbreak was one of the top 10 airports in Europe by air traffic movements, underlining the vital role that our airports play in the UK's logistics networks.

In recent weeks, levels of infection have been falling in most countries and governments across Europe and the rest of the world are progressively beginning to reopen their borders to international traffic. Despite this more positive outlook, we expect the process of restoring air connections to be a gradual one, and it will potentially take a number of years for passenger volumes to reach their previous levels. Over the years we have developed strong commercial relationships with our key airline partners and we will be working closely with them to reintroduce services as quickly as possible.

We have also been working closely with Government to develop a plan for the 'restart and recovery' of the UK aviation industry. In particular, we have played a key role in developing new operating protocols that will provide a safe and healthy airport environment for passengers and staff. Our contribution to this process was based on the learnings from the various trials we have done to understand how our airports will need to operate once services resume.

A position of strength

MAG faces into the COVID-19 crisis in a position of strength, financially and in terms of the fundamentals of its business, its well invested infrastructure and its people.

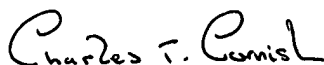
MAG has put in place a strong financial response incorporating significant cash mitigation measures across capital expenditure and costs, together with funding support from its shareholders.

Our airports play a critical role in supporting the economies and societies of the communities they serve. Across our airports in Manchester, East Midlands and London Stansted we provide connectivity to every major region of England. The prospects for long-term investment in products, facilities and infrastructure at our airports remain strong.

I am confident that MAG will recover and thrive in a new and refreshed aviation industry; one which will reward commercial, agile and well-run businesses like ours. These are times when resilient businesses can prosper despite challenging circumstances. MAG certainly has that resilience in the form of a prudent financial policy, a conservative debt position, and a pool of talent that will drive its recovery.

In the short-term we will remain focused on driving traffic levels across the group back to pre-crisis levels by working closely with our airline partners to restore services as quickly as possible, as well as rigorously controlling costs so that the business remains efficiently run throughout the recovery period. Together, the Board and the Executive team will continue to monitor the situation as it evolves and update MAG's strategic response as necessary.

I would like to conclude by thanking all of the colleagues across MAG who have worked so hard this year to welcome our guests and keep our airports running and growing, and who now are working harder than ever to support the company through the most challenging time our industry has ever faced. My thanks go to you all.



Charlie Cornish
Group Chief Executive

Business overview

Business Model and Key Priorities

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

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

The short-to-medium term impact of the COVID-19 pandemic is currently difficult to assess and it is clear that the recovery will take time, as the broader global economic impacts of the pandemic materialise, airlines consolidate, reduce the size of their fleets and reduce costs, but MAG expects traffic to return to pre-COVID-19 levels in the next two to three years.

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

Strategy

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

MAG has responded by taking decisive steps to reduce operating costs through the alignment of infrastructure and resources to meet the revised traffic demand. As Government restrictions and border controls are gradually relaxed it is expected that airlines will re-introduce flying programmes. MAG has introduced additional health measures and controls at our airports to provide a safe environment for our passengers, customers, airlines and colleagues as airlines start up their operations again.

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

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

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

We are working with Government and the industry to restart operations at the earliest safe opportunity. We are making preparations now to ensure that as lockdown measures and restrictions are slowly lifted, and flying programmes are re-introduced, we can maintain the safety and wellbeing of our passengers, customers and colleagues and provide them with a safe environment to work and travel from. Consistent with Government guidance, our safe system for air travel will adopt a risk-based approach, introducing a range of control measures and new operating processes throughout our airports to mitigate the risk of infection and transmission, these include:

- minimise passenger contact through increased contactless passenger processes;
- enhanced cleaning of all passenger areas and vehicles;
- provision of passenger sanitisation stations pre-security;
- provision of Personal Protective Equipment (PPE) to all operational frontline colleagues;
- installation of perspex protection guards to check-in desks and information desks;
- the use of face coverings for all passengers; and
- maintaining physical distancing where possible.

The COVID-19 crisis and the uncertainty it presents is likely to result in a change to the aviation landscape with a consolidation of airlines, reductions in fleet sizes, and a focus by airlines to significantly reduce operating costs. These underlying issues present MAG with several strategic risks in the short-term, that will require addressing to mitigate their potential impacts. The key risks are:

- slow recovery in passenger demand;
- slow recovery in airline capacity and pressure on aviation yields;
- changes in consumer behaviour causing lower retail and carpark yields;
- operating costs not aligned to passenger demand.

Business overview continued

These changes and the risks associated to recovery require MAG to have a clearly defined strategy for future engagement with airline and retail partners to encourage accelerated growth in the short-term, while laying the foundation for future years to support sustained traffic growth. MAG is engaging with its partners to align their requirements to support the recovery phase and future operations once traffic returns to normal. MAG will continue to offer our passengers and airlines the choice and range of products that is aligned to future policy, consumer behaviour and travel requirements.

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

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

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

Key Performance Indicators

We focus on a number of key performance measures to ensure we build value for our shareholders on a consistent basis over the long term					
Measure	Aim	Context	Progress in 2020	Progress in 2020	
Revenue (continuing operations)	Achieve long-term and steady growth in revenue	We aim to deliver sustainable growth across all areas of our business - aviation, car parking, retail and property	£893.4m 2019: £861.7m	↑	+3.7%
Adjusted EBITDA ¹ (continuing operations)	Generate a level of profit that allows re-investment in our infrastructure	We cover the cost of using our assets with income from our operations	£382.1m 2019: £357.7m	↑	+6.8% (1.0)% <i>like-for-like</i>
Result from operations (continuing operations)*	Achieve steady and increasing profit from operations	We expect all our operations to positively contribute to the Group's result. Result presents before impact of significant items	£182.7m 2019: £194.5m	↓	(6.1)% (15.9)% <i>like-for-like</i>
ROCE ²	Achieve a healthy ROCE which exceeds our cost of capital	We generate profits which cover the cost of investing in our asset base	7.4% 2019: 8.3%	↓	(10.8)%
Occupancy rates ³	Achieve a high level of occupancy on lettable property	We generate improved revenue by maximising occupancy of our existing property portfolio	98.1% 2019: 95.2%	↑	+3.0%
Investment property value ⁴	Generate growth in capital value of our property portfolio	We manage our property portfolio to realise maximum value from disposals and re-invest in new developments	£570.3m 2019: £552.6m	↑	+3.2%
Capital investment*	Provide effective investment in operational assets to improve efficiency and support growth	We invest in opportunities that generate the best shareholder value, and enhance the quality of our airport services	£540.7m 2019: £590.9m	↓	(8.5)%
Adjusted cash generated from operations ¹	Convert our operating profits into cash	We focus on converting our operating profits into cash to fund further investment and returns to shareholders	£402.5m 2019: £388.9m	↑	+3.5% (3.7)% <i>like-for-like</i>
Shareholder return	Generate growth in distributions for shareholders	We provide returns to reward the shareholders' investment	£231.9m 2019: £223.3m	↑	+3.9%

Key Performance Indicators continued

Measure	Aim	Context	Progress in 2020	Progress in 2020	
Market share ⁵	Grow our share of the market	Measures the performance of MAG compared to the UK market	28.5% 2019: 28.5%	-	0%
Passengers (m)*	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	59.6m 2019: 61.8m	↓	(3.6)%
Departure punctuality ⁶	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations	78.8% 2019: 70.1%	↑	+12.4%
Destinations ⁷	Provide access to all major global holiday and business destinations	As a premier airport services company, we aim to provide access to anywhere in the world from our airports	286 2019: 286	-	0%
Carbon Reduction - CO2 emissions ⁸	Minimise the environmental impact of our operations	We closely monitor our CO2 emissions and environmental impact	0.222 2019: 0.210	↑	+5.7%
Number of people within noise footprint ('000s)	Being good neighbours with our communities	Minimising the impact of our operations on the local community	38.2 2019: 38.3	↓	(0.3)%
Number of training placements provided ⁹	Supporting work in our communities	Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies	706 2019: 759	↓	(7.0)%
Health and Safety RIDDOR - reportable accidents ¹⁰	Maintain robust health and safety standards	The safety of our customers and colleagues is extremely important to us, and we value a safe working and operating environment for all.	12 2019: 20	↓	(40.0)%

*The reduction in the Group's Key Performance Indicators is explained within the Financial Review.

•As explained in note 37 of the consolidated financial statements.

1. As explained on page 11.

2. ROCE (return on capital employed) is calculated from adjusted operating profit as a percentage of average capital employed, and on a historical cost basis.

3. Measured as let space as a percentage of full occupancy space

4. Investment property related to the Group's core property and the non-core property classified as assets held for sale.

5. Market share excludes Heathrow Airport.

6. Measured as a percentage of departures within 15 minutes of scheduled departure time. The improvement seen on the prior year is driven largely by external factors and ground handling protocol and contractual changes. We continue to work closely with all our airline partners and service agents to minimise the level of disruption and delays.

7. The KPI relates to individual airports.

8. We measure carbon intensity against traffic units, which are defined by the International Air Transport Organisation as equivalent to 1,000 passengers or 100 tonnes of freight. This year we have changed the scope of reported emissions so that it aligns with government's new Streamlined Energy and Carbon Reporting requirements, and we have restated 2018/19 emissions accordingly. Over the last five years, the emission intensity of our operations has reduced by 12%. Although our total energy use reduced this year, the emission intensity of our operations increased by 6%. This is because, due to the impacts of the COVID-19 pandemic and two airline customers ceasing trading, traffic units reduced by 3.3% and our use of vehicle fuel increased. All residual emissions have been offset, and our CSR Strategy includes a commitment to transition to zero carbon operations. More information about our carbon footprint is provided at page 36 of this Report.

9. There was a slight reduction in the number of training placements provided. This is due to COVID-19 restrictions and low unemployment figures reducing the number of training referrals from Job Centres local to East Midlands Airport.

10. MAG's health and safety performance remains strong with a consistently low accident frequency rate. We experienced an increase in minor injuries resulting in absences of more than 7 days off work during 2018-19, improvements to return to work processes has seen this figure significantly improve over the last 12 months. Our analysis of MAG's performance against other UK airports shows that MAG's health and safety performance is one of the strongest of UK airports.

Financial review

Introduction

The following financial review, based on the consolidated financial statements of the Group, provides commentary on the performance of the Group's operations. The Group prepares its consolidated financial statements under International Financial Reporting Standards ('IFRS') as adopted by the EU.

Headline Financials

MAG delivered a reported EBITDA result of 6.8% growth after IFRS 16 adjustments, and 1% reduction on a like-for-like basis. The impact of COVID-19 on both these figures was a drag of around 3%, with underlying EBITDA growth being around 2% year on year. Whilst passenger numbers fell by 3.6% to 59.6m, improved yields resulted in 3.7% increase in revenue from continuing operations to £893.4m. This revenue uplift enabled the Group to deliver £382.1m in Adjusted EBITDA* from its continued operations (a 6.8% increase over the prior year). When stripping out the one-off impact of adopting IFRS 16 on the headline figures, the adjusted EBITDA* delivered is within 1% of last year's record level. In the face of the combined impacts of COVID-19 and the collapse of both Thomas Cook and Flybe during this year, the delivery of comparable year on year EBITDA levels is a solid performance by the Group.

	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m	Change £m	Change %	Year ended 31 March 2020 Like-for-like† £m	Like-for-like Change† £m	Like-for-like Change† %
Passenger numbers	59.6	61.8	(2.2)	(3.6%)	59.6	(2.2)	(3.6%)
Revenue – continuing operations	893.4	861.7	31.7	3.7%	893.4	31.7	3.7%
Revenue – discontinued operations	28.9	27.7	1.2	4.3%	28.9	1.2	4.3%
Adjusted EBITDA* – continuing operations	382.1	357.7	24.4	6.8%	354.1	(3.6)	(1.0%)
Adjusted EBITDA* – discontinued operations	25.4	22.1	3.3	14.9%	25.4	3.3	14.9%
Result from operations* – continuing operations	182.7	194.5	(11.8)	(6.1%)	163.5	(31.0)	(15.9%)
Result from operations* – discontinued operations	19.0	16.3	2.7	16.6%	19.0	2.7	16.6%
Result before taxation – continuing operations	75.4	155.0	(79.6)	(51.4%)	78.1	(76.9)	(49.6%)
Result before taxation – discontinued operations	13.5	30.6	(17.1)	(55.9%)	13.5	(17.1)	(55.9%)
Adjusted cash generated from operations	402.5	388.9	13.6	3.5%	374.5	(14.4)	(3.7%)
Capital investment	540.7	590.9	(50.2)	(8.5%)	540.7	(50.2)	(8.5%)
Dividends paid in period	199.3	174.7	24.6	14.1%	199.3	24.6	14.1%
Net Debt – including IFRS 16	(2,670.5)	(1,799.7)	(870.8)	48.4%	n/a	n/a	n/a
Net Debt – Excluding IFRS 16	(2,253.5)	(1,799.7)	(453.8)	25.2%	n/a	n/a	n/a
Equity shareholders' funds	1,345.7	1,492.7	(147.0)	(9.8%)	1,348.5	(144.4)	(9.7%)

† The adoption of IFRS 16 changes the calculation of a number of key metrics for the business but does not permit restatement of prior period comparatives. Consequently, to assist the comparability of 2019 and 2020 the year on year change has been calculated if these were calculated on a consistent basis across both years. See note 37 of the financial statements for the IFRS 16 to IAS 17 reconciliation.

• As explained on page 11.

Financial review continued

Measures used to assess performance

The Group uses a number of measures to assess financial performance that are not defined within IFRS and are widely referred to as 'Alternative Performance Measures' ("APMs"). The directors use these measures to review the performance of the Group, as evidenced by performance targets being significantly based on Adjusted EBITDA¹.

The APMs referred to in this report are:

- Adjusted EBITDA¹;
- Adjusted operating profit²; and
- Adjusted cash generated from operations³

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

For example, costs incurred owing to the COVID-19 pandemic, restructuring activities, additional expenditure owing to Group transformation activities, and Merger & Acquisition activity are considered one-off and are presented within Significant items as adjustments to the IFRS measures of financial performance.

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

Summary trading performance

Summary of Revenue Stream	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m	Change £m	Change %
Aviation income	361.2	354.5	6.7	1.9%
Retail concessions	200.0	198.1	1.9	1.0%
Car parking	234.8	221.4	13.4	6.1%
Property & property related income	18.7	18.5	0.2	1.1%
Other	78.7	69.2	9.5	13.7%
Total Revenue - continuing operations	893.4	861.7	31.7	3.7%
Total Revenue - discontinued operations	28.9	27.7	1.2	4.3%

Summary of Revenue by Division	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m	Change £m	Change %
Manchester Airport	434.4	425.7	8.7	2.0%
London Stansted Airport	365.2	359.3	5.9	1.6%
East Midlands Airport	71.1	68.9	2.2	3.2%
MAG Property	2.6	0.6	2.0	333.3%
Group, Consolidation and other	20.1	7.2	12.9	179.2%
Total Revenue - continuing operations	893.4	861.7	31.7	3.7%
Total Revenue - discontinued operations	28.9	27.7	1.2	4.3%

NOTES:

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

²Adjusted operating profit is operating profit before significant items.

³Adjusted cash generated from operations is cash generated from operations before significant items.

Financial review continued

Summary Trading Performance continued

Adjusted EBITDA* by Division	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m	Change £m	Change %
Manchester Airport	201.6	190.1	11.5	6.0%
London Stansted Airport	170.4	166.4	4.0	2.4%
East Midlands Airport	24.9	23.4	1.5	6.4%
MAG Property	(4.2)	(3.8)	(0.4)	10.5%
Group, consolidation and other	(10.6)	(18.4)	7.8	42.4%
Total Adjusted EBITDA* - continuing operations	382.1	357.7	24.4	6.8%
Total Adjusted EBITDA* - discontinuing operations	25.4	22.1	3.3	14.9%

Results from operations by Division	Year ended 31 March 2020 £m	Year ended 31 March 2019 £m	Change £m	Change %
Manchester Airport	106.3	108.9	(2.6)	(2.4%)
London Stansted Airport	108.4	104.0	4.4	4.2%
East Midlands Airport	11.8	11.6	0.2	1.7%
MAG Property	(4.2)	(3.9)	(0.3)	(7.7)%
Group, consolidation and other	(39.6)	(26.1)	(13.5)	(51.7)%
Total result from operations - continuing operations	182.7	194.5	(11.8)	(6.1)%
Total result from operations - discontinuing operations	19.0	16.3	2.7	16.6%

This year saw the impact of the collapse of Thomas Cook in September 2019 and the dual impact of COVID-19 and the collapse of Flybe later in March 2020. MAG successfully addressed the initial passenger gap experienced earlier in the year and by the end of February 2020 passenger volumes were 0.5% higher than the previous year, which was a record year for the Group. However, the 3% drag of COVID-19 and the impact of Thomas Cook and Flybe upon annual passenger numbers, which impacted in March 2020, resulted in MAG's passenger figures for the full year finishing 3.6% lower than 2019.

Despite the overall reduction in passengers across the entire year, MAG was still able to post an increase revenue in of 3.7% from its continuing operations. The main drivers of the increased revenue in 2020 were the improved yield in car parking and aviation income coupled with increases in cargo turnover, particularly at our East Midlands operation, and substantial revenue growth in our US business as more lounges came on stream.

Aviation income of £361.2m has grown 1.9% on the prior year, despite the £6.5m combined impact of Thomas Cook and Flybe against forecast. The revenue uplift achieved reflects improved aviation yields of between 4-5% at both Manchester and London Stansted, and an uplift in cargo income of 13.8% to £28.4m, predominantly at East Midlands.

Retail income of £200.0m has grown by 1.0% on the prior year, impacted by the reduced passenger volumes. Growth achieved in the year largely being driven by improved yields in Food and Beverage at Stansted in the 11 months to February 2020 and increased lounge volume in MAG US.

Car Parking yield improvements continued to grow strongly, with revenues 6.1% higher than the prior year at £234.8m. All airports delivered improved yields of between 8-9%. The growth was also assisted by the recent acquisitions of the Looking4Parking and SkyParkSecure businesses, delivering a full year of revenue for the first time and car parking revenue contribution coming from the US operations.

The revenue within the Group, consolidation and other division has increased due to the inclusion of MAG US, with revenue increasing in line with the number of lounges in operation during the year. Whilst results from operations has significantly declined due to the Group's restructuring of the defined benefit pension scheme, included within significant items.

The operating profit in MAG's Property division has remained relatively static in comparison to prior year. The results exclude the trading performance of the non-core property portfolio which is now classified a discontinued operation due to being subject to a sales process at the year end.

* As explained on page 11.

Financial review continued

Summary Trading Performance continued

Other income, which includes utility cost recharges, fees for airline services and aviation fuel sales, increased by £9.5m (13.7%) on the prior year. The increase is principally due to Utilities recoveries, common use passenger processing system and baggage handling.

Overall costs, excluding significant items, depreciation and profit on disposal of property, plant and equipment, increased by £5.4m to £511.3m. The business experienced an underlying £33.0m increase in costs, £20.0m relating to increased expenditure at Manchester and Stansted (largely to support customer service and security). This has been offset by IFRS 16 resulting in a reclassification of £28.0m lease costs from other operating costs to depreciation and finance costs, as a result of the implementation of IFRS 16.

Depreciation and amortisation costs relating to continuing operations are £27.0m (17.6%) higher than the prior year at £180.8m, reflecting more of the Group's infrastructure works being brought into use and an additional £8.8m of depreciation relating to leases following the adoption of IFRS 16.

The Group undertook various planned inorganic growth and restructuring programmes during the year, most notably in relation to the additional pensions and associated costs of £12.2m including the McCloud judgement (£1.8m), the transfer of employees from the Group's defined benefit to a defined contribution scheme (£10.4m), and £6.2m of costs relating to the planned sale of the Group's non-core property portfolio. Additional expenditure was incurred as a result of restructuring within the Group, proposed acquisitions, and additional expenditure relating to MAN-TP. Combined these have resulted in a total of £24.8m being recognised as a Significant item within the consolidated income statement, of which £18.6m relate to continuing operations.

After deducting the above depreciation, amortisation and significant items from Adjusted EBITDA*, the result from operations for the year is £182.7m, a decrease of £11.8m (6.1%) on the prior year largely driven by: the drag factor of COVID-19 experienced during March 2020; the increase in significant items charges; and higher depreciation levels, more than offsetting the underlying increase in Adjusted EBITDA*.

Impact of COVID-19 on Financial Performance

To fully appreciate the trading performance of the Group and the scale of the impact of COVID-19, a distinction needs to be drawn for the performance for the first 11 months under normal conditions and the impacted month of March 2020. In the 11 months to February 2020 the Group's UK airports were 6.0% higher in Revenue and 4.6% higher in Adjusted EBITDA*. However, March 2020 saw 2.5m fewer passengers which led to lower revenue of £20.1m and impacted the Group's Adjusted EBITDA* by £12.1m compared to the same period in March 2019, an effective 3.0% drag on the full year's Adjusted EBITDA*.

The anticipated sale of the Group's non-core property portfolio was also impacted as a result of the pandemic with the prospective purchaser no longer being able to complete amidst the current uncertainty in the market. MAG is strategically intent on the disposal of its non-core properties as part of its focus on its more core airport business and has remained actively marketing the non core property portfolio at the year end. Consequently, this business is called out as discontinued activities in these financial statements.

In addition to the impact on demand, MAG has also considered the impact of COVID-19 on the Group as a going concern (covered in the Basis of Preparation at page 50), and the carrying value of both its non-financial and financial assets. COVID-19 is an impairment trigger that has resulted in the Group reviewing the carrying value of its significant assets. Management's testing concluded that there was no impairment to be made in the financial statements in relation to its non-financial assets. Management acknowledge the challenges of estimating the recoverable amounts of its assets given their dependency on future cashflows, which depend upon the duration of the pandemic and the social restrictions implemented by governments. As a result, the accounting policies section on page 50 provides more detail of the impairment testing process undertaken and the assumptions used in arriving at the impairment quantification.

Business outlook

In addition to impacting the financial results for the year ended 31 March 2020, MAG have put in place a wide-ranging strategic response for the business beyond the reporting date including:

- As for most enterprises during the COVID-19 outbreak, MAG has undertaken a significant review which confirms that the going concern assumption can be applied in the preparation of these financial statements. Management's assessment of going concern, including the material uncertainty that the impact of COVID-19 represents, is detailed in the Basis of preparation at page 50;
- keeping the airport infrastructures operational but in a safe environment for our customers and our staff in the short-term. Even with a diminished passenger footfall, the Group's facilities perform vital functions in the current environment such as dealing with returning repatriation flights or as a cargo hub vital to the import of supplies into the UK;
- significant cash mitigation measures have been put in place across capital expenditure and costs; and
- securing £300m additional funding in the form of shareholders loans as well as deferring shareholder loan payments and dividends.

MAG's business has strong fundamentals well invested infrastructure and talented people. Through these actions MAG should successfully navigate the current situation and be well positioned to benefit from the rebound and recovery.

* As explained on page 11.

Financial review continued

Trading units

Manchester Airport

Manchester Airport delivered another good year with 28.2m passengers travelling through the airport in the year to 31 March 2020, a decrease of only 1.4% over the prior year, with the decrease being directly due to the impact of COVID-19.

			Variance	
	2020	2019	£m	%
Passengers (million)	28.2	28.6	(0.4)	(1.4%)
Revenue (£m)	434.4	425.7	8.7	2.0%
Adjusted EBITDA* (£m)	201.6	190.1	11.5	6.0%

£ per Passenger	2020	2019	2018
Aviation	6.3	6.1	6.1
Commercial	8.5	8.3	7.7
Operating costs	11.6	11.0	10.0

Up to the end of February, Manchester had a throughput of passengers 2.9% ahead of the prior year despite the loss through the collapses of Thomas Cook (1.1m) and Flybe (0.2m). Manchester was able to successfully mitigate its passenger throughput by increasing its volumes with Jet2.com and easyJet. However, the impact of COVID-19 in March 2020 resulted in reduced activity such that the full year position ended 1.4% lower.

Despite the marginal reduction in passengers over the course of the year, Manchester experienced solid growth in total revenue by 2.0% over the prior year to £434.4m. Improved aviation yield resulted in an aviation revenue improvement of 2.9% to £179.0m. Commercial revenues also saw good growth of 1.5%, mainly driven by car parking yield improvements.

The airport has continued to invest in customer service during the year with additional employee customer services spend in security and terminals and a higher depreciation charge reflecting the infrastructure investment. Consequently, operating cost per passenger have risen to £11.6 given the relatively flat pax levels. Manchester has been able to deliver an increase of 6.0% to Adjusted EBITDA* which has increased to £201.6m (with £14.9m of the £11.5m increase being due to the adoption of IFRS 16). A significant proportion of the cost increase was as a result of additional depreciation with result from operations reduced by £2.6m (2.4%) compared to the prior year (a reduction of £17.5m on a like-for-like basis).

During March 2020, activity levels on the MAN-TP project were significantly slowed down, reducing capital expenditure by £340m, to ensure that investment was focused on the completion of the eastern section of Terminal 2, with further phases of the MAN-TP programme pushed back until the economic environment normalises.

London Stansted Airport

London Stansted Airport has experienced a reduction of 5.3% in passenger numbers over the course of the whole year with a total of 26.9m passengers.

			Variance	
	2020	2019	£m	%
Passengers (million)	26.9	28.4	(1.5)	(5.3%)
Revenue (£m)	365.2	359.3	5.9	1.6%
Adjusted EBITDA* (£m)	170.4	166.4	4.0	2.4%

* As explained on page 11.

Financial review continued

Trading units continued

Stansted Airport continued

£ per Passenger	2020	2019	2018
Aviation	5.8	5.5	5.6
Commercial	7.6	7.0	6.9
Operating costs	9.8	9.0	9.2

Up to the end of February, London Stansted had delivered a solid performance with passenger numbers only 1.0% down on the previous record-breaking year, despite the loss of Thomas Cook and a reduction in capacity with Ryanair, annualized passenger volume decrease of 7.4%. International travel improved owing to a significant increase in Jet2.com traffic.

Despite the reduction in passengers, total revenue has increased by 1.6% to £365.2m. Improved yield enabled aviation income to increase marginally to £156.1m, boosted by an uplift in cargo. Additionally, London Stansted was able to deliver a 2.3% increase in commercial revenues, with the main driver of growth being a 2.8% uplift in car parking revenues.

MAG slowed the pace of construction on the STN-TP project to reflect the revised expected demand levels with expenditure focused on components of the programme already in progress such as enabling works for the arrivals terminal.

The result of performance in the financial year has led to an Adjusted EBITDA* position which has increased by £4.0m (2.4%) to £170.4m (a reduction of £7.4m on a pre IFRS 16 like-for-like basis) and with results from operations rising by £4.4m to £108.4m (like-for-like reduction of £7.0m) with improved yields offsetting the increased costs and reduction in passenger numbers.

East Midlands Airport

East Midlands Airport has a very important dual role as the biggest airport for dedicated cargo traffic in the UK, and as a passenger airport.

			Variance	
	2020	2019	£m	%
Passengers (million)	4.5	4.9	(0.4)	(8.2%)
Revenue (£m)	71.1	68.9	2.2	3.2%
Adjusted EBITDA* (£m)	24.9	23.4	1.5	6.4%

£ per Passenger	2020	2019	2018
Aviation	5.8	5.1	4.7
Commercial	9.2	8.4	8.9
Operating costs	13.1	11.8	11.0

Revenue has increased by 3.2% to £71.1m, with cargo performance driving the revenue growth, showing a 13% increase in activity from the prior year, reflecting the airport's reputation as a key cargo hub for the UK. Over the last month of the year this cargo role took on increased significance as COVID-19 impacted the UK.

Passenger numbers decreased by 8.2% principally due to loss of traffic from Thomas Cook and Flybe and the impact in March 2020 of COVID-19. Adjusted EBITDA* has increased by 6.4% to £24.9m (2019: £23.4m), with the business reducing its non-employee cost base and a small improvement of £0.4m due to the implementation of IFRS 16. The revenue growth has been driven by increases in cargo, which partially explains the increase in operating costs per passenger experienced in the period.

* As explained on page 11.

Financial review continued

Assets held for sale/ Discontinued operations

As disclosed in the Interim report the Group commenced the marketing of its non-core property portfolio and a 50% shareholding in the Airport City joint venture. The market for these assets is still active and as such management have maintained the classification of assets held for sale for the full non-core property portfolio with the performance of the non-core property being classified as discontinued operations.

Property

The MAG Property division manages the investment portfolio comprising offices, hotels and cargo properties, and is also responsible for managing the Group's investment in the Airport City project. The result from operations in MAG's Property division (excluding discontinued operations) declared a £4.2m loss.

The investment properties are revalued to fair value at each reporting date by independent property valuers and factored in the Group's anticipated proceeds from the sale of the non-core property portfolio. The £10.1m upward revaluation, (£9.2m held within discontinued operations), represents a 1.8% underlying increase in the value of the portfolio. MAG Property has a solid portfolio of tenants on an investment property portfolio of £570.3m as at 31 March 2020 (2019: £555.2m). With the marketing for sale of the Group's non-core property portfolio, £432.8m of investment property is held within assets held for sale at 31 March 2020 (2019: £2.6m).

MAG's shareholding during the period in the Airport City development at Manchester Airport remained at 70%. As MAG does not exercise contractual control of the joint venture, the Group has continued to account for its investment on an equity basis. A carrying value of £24.6m is attributed to the Group's shareholding as at 31 March 2020. Of this total value, £17.6m has been reclassified as assets held for sale owing to the active marketing of a 50% share.

MAG US

As part of the overall Group strategy, opportunities were identified to utilise MAG's existing expertise, drawn from its running of the three UK airports, to provide a unique offering to the North American market, exploiting potential long-term opportunities across passenger lounges, car parking services and the development and operation of terminal and/or retail concessions.

Despite the impact of COVID-19 in March 2020, MAG US delivered a breakeven performance in terms of Adjusted EBITDA*. MAG has added to its US business with the launch of six additional lounge concessions. This has increased the Group's operations to 12 by the end of March 2020 (2019: 6) with a further one lounge concession won subject to contract. Additionally, MAG is now operating two car parking concessions in the US at Ontario International Airport and at Burbank. The Group is in the process of securing further car parking concessions with a further six concessions in the process of contracting.

Post year end the Group has acquired 100% of the share capital of airportparkingreservations.com LLC and parksleepyfly.com LLC; see note 38 for further details.

Cashflow

Cash generated from continuing operations has increased by £13.6m to £394.4m (3.6%), in comparison to the record 2019 levels. Whilst the increase is largely due to the £28.0m reclassification of operational cashflows as a result of the implementation of IFRS 16 (as set out at Note 37). However, the cash generation equates to 105% of EBITDA due to the business maintaining the strong working capital management that has seen the Group efficiently turn profit into cash.

Group Cash flow (£m)	2020	2019	% Change
Adjusted cash generated from operations*	402.5	388.9	3.5%
Significant items	(8.1)	(8.1)	-
Cash generated from operations	394.4	380.8	3.6%
Net operating cash from discontinued operations	19.2	20.6	(6.7%)
Interest and tax	(169.9)	(139.2)	22.1%
Net cash used in investing activities	(509.1)	(560.1)	(9.1%)
Dividends paid	(199.3)	(174.7)	14.1%
Net cash from financing activities	703.5	485.1	45.0%
Net increase in cash and cash equivalents	238.8	12.5	1,810.4%
Net debt (excluding IFRS 16)	(2,253.5)	(1,799.7)	25.2%
Net debt (including IFRS 16)	(2,670.5)	(1,799.7)	48.4%
Net increase in cash and cash equivalents	238.8	12.5	1,810.4%

* As explained on page 11.

Financial review continued

Financing and interest

MAG's financing strategy incorporates its strong investment grade ratings with Fitch and Moody's and a long-term financing structure to support growth. Maintaining this financial stability, even during the Group's recent transformation activities, places the Group in a strong position to maintain its operational capabilities and benefit from the upturn in demand levels when they arrive.

Group net debt (excluding leases) has increased to help fund investment in its key infrastructure projects, to £2,253.5m (representing an increase of 25.2%). Funding for infrastructure has come from a balance of cash generation, shareholder loans and additional debt. The adoption of IFRS 16 contributed an extra £417.0m to group debt. Consequently, Group debt of £2,941.8m comprises: long-term fixed rate bonds (£1,441.4m); shareholder loans (£601.5m); and drawdown funds from the £500m Secured Revolving Credit Facility (£481.9m) and lease liabilities (£417.0m); offset by cash of £273.1m as at 31 March 2020.

Underlying interest payable has increased by 27.6% to £125.7m reflecting the uplift in Group net debt and the additional proportion of funding through shareholder loans which were in place for the full year. Group net interest payable in the financial statements amounts to £124.2m and reflects an increase of 66.7% in comparison to the prior year. In addition to the underlying interest this increase is primarily due to the recognition of £21.9m of lease liability interest for the first time owing to the implementation of IFRS 16. The capitalisation of £23.4m (2019: £24.0m) of borrowing costs relating to capital investment programmes, in line with IAS 23 and the Group's accounting policies were consistent with prior year.

During the year, the Group secured an additional £350m of funding through a bond issue in May 2019. These additional funds provided the Group with significant funding headroom ahead of the COVID-19 downturn despite the aforementioned deferral of the non-core property portfolio sale. Consequently, the Group had £271.3m in cash at the year end having fully drawn down its funds on the revolving credit facility. Along with a prudent cost management process around discretionary expenditure, curtailment of transformation activity, postponing of shareholder loan interest and final year-end dividend, this responsible treasury management approach enables the Group to place itself in the best position to address current market conditions until the market returns to normal levels.

In response to the COVID-19 pandemic the Group has implemented a strategic financing response, which is outlined in greater detail in the Basis of Preparation on page 50 and in note 38 to the financial statements and includes the Group securing an additional funding of £300.0m in the form of shareholder loans.

Capital expenditure

The Group has made an investment of £540.7m in its infrastructure during the year, with MAN-TP representing 52.0% of the Group's total capital expenditure. MAG has seen good progression in the programme during the year with Pier 1 in Terminal 2, along with one of the major investments in car parking, coming online in April 2019 and the Terminal 2 Extension due to come online in the financial year FY'21.

Following the outbreak of the COVID-19 pandemic in the UK, MAG has reduced and refocused expenditure on its capital projects given the anticipated reduction in passenger demand levels over the near future.

Leases (IFRS 16)

In the year ending 31 March 2020 the Group implemented IFRS 16. The Group has implemented the new accounting standard applying the modified retrospective method. The impact of the new standard on the financial statements for the year ended 31 March 2020 was to recognise leases on the balance sheet that had previously been recognised as an operating lease. Consequently, the Group recognised a right of use lease asset of £414.8m and a lease liability of £417.0m at the year end. Additionally, the new standard impacted upon the presentation of the Group's Income Statement and Cashflow Statement, and increased EBITDA and Net cash from operating activities by £28.0m, with an immaterial impact on profit before taxation.

The new standard changes the calculation of some of the Group's key performance metrics under both IFRS and APMs. However, the use of the modified retrospective method of adoption does not permit the restatement of comparative figures. Consequently, to aid the user's assessment of underlying year on year financial performance of the business, the headline numbers section of this review also detail the year on year movements on a like-for-like basis, and a full reconciliation of the impact of the transition to IFRS 16 from IAS 17 (the previous standard) is detailed at note 37 to the financial statements.

Financial review continued

Pensions

The accounting deficit for all Group schemes is calculated by the Directors and supported by independent scheme actuaries, PwC, who incorporate data taken from a number of sources in calculating the closing deficit position at the year end across the four defined benefit schemes. The Greater Manchester Pension Fund (GMPF) comprises 70.1% (2019: 45.5%) of the net aggregate Group pension scheme deficit.

Summary of changes in aggregate pension scheme deficit	£m
Deficit as at 31 March 2019	(83.9)
Current service & past service cost	(14.4)
Other financial expenses	(1.8)
Contributions	13.1
Curtailment gain	9.4
Actuarial gain	31.4
Deficit as at 31 March 2020	(46.2)

During the year the aggregate of the Group's defined benefit schemes moved with the IAS 19 accounting deficit of £83.9m reduced to £46.2m. The month of March 2020 saw significant volatility in the global financial markets and whilst the overall deficit position is relatively neutral in comparison with one year ago this reflects a reduction in the region of £58.5m of the schemes assets values which were more than offset by a reduction in the schemes liabilities of £96.2m driven largely by lower inflation rates.

In addition to the revisions in actuarial assumptions the deficit was also impacted by contributions of £13.1m in the year which were marginally less than the current and past service cost and other expenses of £14.4m, and by two non-recurring transactions: the McCloud judgement of £1.8m; and a £9.4m curtailment of the defined benefit scheme, both of which occurred in the first half of the current financial year.

Following the McCloud judgement in December 2018, it was expected that this ruling would have an impact upon public service pension schemes. The ruling determined age discriminatory changes were made to LGPS schemes in 2015, of which the GMPF pension scheme is a fund. The actuarial assessment has estimated an impact of £1.8m to the Group and this has been reflected in the liability and the cost disclosed as a significant item for the period.

As part of MAG's pension risk management strategy, during the period MAG offered the opportunity for members in the MAG defined benefit pension schemes to cease the accrual of benefits in those schemes in return for building up benefits in an enhanced defined contribution scheme.

The payments due to the scheme members taking up the offer have been reflected in the Group accounts for the year ended 31 March 2020. This additional charge of £17.2m has been partially offset by the resulting curtailment benefit of £9.4m arising in the defined benefit schemes. A net charge of £7.8m has been reflected as a charge to the income statement and has been reflected in significant items in the financial statements for the year ended 31 March 2020.

Taxation

The underlying effective current tax rate of 45.4% (2019: 29.1%) is higher than the standard rate of corporation tax of 19%. The underlying effective current tax rate is impacted by the change of deferred tax rate from 17% to 19% and the level of disallowable depreciation in excess of capital allowances, which has been the case since the abolition of industrial building allowances. The total tax charge of £61.9m in the consolidated income statement is higher than the £42.2m charge in the prior year.

Equity Shareholders funds and dividends

Equity shareholders' funds are £1,345.7m as at 31 March 2020 (2019: £1,492.7m). The movement comprises £27.0m profit after tax and significant items, gains on remeasurement of pension liabilities (net of tax) of £23.9m, recorded in equity, tax rate change of £1.7m, foreign exchange loss of £0.3m on the investment in MAG US and the payment of dividends of £199.3m comprising a £128.0m dividend paid for the year ended 31 March 2019, and an interim dividend for the year ended 31 March 2020 of £71.3m. All dividends were proposed and paid by the Group prior to the start of the COVID-19 pandemic.

The Group has a long-term objective to grow dividends to shareholders in a sustainable manner. Owing to the impact of COVID-19 upon the Group's current trading outlook there is no proposed final dividend for the year ended 31 March 2020.

Financial review continued

Post-balance sheet events

Following a sustained period of growth and strong financial performance, MAG faces into this crisis in a robust financial position and has put in place a strong financial response to COVID19 since the year end. MAG reacted quickly to put in place measures to mitigate the cash impact across capital expenditure and costs, shareholders have injected £300.0m in shareholder capital into the business, and our debt holders agreed to waive certain financial covenants attached to their borrowing, to acknowledge the unprecedented circumstances and the strong financial response put in place by MAG. Together, this package of measures puts MAG in a robust financial position.

On 26th June 2020 the Group obtained the approval from its Banks and Bondholders for the waiver of the requirement to perform loan covenant testing as at 30 September 2020 and 31 March 2021. Additionally, MAG's shareholders have injected £300.0m of funds into the Group.

As a response to COVID-19 the Group reduced and refocused its transformation activity at both Manchester and Stansted with the focus being to complete the current phase of work at both airports. The phasing of future phase transformation activity will align as demand levels return.

On 21 May 2020 MAHL issued C-Shares to MCC and the Manchester District Councils to fund the £56.1m A2/A3 car park at Manchester Airport. The Group had received £18.7m of funds relating to the share issue prior to the year end and accounted for these within other payables. The full £56.1m has been reclassified to equity subsequently to the year end on completion of the share issue.

On 22 June 2020 the Group acquired 100% of the share capital of airportparkingreservations.com LLC ("APR") and parksleepfly.com LLC ("PSF") with approximately 55% (\$30m USD) of the estimated cash consideration being payable in the financial year, with deferred consideration payable in April 2021 and a potential third tranche of consideration payable in April 2022 contingent upon US passenger numbers.



Neil Thompson
Group Chief Financial Officer

Leadership and governance

As we describe in the strategic report, this year has been unprecedented. It is a testament to a combination of the dedication, resilience and strength of our senior management team (and in turn their teams, and our staff generally), their business resilience plans, our Board's diverse skills and an appropriate governance and internal control framework that we have been able to navigate the exceptional external challenges we have faced. At the same time, we have maintained our disciplined approach to safety standards as the health, safety and wellbeing of our customers, staff and business partners are paramount.

MAG considers that strong corporate governance is a core foundation for any successful company and is committed to maintaining the highest standards of corporate governance and adopting best practice as it emerges. The following Corporate Governance Report, including the Board Committees Reports and Directors Reports, sets out how MAG applies governance standards in practice, and reports against the Wates Principles, which MAG has adopted as its corporate governance code.

MAG places great importance on the Board's role in embedding a positive culture and values across the organisation. As noted in the s172 statement below, the views of stakeholders, including employees' engagement is monitored by the Company's CSR Committee, chaired by Vanda Murray. Furthermore, MAG recognises that diversity in its workforce provides access to a wider range of talents, experience and skills, promoting greater creativity, innovation and high performance. Further information is provided in the Nomination Committee section on page 25. This year the Board received a report of an independently facilitated materiality assessment, that sought a broad cross-section of views. This report informed the development of a new CSR Strategy, with further details set out on page 31 of this report. The Board's consideration of stakeholder views is described more fully in the s172 statement below.

This year the Board completed a strategy session looking at future opportunities for the development of the Group. In addition to a continued focus on the core business operations, the Board continues to critically assess the potential of the MAG Airport Services, including the digital strategy. The opportunities and challenges outlined in the joint statement on pages 3 to 5 of this report mean that the Board needs to continue to maintain its robust scrutiny and healthy challenge of the executive team as they navigate through the emerging risks and opportunities. In so doing the Board will support the executive to develop and implement a strategy that strikes the right balance between incremental value creation and longer term evolution of the business model. To ensure we have the right structures to support this work, this year we also reviewed the terms of reference for the Board Committees. There were no changes to Board's constitution.

Introduction

Statement by the Directors in Performance of their Statutory Duties in Accordance with s172(1) Companies Act 2006

Throughout this annual report, we provide examples of how we: take into account the likely consequences of long term decisions; build relationships with stakeholders; understand the importance of engaging our employees; understand the impact of our operations on the communities in the regions in which our airports operate and the environment we depend upon; and attribute importance to behaving as a responsible business.

The Board of Directors are aware of and consider they have acted in accordance with their statutory duties under s172(1) of the Companies Act 2006. Consistent with these duties, the directors have acted in good faith, seeking to promote the long-term success of the company for the benefit of shareholders and in so doing have had regard to their duties to:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the company.

The following paragraphs summarise how they fulfil those duties, with references, where appropriate, to the other parts of this annual report where further information is available.

Leadership and governance continued

Stakeholder engagement

Stakeholder group	Form of engagement	How this stakeholder group influenced Board decision making
<p><u>Passengers</u></p> <p>With more than 270 destinations served from our airports, we provide the vital connections to allow people to travel for business and leisure. The passengers choosing our airports are the lifeblood of our business and providing the right services and destinations for them is critical to our success.</p>	<p>Feedback from passengers is carefully reviewed and reported to the Board, including a regular independently administered survey, using the net promoter score.</p>	<p>This year the Board received several reports examining the service levels offered to those passengers who require special assistance or have additional needs. Further details of the resulting actions taken and the necessary improvements that have been delivered this year can be found on 31 in the CSR Chapter of this report.</p>
<p><u>Local communities</u></p> <p>We know that when our airports prosper, they bring benefits to local communities, providing employment, supporting local groups, education and skills.</p> <p>Impacts from airport and aircraft operations, including noise, emissions and congestion can negatively affect communities near our airports and need careful management.</p>	<p>Regular and long-term engagement with local communities occurs at all MAG airports, including formal consultative committees and informal community outreach. Further details can be found on page 31.</p>	<p>Community views, including an independent materiality review were reported to the Board this year and were important to the development of a new CSR Strategy. Further details can be found on page 31.</p>
<p><u>Colleagues</u></p> <p>Our people are at the heart of our business and are fundamental to its success. We aim to be a fair and responsible employer in our approach to the pay and benefits our employees receive, seek to provide an environment our colleagues can fulfil their potential and safeguard their health, safety and well-being.</p>	<p>Colleague's views are considered through formal and informal channels.</p> <p>This year we introduced a new Group-wide colleague engagement survey, which will be repeated annually. This independently administered engagement survey, will assist the Board in assessing the strengths and opportunities to inform future work in this area.</p>	<p>Feedback from colleagues was reported to and considered by the Board. The views of colleagues informed discussion about appropriate people policies. The Board has taken a close interest in the diversity and inclusivity of the workforce and has considered several relevant reports.</p>
<p><u>Customers, partners and suppliers</u></p> <p>Establishing, developing and maintaining strong business relationships with our customers, business partners and suppliers is fundamental to the long-term stability and success of our business.</p> <p>We always seek to conduct business in a professional and collaborative manner.</p>	<p>Engagement with customers and business partners is critically important to MAG. Each of our airports operate collaborative forums and one-to-one key account management meetings with all our business partners – including airlines, retailers, tenants and aviation service partners. Our Airport Consultative Committees bring these customer groups together with passenger and community representatives.</p> <p>Our approach to procurement is accredited to the Corporate Certification Standard of the Chartered Institute of Procurement and Supply. This incorporates practices to make responsible procurement decisions which treat suppliers fairly, mitigate modern slavery, and ensure prompt payment.</p>	<p>This year the Board received a report on the programme of work undertaken to minimise the risk of slavery in all aspects of our business and approved a statutory statement, which will be published in the summer alongside our CSR Report.</p>

Leadership and governance continued

Stakeholder engagement continued

Stakeholder group	Form of engagement	How this stakeholder group influenced Board decision making
<p><u>Industry, regulatory bodies, government and government agencies</u></p> <p>We help national and regional government to formulate and deliver their policies. We actively contribute to industry associations and promote the legitimate interests of our industry.</p>	<p>The Corporate Affairs team regularly meets with national government and elected representatives of all parties. This includes Government officials across a wide range of departments, members of both the House of Commons and the House of Lords, ministers and shadow ministerial teams, scrutiny committees like the Transport Select Committee and policy making bodies like the National Infrastructure Commission or Transport for the North.</p> <p>The team also hold relationships with regulators (the CAA) to ensure regulation meets MAG's needs.</p> <p>MAG is a member of several trade associations linked to its interests including the CBI and AOA. Relationships are held with similar other industry associations such as Airlines UK (AUK) and BAR UK, to facilitate working on common issues and to provide for mutual support.</p> <p>At a more local level, Corporate Affairs teams hold local MP relationships, as well as with councillors, LEPs and local government agencies (e.g. the North West branch of the Department for International Trade).</p>	<p>The board receives regular updates on Government policy and the work of the Corporate Affairs team, providing guidance on the direction this should travel to support MAG's future growth. This informs MAG's engagement with policy makers and regulators.</p>
<p><u>Shareholders</u></p> <p>Our shareholders invest in MAG as a long-term strategic asset with significant future growth potential. By taking a long-term view they underpin the sustainable growth of the business.</p>	<p>MAG has six board meetings each year and the Board is supported by sub-committees in strategically important areas including Audit, CSR and Remuneration.</p> <p>Shareholder representatives meet regularly with the executive team to ensure they are closely briefed, and they are supported by a team of highly experienced non-executive directors. Further details can be found in the strategic report below.</p>	<p>MAG has enjoyed shareholder support to facilitate major infrastructure investments, such as the Manchester Transformation Project. This investment is crucial to the long-term success of the business.</p> <p>In response to the COVID-19 pandemic, shareholder support has allowed MAG to put in place a strong financial response incorporating significant cash mitigation measures, which together with equity support from shareholders will secure the recovery of the business.</p>

Leadership and governance continued

Taking a long-term view of risks and opportunities

We operate a systematic process to identify risks and opportunities. Further information on our risk framework can be found on pages 39 to 42. Our principal risks include the need to maintain a safe and secure operation, within a highly regulated sector; responding to changes that may arise as the UK exits the European Union; responding to changes in passenger levels and the UK and global economic outlook; and the need to attract and retain talented people. This year, increased risk associated with climate change informed the Board's view in agreeing a new commitment to transition MAG to a net zero carbon business by no later than 2038. Our assessment of risk is scrutinised by the and regularly reported to the Board, to allow the long-term consequences of decisions to be assessed.

Managing our impacts on local communities and the environment

Ensuring local communities benefit from operations at our airports and minimising impacts including noise and emissions have consistently been a high priority for MAG. We also have well established environmental management systems.

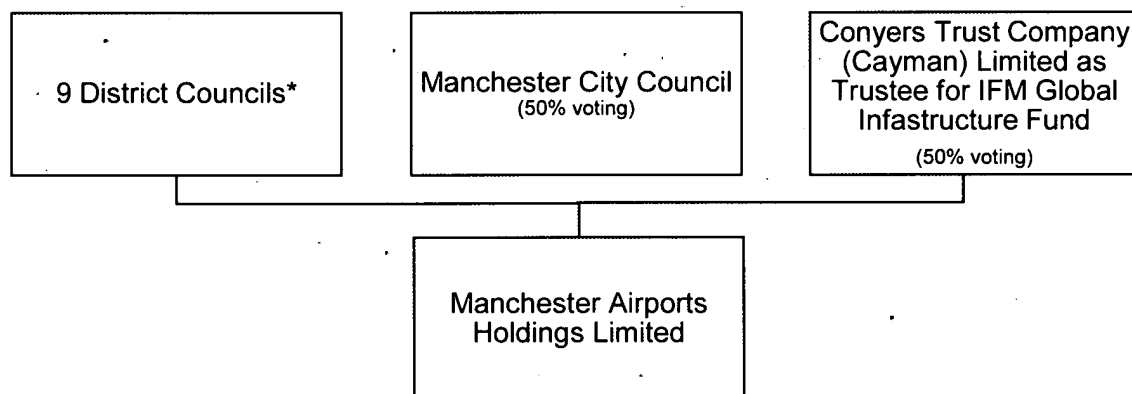
The CSR Committee receives regular reports on all relevant aspects of policy, regulation and performance, and this year agreed a new five-year CSR Strategy. Further detail can be found on page 31.

Maintaining a reputation for high standards of business conduct

It is important that MAG operates to high standards of business conduct and appropriate policies, including the prevention of bribery and corruption have been implemented, with supporting training for those colleagues whose work is most likely to expose them to relevant risks. All colleagues have access to an anonymous reporting service to report any instance of bullying or intimidation in the workplace. To demonstrate transparency in reporting, MAG publishes an annual CSR Report, which includes full disclosure against the relevant industry sector guidance published by the Global Reporting Institute (GRI). The most recent disclosure can be found on page 31. The CSR Committee receive and approve the CSR Report prior to publication.

MAG structure and governance arrangements

In ownership terms, the Group is structured as a joint venture between the ten local authorities of the Greater Manchester region and IFM Investors (IFM). In this way, MAG's ownership structure is unique and comprises an effective blend of public and private shareholders, including Manchester City Council (35.5%), IFM Investors (35.5%) and the nine other Greater Manchester local authorities (29%) Amongst those owners, The Council of the City of Manchester and IFM enjoy, in equal shares, the voting rights in general meetings of Manchester Airports Holdings Limited (the holding company of the Group), have certain matters reserved for their exclusive decision as shareholders, and make two appointments each to the Board.



* (The Borough Council of Bolton, the Borough Council of Bury, the Oldham Borough Council, the Rochdale Borough Council, the Council of the City of Salford, the Metropolitan Borough Council of Stockport, the Tameside Metropolitan Borough Council, the Trafford Borough Council and the Wigan Borough Council)

Leadership and governance continued

Board of Directors

Board Committees

The role of the Board

The Board is accountable to the shareholders for developing, setting and delivering the Group's strategic objectives, safeguarding its reputation and maximising its multiple stakeholder relationships. The Directors satisfy themselves that the necessary resources and controls are in place to do this and to manage risks effectively, whilst at the same time setting and overseeing maintenance of the Group's values and standards.

Of these, Vanda Murray, Catherine (Cath) Schefer, Robert Napier and Jonathan (Jon) Wragg are non-executive directors whom the Board consider to be independent. Vanda Murray will have served on the Board for 10 years by July 2020. Given the material issues that the business is having to contend with, her immense wealth of knowledge of the Company and business acumen, the shareholders and nomination committee concluded that her tenure should continue but be assessed against requisite independence criteria on an annual basis moving forward. Sir Adrian Montague also met the independence criteria set out in the Code, both on his appointment as Chair, and at all times since. Shareholder appointed non-executive directors during the year were Sir Richard Leese and John Blundell (Shareholder representative for the District Councils of Manchester) and Manoj Mehta and Christian Seymour (representing IFM). It is considered that the size of the Board is sufficient for the requirements of the business and that there is an appropriate balance of independent and shareholder-appointed non-executive and executive directors on the Board, with the Shareholder representative groups being equally represented. The Board meets formally six times per year with updates every month being given to the Board. In addition, the Board does consider specific business matters on other occasions and has met regularly during the COVID-19 pandemic.

Chair and Chief Executive

The roles of the Chair and Group Chief Executive are separate and clearly defined. The Chair is responsible for the leadership of the Board: he orchestrates its work (in close consultation with the Chief Executive) and plays a critical role in ensuring that it delivers effectively on its accountabilities, and that the diverse capabilities of individual Board members are used to the best advantage of the Group as a whole.

Certain matters are reserved for decision by the Group's voting shareholders, and others are reserved for the Board. The day-to-day management of the Group, the development and implementation of strategy, and the delivery of Group financial and operational objectives are the responsibilities of the Chief Executive, who is supported by his executive committee which comprises the Chief Executive, the Chief Financial Officer, the Divisional Chief Executives of each of the Group's three airports, the Chief Executive of Airport Services, the executive responsible for MAG's property business, the Chief Strategy Officer, the Chief Customer Officer and the General Counsel and Company Secretary.

Non-Executive Directors

The non-executive directors bring extensive knowledge, skills and experience, from both the private and public sectors, which allows the executive team to be supported in the development and execution of strategy whilst ensuring that plans and proposals are constructively challenged and the performance of management in meeting agreed goals and objectives is scrutinised.

All non-executive directors are appointed subject to objective capability criteria and the appointment of every independent non-executive director (including their remuneration) is, in common with that of executive directors, subject to prior approval of the voting shareholders. The non-executive directors appointed by the appointing voting shareholders hold office for so long as the shareholder wishes them to do so. The remaining non-executive directors are appointed initially for a term of three years, with any renewal of that (and any subsequent) term being a matter for the voting shareholders (on the recommendation of the Board and the Nomination Committee), having regard to the contribution made by the director in the immediately preceding period and relevant corporate governance best practice at the time.

Arrangements are in place for the Chair to meet the non-executive directors without the executive directors present, such meetings being held as and when required.

Board Effectiveness

To support quality decision-taking, the Board receives, prior to each meeting on a timely basis, a comprehensive suite of executive reports and papers covering, as standing items, commercial, operational and health and safety matters across the Group, together with a detailed Group finance review, and when appropriate, an appraisal of current strategic opportunities and corporate risks. In the months when it does not meet, an abridged reporting pack is provided.

The Board has established Audit, Corporate Social Responsibility and Remuneration committees with specific delegated authorities (more information on the membership and remit of each of these is provided later in this report). The Board also ensures, through the work of the Nomination Committee, that succession planning at Board, executive and senior management levels reflects the changing needs of the Group's businesses.

The Group has a formal induction programme comprising a combination of introductory meetings, site visits, briefing materials, and the opportunity to meet the shareholders, the external auditors and other key stakeholders. The induction content includes: corporate strategy and structure; current and recent board topics; sectoral and competitive context; key operations; financial performance and funding; reputation and brand; and stakeholder management.

Leadership and governance continued

The Group seeks to provide the necessary resources to enable directors to remain abreast of developments relevant to the Group's businesses and their own responsibilities. In addition, the directors may take independent advice in relation to their duties at the Company's expense, if appropriate.

The Board conducts annual assessments of its own effectiveness and that of Board committees, supplemented from time to time by external evaluation. During the year, a review of Board effectiveness was undertaken, assisted by Independent Audit, as part of this review Board members initially completed questionnaires, which were analysed by our Company Secretary and the Chairman conducted follow up discussions with each Board member. It was concluded that the Board continues to function effectively but there was a need to focus upon non-executive succession, which the shareholders will do in conjunction with the Nomination Committee in 2020.

s172 Companies Act 2006

As a Board we have always taken decisions for the long term, and this is part of the substance of MAG, our annual business plan cycle reminds us to consider the impact of any strategy decisions on the long-term strategy.

The Company Secretary plays an important role in reminding the Board of the s172 requirements by setting out the substance of s172 Companies Act 2006 when the Board meet and including this on the agenda to prompt meaningful discussion and to ensure that the Board:

- considers the likely consequences of any decision in the long term;
- considers the interests of MAG's employees;
- fosters MAG's business relationships with its suppliers, customers and others;
- assesses the impact of MAG's operation on the community and the environment (as further explored on page 31 in the CSR Report);
- considers the desirability of MAG maintaining a reputation for high standards of business conduct; and
- acts fairly as between members of MAG.

The summary on page 21 to 22 illustrates how the Board and management have taken account of these matters in its assessments, day to day business conduct and assessments throughout the year. We appreciate that our business can only grow and prosper over the long term if we understand and respect the views and needs of our customers, colleagues and the communities in which we operate and also take in to account the impact on our suppliers, the environment and the shareholders that we are accountable. The impact of our business on the community and environment (including climate change) is also addressed in the strategic report. The relevant arrangements have been made for Board meetings since the outbreak of the COVID-19 pandemic. These have taken place via video conference to ensure the Board has been able to function effectively whilst safeguarding the wellbeing of Board members.

Nomination Committee

Chair: Sir Adrian Montague CBE

In an organisation as varied and diverse as MAG, the Nomination Committee plays an important role in ensuring that the structure, size and composition of the Board, monitoring the balance of skills, knowledge, experience and diversity on the Board, leading the process for potential appointments to the Board, and overseeing succession planning in respect of the directors (other than the shareholder-appointed directors) and senior executives. The appointment of the Chair is undertaken by the voting shareholders. As set out below, I am satisfied that the Nomination Committee met its responsibilities. Alongside myself as the Chair, the other committee members are the non-executive directors of the Board.

The Nomination Committee meets at least once per year and at other times as required. During the financial year ended 31 March 2020 the Committee met two times. All of the members of the Committee attended the meetings, at which the following was considered:

- talent and Succession Planning;
- re-appointment of non-executive directors; and
- assessment of senior management objectives and appointment of Jenny Cochrane with effect from 1 April 2020.

In respect of its people more generally, the Group recognises that diversity in its workforce provides access to a wider range of talents, experience and skills, promoting greater creativity and innovation. By increasingly reflecting the communities and cultures that surround it, the Group continues to believe it can become ever more responsive to the many and varied needs of its customers. MAG is committed to promoting inclusion and creating a positive and diverse environment, where all individuals are valued and respected, but recognises that engendering and maintaining that environment requires constant attention and a strong emphasis on leadership awareness and capability. These are the cornerstones of the MAG Diversity Programme. The Board, as whole, will review the progress with the programme as part of its assessment of the Group's people strategy during the 2020/21 financial year.

Leadership and governance continued

Audit Committee

Chair: Robert Napier

Alongside myself, membership of the Audit Committee at 31st March 2020 included Vanda Murray, Jon Wragg and Manoj Mehta (all non-executive directors with Manoj Mehta being shareholder appointed).

The Audit Committee is responsible, primarily, for monitoring the Group's financial statements, the adequacy and effectiveness of its internal control systems (including financial controls), the operation of its risk management frameworks and whistleblowing procedures, and for reviewing the appointment, independence, performance and cost effectiveness of the Group's external auditor. During the year, the Committee:

- reviewed the Annual Report and Accounts and Interim Report including going concern and impairment considerations;
- reviewed and updated the Treasury Policy;
- monitored the Group's cyber security activity and major IT system implementation programmes;
- considered the impact of changes to the accounting and financial reporting regimes applicable to the Group;
- reviewed the Group's internal control and risk management systems, and the outcomes of risk management and risk-based internal audit work;
- considered internal audit skills and resources and satisfied itself that these are adequate to meet the needs of the business, and will be supplemented with co-sourced independent specialist support as and when necessary;
- reviewed and challenged management in relation to findings from internal audit reviews;
- assessed the adequacy and basis of renewal of the Group's insurance provision;
- agreed the appointment of the Chief Audit Officer;
- reviewed and agreed the Audit Committee Terms of Reference, evaluated the external audit activity, specifically in relation to the key risks (impairment of non-financial assets, going concern, capitalisation of fixed asset spend, valuation of investment property and intangibles, and revenue on airline contracts) and key judgemental areas (pensions and tax);
- in the course of satisfying itself as to the independence and objectivity of the external auditor, analysed the level of fees paid to the external auditor for audit and non-audit work, and the performance of the external auditor; and
- assessed the sector relevant knowledge and skill sets of the KPMG audit partner who took over in an audit partner rotation.

In the assessment of the draft 2019/2020 annual report and financial statements, given the continuing issues created by the COVID-19 pandemic, there was a continued robust focus upon the evidence supporting the ability of the company to release its financial statements on a going concern basis, the viability of the company and ensuring that the annual report was fair, balanced and understandable. The directors consider that the annual report and accounts, taken as a whole is fair, balanced and understandable; and provides the information necessary for shareholders to assess the company/group's position and performance, business model and strategy.

The Audit Committee met three times during the year. All the members attended all meetings in 2019/20. The external auditor, the Chief Executive, the Chief Financial Officer and the Directors of Risk & Internal Audit routinely attend the Committee's meetings. Each of the external auditor and the Directors of Risk & Internal Audit have the opportunity to meet the members of the Committee and/or the Committee's Chairman, without executive management present. The Board is satisfied that, through the range of skills and business experience possessed by each member of the Audit Committee, throughout this financial year the Audit Committee as a whole had the competence relevant to the sectors in which the Group operates.

CSR Committee

Chair: Vanda Murray

A new CSR Strategy

This has been an important year for the CSR Committee working closely with the management team to agree a new five-year CSR Strategy for the Group. Our new strategy is informed by careful consideration of stakeholders' views and provides a clear direction of travel that firmly establishes our ambition to continue to operate to the highest standards of Corporate Social Responsibility.

MAG's work in this area is genuinely exceptional. For example, MAG airports were the first in the UK to achieve carbon neutrality and the target we have set as part of the new strategy to make them zero carbon no later than 2038, is a clear example of the determination the business has to continue to set the standard for other companies in its field.

Strong governance and transparent reporting are essential elements of the CSR Strategy. MAG has, for many years, provided full disclosure consistent with the standards published by Global Reporting Initiative. The new strategy will ensure this reporting continues and that the changing environmental, social and governance needs of investors and other stakeholders are reflected in future reporting.

CSR is at the core of the company's culture and it is this way of working that has informed the development of the new strategy. Over the last few months, it has been deeply encouraging to see this culture also driving a vigorous, high profile and impactful response to the significant challenges presented by the COVID-19 pandemic.

Leadership and governance continued

COVID-19

MAG airports are integral to the communities they serve and the way that colleagues have risen to the challenges presented by the COVID-19 pandemic reflects a deep-rooted and personal commitment to CSR. As Chair of the CSR Committee, I am proud of the voluntary work that colleagues have undertaken, that has provided valuable support for those most in need, and for the financial support that MAG has provided to help local people through these most difficult of times.

MAG has also worked closely with health experts and national government to ensure that customers and colleagues can be confident that they will be provided with a safe airport environment, where all risks have been considered and appropriately mitigated. In particular, the Group has been instrumental in creating new operating protocols that will underpin the 'restart and recovery' of the aviation industry when circumstances permit.

Responding to the crisis has required new ways of working and, in the short term, large numbers of colleagues have been furloughed in response to the significant drop in passenger numbers. Providing those colleagues with the support they need for their physical and mental well-being, including carefully managing their reintroduction into the workplace, has been an important priority and this work will continue in the coming months.

A year in review

In recognition of the importance of protecting the health and well-being of colleagues and customers, this year the CSR Committee expanded its scope to provide formal oversight of health and safety. We recognise the increased need for people to look after themselves in these difficult times and we look forward to shaping our response in this critical area accordingly. In recognition of the increased workload for the CSR Committee, next year we have agreed to increase our meetings from three to four meetings a year.

This year the CSR Committee met three times, my fellow non-executive directors John Wragg and Cath Scheffer attended all meetings. We were pleased to be joined by the Chairman, and senior executives, including the Chief Executives of all MAG's airports. In addition to regular reporting of performance, the Committee received reports considering a wide range of issues including:

- Health and safety;
- Business resilience;
- Renewable energy;
- Skills and education projects;
- National and international carbon policy;
- Customer service for passengers with additional needs;
- Diversity and inclusion; and
- Modern slavery.

More information about the Group's work in this area can be found in the CSR report on page 31 of this report and over the summer period MAG will again publish a full CSR Report,¹ including full disclosure against the sectoral standard published by the Global Reporting Initiative.

Remuneration Committee

Chair: Vanda Murray

I am pleased to set out the Remuneration Report for the year ended 31st March 2020. This sets out details of our remuneration policy and principles alongside key activities undertaken in the year.

What Are Our Reward Principles And How Do These Link To MAG's Strategy?

The Committee considers the Group's key strategic priorities when setting remuneration and ensures that all remuneration packages are linked to the long-term sustainable financial performance of the Group. The Committee ensures that any incentive structure drives performance that will enhance the experience of our customers, shareholder and our colleagues. As one of the largest employers in the region, MAG is also committed to being a good corporate citizen and doing the right thing for our colleagues and local communities and therefore supports that Corporate Social Responsibility (CSR) Committee in areas such as fairness, gender pay and diversity and inclusion.

The Committee is also guided by the following principles:

- attract and retain talent – allow the Group to attract, motivate and retain senior executives of high-calibre who are capable of delivering the Group's stretching objectives;
- performance-driven – link rewards to both individual and corporate performance, responsibility and contribution over both the short and long term;
- market aligned – position the Group competitively in the principal markets (both private and listed companies) where it competes for talent;
- fair – fairly designed and applied with consideration to market positioning, internal relativity and individual contribution, in the context of pay within the wider workforce; and
- simple – rewards are simple and understandable with a clear link between performance expectations, outcomes and rewards.

Leadership and governance continued

What Were The Committee's Responsibilities And Key Activities Undertaken In 2019/20?

The key responsibilities and activities that the Committee undertook during the year were:

- considering market remuneration and corporate governance trends with the Committee's advisers, including total remuneration benchmarking for Executive Directors and senior executives, and discussion of remuneration trends in the wider market (both listed and private business);
- making recommendations regarding the Group's remuneration policy (for Executive Directors and all employees);
- recommending the total remuneration packages of the Executive Directors (including the Chief Executive) and other senior executives within the Group;
- considering remuneration decisions in the context of the overall business performance of the Group;
- setting and reviewing STIP and LTIP performance targets for the Executive Directors (including the Chief Executive) and other senior executives within the Group;
- reviewing performance against STIP and LTIP targets, and recommending any payments to be made in July 2019 as a result;
- reviewing the remuneration report and considering appropriate levels of disclosure;
- oversight of the pay and conditions of the wider workforce, including review of Group remuneration policies and wider pay increases within the Group;
- consideration of the gender pay gap analysis prepared by the Group and the Group's response to it;
- assessing the readiness of MAG to adopt the remuneration related principles contained in the Wates Principles (and concluded that MAG was compliant in all areas) in conjunction with a more general governance review by the Board; and
- revising the Committee's Terms of Reference to ensure alignment with the application of the Wates Principles and developments in respect of corporate governance for private businesses more generally.

Leadership and governance continued

Directors' Remuneration Report

Membership of the Committee, Remit and Attendance at Meetings

The Committee's members during the year were Vanda Murray (Chair), Christian Seymour, Cath Schefer and Sir Richard Leese (all non-executive directors, with Christian Seymour and Sir Richard Leese being shareholder-appointed). All members attended the four meetings held during the financial year.

How Do We Reward Our Executives And How Does This Link To The Group's Strategy?

<i>Reward element and purpose in supporting the Group's strategy</i>	<i>Operation of reward element for Executive Directors and senior executives</i>
<p>Basic Salary Support the recruitment and retention of executive directors and other senior executives, recognising the size and scope of the role and the individual's skills and experience.</p>	<p>The basic salaries of Executive Directors and senior executives are reviewed annually and set based on:</p> <ul style="list-style-type: none"> • personal performance; • Group size and performance; • responsibility levels; • affordability; and • competitive market practice against a comparator group of similar sized organisations. <p>The Committee also gives consideration to salary increases in the context of wider salary awards to employees across the Group. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher until the target positioning is achieved.</p>
<p>Short-Term Incentive Plan (STIP) Ensures a market-competitive remuneration package. Links total remuneration to achievement of the Group's strategy against measurable performance criteria in the short-term, both driving individual performance and creating shareholder value.</p> <p>Long-Term Incentive Plan (LTIP) Designed to incentivise executive directors and key senior managers towards long-term sustainable results and creating shareholder value, whilst acting as a retention tool.</p>	<p>In 2019 and in previous years, the Executive Directors and some senior executives have been eligible to participate in the MAG Executive Directors Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP).</p>
<p>Pension The pension arrangements comprise part of a competitive remuneration package and facilitate long-term retirement savings for executive directors and senior executives.</p>	<p>The Company provides pension benefits to eligible employees through legacy defined benefit arrangements or the MAG Defined Contribution Pension Scheme, which is a defined contribution (DC) arrangement. The DC arrangement is available for newly eligible employees and provides money purchase pension benefits.</p> <p>Executive directors and senior executives are entitled to receive a salary supplement in lieu of pension contributions.</p>
<p>Additional benefits Provide a market competitive benefits package that is consistent with Group values and supports executives to carry out their duties effectively.</p>	<p>Other benefits include a car cash allowance, or an equivalent car, in addition to permanent health insurance, private health insurance, critical illness cover and death-in-service life cover.</p>

Leadership and governance continued

How Does The Committee Give Consideration To The Wider Employee Workforce?

The Committee understands the importance of giving consideration to the wider employee workforce when making remuneration decisions, in terms of fairness, gender pay and diversity and inclusion. The Remuneration Committee works closely with the Corporate Social Responsibility (CSR) Committee to understand the positive work being done in this area and the stakeholder engagement undertaken as part of the CSR agenda.

More information about the Group's Commitment to gender pay and diversity and inclusion can be found in the Sustainability section of the report on page 33. Examples of the initiatives MAG have implemented are:

- we allow our Colleagues two days' paid time off per year to volunteer in the community;
- we continue to offer a Flexible Benefits system that allows employee to choose the benefits most appropriate for their circumstances;
- we have produced a Gender Pay Report as set out in the Gender Pay Regulations; and
- we ensure compliance with the National Living wage.

COVID-19 Response

As part of the COVID-19 response all the Executive and Non-Executive Directors agreed to take a 10% pay reduction for a period 12 months. In addition, the Committee agreed to suspend all in train bonus schemes for the year 2020/21.

Corporate social responsibility

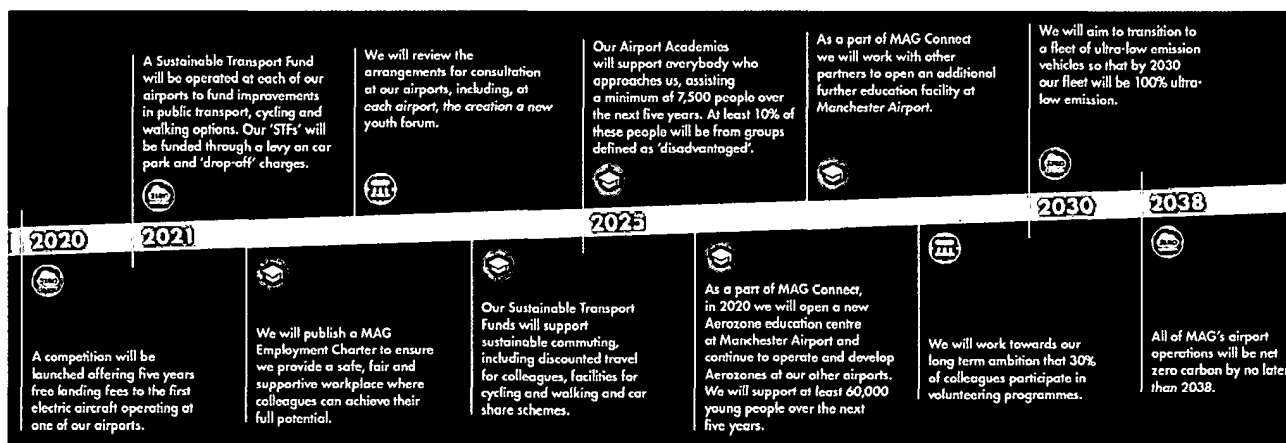
Our corporate social responsibility journey

This has been an important year for MAG, with the publication of our new five-year Corporate Social Responsibility (CSR) Strategy. Our updated Strategy, 'Working together for a brighter future', builds on strong foundations. The work we have done over the last five years has supported the education of more than 100,000 young people, enabled colleagues to provide more than 50,000 hours volunteering, provided more than £3m of financial support to local community groups and supported more than 2,000 people back into work through our airport academies. These outcomes will provide a lasting legacy.

We are proud that our work to date has established a strong record. The purpose of the new Strategy is to ensure our work programmes are targeted in the right areas. In critically reviewing and challenging our work, we have taken feedback from a wide range of stakeholders and worked closely with the Board. As a result, our new Strategy is founded on the three key themes of 'zero carbon airports', 'opportunity for all' and 'local voices'. The supporting commitments that we have set out are wide-ranging, ambitious and will provide direction and focus over the next five years, including:

- building on the carbon neutral status of our airports, we will now work towards making them zero carbon by no later than 2038;
- a new employment charter will enshrine our commitment to provide colleagues with a fair and supportive workplace;
- by reaching out to younger people we will enhance our consultation and drive change in our ways of working; and
- our commitment to provide an on-site further education centre at Manchester Airport, will ensure the continued development of 'MAG Connect'.

Our full strategy document can be found at www.magairports.com/responsible-business and we have summarised some of the highlights below.



Corporate social responsibility continued

Zero carbon airports

MAG has a long record of climate action. Over the last five years we have continued to drive down emissions, with MAG's carbon-intensity reducing by 12%. Our climate-commitment has been delivered through a sustained focus on industry-leading energy saving initiatives and the responsible procurement of 100% renewable electricity. Our previous CSR Strategy saw London Stansted Airport join Manchester and East Midlands Airports as carbon neutral airports – as MAG retained its position as the first and only UK airport group to operate carbon neutral airports.

This year we opened Pier 1, the first part of the Manchester Airport Transformation Programme. The new facility will be 15% more energy efficient than the current Terminal 2 and is equipped with the latest low energy lighting, heating and ventilation systems – including more than 750 new energy meters that provide detailed information about where and how energy is used.

Stansted Airport has continued to retrofit more than 1,000 low energy LED lights within the terminal, car parks and on the airfield. At East Midlands we have been busy retrofitting energy efficient LED street lighting and installing additional energy meters to enable improvements in energy management. We have also used our on-site wind turbines at East Midlands to generate renewable electricity, this year meeting 1.5% of our demand. We continue to seek incremental improvements in energy efficiency, including by completing energy audits as required by the Energy Savings Opportunity Scheme. At Stansted our work is supported by our energy management system, which is certified to the international standard ISO50001. Our new CSR Strategy will see Manchester and East Midlands join Stansted in holding ISO50001 certification, in addition to the ISO14001 environmental management certification already held by all of our airports, which ensures we operate to the highest environmental standards.

Aviation is one of the most challenging industries to decarbonise. This year the UK aviation industry came together to become the first in the world to commit to net zero carbon emissions by 2050. This ground-breaking commitment comes as MAG concludes a two-year period chairing the industry coalition Sustainable Aviation. During this period MAG has provided the leadership necessary to drive world-leading change, including the publication of the Sustainable Aviation Decarbonisation Road-map, which provides a challenging and achievable route to net zero emissions, showing how aviation can play its part to meet the challenge of climate change.

Our 2020 CSR Strategy commits MAG to become a net zero carbon business, as soon it is practical to do so and no later than 2038, at least 12 years before the UK's overall target. Our net zero target includes emissions from the operation of MAG's fixed and mobile assets, including airport terminals and airfield infrastructure as well as vehicle fleets. Delivering on this commitment requires significant planning, investment and technical work. We know this will not be an easy target to meet but believe that our history of climate action, coupled with a refocused long-term vision will support early decision making and enable us to play our full part in responding to climate change. Our CSR Strategy sets out a range of commitments which will support our achievement of this ambitious target, ensure we play our part in helping decarbonise the wider aviation industry, and also sets out how we will respond to the full range of environmental issues which we know are so important to our stakeholders.

Our commitment:



Building on our platform of carbon neutrality, we are committed to cutting any remaining reliance on fossil fuels, whilst working alongside our partners to reduce the waste and emissions of activities related to our operation.

Our influence extends beyond our own business, and we commit to working in partnership with the wider aviation industry to build a more sustainable future of transport.

Corporate social responsibility continued

Opportunity for all

People are the beating heart of our airports. Promoting good quality, sustainable and positive employment practices is not only the right thing to do, it also makes long-term business sense. Over the last five years we have developed our MAG Connect programme. Our popular Aerozones provide schoolchildren an opportunity to learn more about their local airport, and our on-site Airport Academies offer higher level skills and training. The innovative Stansted Airport College, delivered in partnership with Harlow College, allows local young people an opportunity to study in an airport environment for relevant qualifications, which provides a pathway to work in aviation once they graduate.

Each year our airports host employment events, including jobs fairs in the check-in hall at East Midlands Airport, Lancashire County Cricket Ground in Manchester, and at Stansted's Radisson hotel. Last summer, MAG moved quickly to organise an additional event following the collapse of Thomas Cook – who employed 3,000 people in the north west. The event attracted more than 800 people who had worked for Thomas Cook or one of their suppliers, retaining their skills and industry experience by pairing them with opportunities offered by more than 45 local employers.

Our airports and the regions they serve are diverse, and our aim is always to be inclusive to reflect our local communities. Attracting and retaining talented people is key to our success and we recognise that diversity strengthens our teams and raises performance. This year we launched an Inclusivity Forum which will work with MAG to implement the approach to diversity and inclusivity set out in our new CSR Strategy, framed around everyday inclusion, diversity in action and with focused activity to improve colleague experience for people from minority ethnic groups.

Our Gender Pay Gap Report for 2019, available on our website www.magairports.com, sets out the positive steps we have taken towards equality in the workplace. This year our mean gender pay gap remained largely unchanged at 9.6%, whilst the median gender pay gap became negative – meaning the median female salary is now greater than the median male salary. MAG believes that achieving diversity and inclusivity is an important journey and we have much more work to do. We are proud that our approach has been well received and has been shortlisted as a finalist at the Recruitment Industry Disability Initiative 2020 'RIDI Awards', recognising the focus we place on supporting people with disabilities in the workplace. Throughout the year we have continued our partnership with the Slave Free Alliance, taking steps to improve our practices to identify and eliminate modern slavery in our business, supply chain and airport operations. Our 2020 Modern Slavery Statement will be published alongside the full CSR Report later this year.

Over the last year we have continued our focus on ensuring that we provide an inclusive customer service that meets the needs of all of our customers, including those that need additional support. Last year there were occasions where some of the services we offer to these customers failed to meet the high standards we expect, and we have been working hard to ensure that all customers receive a consistent and high-quality service. Our efforts have been rewarded with performance improving against service standards.

Safety is a core value at MAG. As a responsible employer the mental and physical health of our colleagues is at the forefront of our mind, and we believe that everyone should go home safely at the end of the working day. This applies not just to our colleagues, but in equal measure to our guests, our contractors and all other third parties who work on our sites. This year we launched 'The Respect Campaign', which supports our colleagues and customers in dealing with tense and difficult situations. MAG also joined the 'Green Ribbon Campaign' and is working with over 330 businesses to end the stigma associated with discussing mental health issues in the workplace – we have introduced Mental Health First Aiders and provided workshops to help managers support the mental health of their teams. Working with road safety charity, Brake, we also celebrated Road Safety Week, helping to raise awareness across our airports and their surrounding roads. Our approach to health and safety has been recognised by the Airport Operators Association, who awarded East Midlands Airport the 2019 'AOA UK Airports Safety Week Campaign' award, and has led MAG to become one of the first airport groups to achieve certification to ISO45001, the international standard for occupational health and safety management. Later this year we will publish our new Safety Plan.

Looking forward our new CSR Strategy commits us to publishing a comprehensive employment charter, to enshrine the commitment we make to provide our colleagues with a safe and supportive workplace, where they can achieve their potential and are fairly rewarded for their work. As a first step towards our Charter, this year we were pleased to become a support of the Greater Manchester Good Employment Charter. Once we have finalised the MAG Employment Charter, we will work with our business partners to encourage them to offer the benefits it brings to the many airport staff who are not directly employed by MAG. Our new CSR Strategy will see our airports continue to prioritise the support for education and skills provided by our MAG Connect programme, with commitments to support more than 7,500 people through our Airport Academies, inspire 60,000 young people at our Aerozone on-site education centres and to introduce a further education college at Manchester Airport.

Our commitment:



We commit to creating quality employment. We believe in providing opportunity for all, in a safe, inclusive and diverse environment where colleagues are able to fulfil their potential and better meet the needs of our customers.

Our influence extends beyond our own business, and we commit to working with all of our partners on our airport sites to ensure high standards are upheld by all.

Corporate social responsibility continued

Local voices

Our approach to CSR is underpinned by a firm belief that when our business prospers, the regions and communities we serve should prosper too. That can only happen if we work with our local residents and communities to ensure that the impacts that come with living near an airport are understood, controlled as far as possible, and mitigated against.

Over the last five years MAG airports have continued to build lasting relationships in their neighbouring communities. We know that airport operations can cause disturbance and we want to be a good neighbour. To that end, each of our airports has consulted their communities on plans to control aircraft noise, publishing new Noise Action Plans which have been adopted by the Secretary of State for Environment, Food and Rural Affairs. Our community activities included more than 350 outreach events, where communities met airport experts face-to-face to discuss their concerns. MAG's airport Community Funds have provided vital support to community projects, contributing more than £1.2 million to 1,080 projects by the end of the fourth year of our Strategy – with an additional £400,000 raised for our charity partner Click Sargent.

This year MAG launched its Future Airspace programme, introducing new forms of stakeholder engagement to understand the views of local communities. Our initial submissions for Manchester and East Midlands, which reflect the views we received, have been approved by the Civil Aviation Authority. Based on the many hundreds of comments we have received, we are in a position to set out the 'design principles' that will determine how and where aircraft fly in the future. The Future Airspace programme will run for another two to three years and will be an important contribution to the national effort to modernise UK airspace, which is expected to reduce passenger delays and cut aviation emissions by around 4%.

With the full impacts of the COVID-19 pandemic becoming apparent at the end of the current reporting year, MAG CSR teams have stepped up to ensure we play our part in meeting the needs of local communities. Working with our neighbouring community organisations, local authorities and Business in the Community's National Business Response Network, MAG volunteers are supporting a wide range of individuals and groups that are in need of our help. Our colleagues are actively supporting the National Health Service – with colleagues driving patient transfer ambulances for the East of England Ambulance service and the Manchester Airport Fire Service providing support, equipment and reserve volunteer firefighters to the Nightingale Hospital in Manchester. Working with business partners Alpha LSG, we have been pleased to distribute airline meals to local people in greatest need. We also recognise that for some groups, over and above the support that can be provided by volunteers, equipment and charitable donations are essential to support the delivery of services. We have therefore made temporary amendments to our community funds to make available over £100,000 of funding to support local groups.

Our 2020 CSR Strategy reaffirms MAG's commitment to local communities. Launching at a time when the voluntary sector is demonstrating more than ever before its value to society, we are determined to achieve our long-term goal that 30% of our colleagues contribute to volunteering programmes. We have also set an immediate goal that, from this year, all of our leadership team will make their own personal volunteering contributions. Our Strategy also commits our airports to establishing new methods of consultation, including hearing from younger voices through the formation of youth forums at every airport. By expanding our engagement in this way, we hope to hear more local voices and build upon the standing of MAG airports in their local communities and the regions they serve.

Our commitment:



We are dedicated to addressing the local issues which matter most to the people living near us.

We commit to engaging local voices, addressing noise and other local priorities, and providing opportunities for local people and businesses.

We will build trust with our communities and aim to improve their quality of life.

Corporate social responsibility continued

Our sustainability performance

Issue	Objective	Indicator	On track	2019/20	2018/19	Change
Carbon reduction CO ₂	Minimise the environmental impact of our airports	'SECR' Scope 1, 2 and 3 greenhouse gas emissions (full break-down at page 36, market-based emissions per traffic unit (tonnes CO ₂ e))	↑	0.222	0.210	+6% ¹
Number of people within noise footprint (1000s)	Being good neighbours within our communities	Number of people within daytime 57dB LAeq noise contour (1000s)	↓	38.2	38.3	-0.3%
Number of training placements provided	Supporting work within our communities	Number of training placements provided by MAGConnect Airport	↓	706	759	-7% ²
Health and safety 'RIDDOR' reportable accidents	Maintain robust health and safety standards	Number of 'RIDDOR' reportable incidents	↓	12	20	-40% ³

Our energy and emission performance

MAG has reported the climate impacts of its operations for many years, publishing an overview of performance in our Annual Report and more detail in our annual Corporate Social Responsibility Reports. We welcome changes that require us and other large organisations to provide more information about the energy we use and the climate impacts of that energy.

From this year, MAG is required to report its energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We have therefore taken this opportunity to review our energy and carbon reporting with the aim of providing greater transparency.

The information presented below sets out the energy use and emissions for which MAG is responsible, including the energy and emissions associated with the operation of our buildings and vehicle fleets. Our energy use and associated climate impacts are presented in absolute terms and as a measure of 'intensity' compared to our passenger and cargo throughput measured as 'Traffic Units' (which are defined by the International Air Transport Organisation (IATA) as equivalent to 1,000 passengers or 100 tonnes of freight).

In preparing this report we have followed environmental reporting guidelines published by the Government, we have also adopted the principles of the World Resources Institute's Greenhouse Gas Protocol. Our energy use and associated emissions have been gathered largely from a collection of primary data, where this has not been possible, we have estimated consumption by extrapolating historic energy use – 1.7% of our energy use, 1.6% of our location-based and 5.3% of our market-based emissions have been estimated. Reported figures have been independently verified by the Carbon Trust.

We know that information about our greenhouse gas emissions is important to stakeholders and believe that providing this will support a more informed discussion about climate change. As such, alongside this year's CSR Report, we will publish a supplement providing detailed information about emissions from MAG's activities and other emissions indirectly associated with our business.

¹ We measure carbon intensity against traffic units, which are defined by the International Air Transport Organisation as equivalent to 1,000 passengers or 100 tonnes of freight. This year we have changed the scope of reported emissions so that it aligns with government's new Streamlined Energy and Carbon Reporting requirements, and we have restated 2018/19 emissions accordingly. Over the last five years, the emission intensity of our operations has reduced by 12%. Although our total energy use reduced this year, the emission intensity of our operations increased by 6%. This is because, due to the impacts of the COVID-19 pandemic and two airline customers ceasing trading, traffic units reduced by 3.3% and our use of vehicle fuel increased. All residual emissions have been offset, and our CSR Strategy includes a commitment to transition to zero carbon operations. More information about our carbon footprint is provided at page 36 of this Report.

² There was a slight reduction in the number of training placements provided. This is due to COVID-19 restrictions and low unemployment figures reducing the number of training referrals from Job Centres local to East Midlands Airport.

³ MAG's health and safety performance remains strong with a consistently low accident frequency rate. We experienced an increase in minor injuries resulting in absences of more than 7 days off work during 2018/19, improvements to return to work processes has seen this figure significantly improve over the last 12 months. Our analysis of MAG's performance against other UK airports shows that MAG's health and safety performance is one of the strongest of UK airports.

Corporate social responsibility continued

Our energy and emission performance continued

	2019/20	2018/19 ⁴
Energy consumption used to calculate emissions (kWh)	207,863,924	208,525,600
Emissions from combustion of gas (Scope 1, tCO ₂ e)	9,158	9,752
Emissions from combustion of fuel for transport purposes (Scope 1, tCO ₂ e)	5,622	4,665
Emissions from business travel in rental cars or employee-owned vehicles where MAG is responsible for purchasing the fuel (Scope 3, tCO ₂ e)	90	98
Emissions from purchased electricity ⁵ (Scope 2, location-based, tCO ₂ e)	34,551	33,225
Emissions from purchased electricity (Scope 2, market-based, tCO ₂ e)	0	5.5
Total gross emissions based on the above (Location-based, tCO ₂ e)	49,421	47,739
Total gross emissions based on the above (Market-based, tCO ₂ e)	14,870	14,520
Intensity measure (Traffic units ⁶)	66,899	69,167
Intensity ratio (Location-based emissions, tCO ₂ e /traffic unit)	0.739	0.690
Intensity ratio ⁷ (Market-based emissions, tCO ₂ e /traffic unit)	0.222	0.210
Carbon offsets (purchased and retired, tCO ₂ e)	14,870	14,520
Total net emissions based on the above (Location-based, tCO ₂ e)	34,551	33,225
Total net emissions based on the above (Market-based, tCO ₂ e)	0	0

⁴ This year we have changed the scope of reported emissions so that it aligns with government's new Streamlined Energy and Carbon Reporting requirements, and we have restated 2018/19 emissions accordingly.

⁵ Location-based emissions are based on the average emission intensity of the UK electricity grid. MAG proactively chooses to purchase renewable electricity which is backed by Renewable Energy Guarantees of Origin. To demonstrate the carbon saving of our procurement decision we 'dual report' our location and market-based greenhouse gas emissions.

⁶ We measure carbon intensity against traffic units, which are defined by the International Air Transport Organisation as equivalent to 1,000 passengers or 100 tonnes of freight.

⁷ Over the last five years, the emission intensity of our operations has reduced by 12%. Although our total energy use reduced this year, the emission intensity of our operations increased by 6%. This is because, due to the impacts of the COVID-19 pandemic and two airline customers ceasing trading, traffic units reduced by 3.3% and our use of vehicle fuel increased. All residual emissions have been offset, and our CSR Strategy includes a commitment to transition to zero carbon operations.

Internal controls and risk management

Internal controls

The directors are responsible for the Group's system of internal control, which aims to safeguard assets and shareholders' investment, and seeks to ensure that proper accounting records are maintained, that statutory and regulatory requirements are met, and that the Group's business is operated economically, effectively and efficiently. It is acknowledged that any system of internal control is most likely to manage rather than eliminate risk, and can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The Group's system of internal control has been in place throughout the year and up to the date of this Annual Report. The key elements of the internal control environment, which includes the process for preparing the consolidated financial statements, are:

- clearly defined organisational structures, schemes of delegation and lines of responsibilities;
- the involvement of qualified, professional employees with an appropriate level of experience (both in the Group's Finance function and throughout the business);
- regular meetings of the Board and of the Chief Executive's Executive Committee;
- Board approval of long-term business strategies, key business objectives and annual budgets (with an annual review being undertaken to update the business strategies and key business objectives);
- preparation, and Board approval, of revised financial forecasts during the year – monitoring financial performance on a monthly basis against budget, and the benchmarking of key performance indicators, with remedial action being taken where appropriate;
- monitoring annual performance against business plans;
- established procedures for planning, approving and monitoring capital projects, together with post project investment appraisal;
- regular review by the Group's Finance function of each business unit including a reconciliation to the management accounts on a segmental basis;
- the review by the Audit Committee and the Board of the draft consolidated financial statements, and receipt of and consideration by the Audit Committee of reports from management and the external auditor, on significant judgements and other pertinent matters relating to those statements;
- the activities of the Internal Audit function (see below);
- implementation of Group-wide procedures, policies, standards and processes concerning business activities, including financial reporting, health and safety, and human resources.

The Group has an established, independent Internal Audit function, the role of which is to provide impartial, objective audit, assurance and consulting activity that is designed to strengthen, improve and add value to core processes and procedures across the Group.

The Internal Audit team takes a disciplined and risk-based approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes, aimed at providing assurance that risks are being well managed, and controls are adequately designed and operating effectively. Their approach is based on professional best practice, in particular, the 2020 Internal Audit Code of Practice, which the Company has already adopted and is applying and the Chartered Institute of Internal Auditors Standards.

An annual risk-based Internal Audit Plan is developed which provides coverage of the Group's risk profile over a rolling five-year period, with an initial focus on areas of high inherent risk and areas where the Group is heavily reliant on mitigating controls to manage the risk to an acceptable level. The plan is dynamic, and is refreshed as required, to reflect the evolution of the Group's risk profile over time. Over the course of the year, the Internal Audit team has carried out circa 30 reviews across a broad range of areas including: landside operations; passenger security screening; border breach controls; asset health frameworks; roster to pay processes; and aviation billing core controls. The technology audit plan for the year has included key risk-based reviews such as ransomware protection and governance over the use of cloud technology. Where relevant, Internal Audit scopes will also include a review of governance arrangements and as appropriate, the reliability and quality of key business information which is being provided to support strategic decision-making processes across the business.

In respect of key strategic and capital projects, the overall Group Internal Audit Plan is supplemented by an individual Project Assurance Plan, which is kept under regular review, and given the prevalence of major projects across the Group, is the subject of dedicated Internal Audit resource. During the year, the team have undertaken a number of project assurance reviews, including those relating to the ongoing transformation programmes at Manchester and Stansted airports.

The Internal Audit team carries out an annual self-assessment exercise to establish its effectiveness and any areas for improvement, based on the Chartered Institute of Internal Auditors Standards. The most recent exercise confirmed full compliance with those Standards and an action plan has been developed to support the team's objective for continuous improvement in respect of quality assurance processes and procedures.

In line with best practice, MAG also operates an independently provided, confidential reporting telephone helpline and web portal for employees to raise matters of concern in relation to fraud, dishonesty, corruption, theft, security and bribery. All claims are fully investigated in line with MAG's standard policies and procedures and a full whistleblowing update is provided at each Audit Committee meeting. As part of Internal Audit's activity in year we will also review the business's application of policies and procedures (for areas under review) with the aim of supporting the dissemination of good working practices and raising awareness of any non-compliance and areas for improvement. This ensures that there is the appropriate tone from the top and MAG behaviours and culture is instilled across the business.

Internal controls and risk management continued

Internal controls continued

Based on the Internal Audit work delivered during the year, in the context of materiality, and considering management's commitment to implement agreed control improvement recommendations, the Internal Audit team concluded that MAG's internal control and risk activities were operating effectively for the period under review. On behalf of the Board, the Audit Committee has received the Director of Internal Audit's annual report and has conducted a review of the effectiveness of the system of internal control. Regular reports on control issues are presented to, and discussed with, the Audit Committee, and there is a process in place to ensure that audit recommendations are fully implemented by senior executive management. All such, recommendations made in the prior financial year have been implemented, together with 98% of those made in this financial year that are currently actionable. The Board, having considered the Audit Committee's review, is able to confirm that no significant failings have been identified in the system of internal control.

Risk management

At MAG we believe that effective risk management is critical to our success as a business – from delivering safe, secure and efficient operations which provide a great customer experience, to the delivery of our strategy and business plans, all of which are underpinned by a clear understanding of the risk environment and robust strategies to manage and mitigate material risks.

MAG's Risk Management Framework covers the full spectrum of our corporate and operational activities – the framework is embedded in day to-day operations and is characterised by strong management ownership and engagement.

MAG operates a '3 Lines of Defence' governance model whereby risk is owned and managed by management within the business ('1st Line'), supported and facilitated by a Risk Management function ('2nd line') and independently assured by functions including MAG's own Internal Audit Department ('3rd Line').

MAG's Risk Management Framework is focused on providing management, the Audit Committee and Board with a clear and current view of the organisation's risk profile and our strategies to manage and mitigate material risks and to identify emerging risks. The framework is structured to ensure that all aspects of the Group's risk profile are subject to regular review at the strategic, corporate and operational levels, and to provide for prompt escalation and assessment of material risks and /or those that may be emerging at the appropriate governance level(s) as they arise or identified. This assessment process is underpinned annually through the delivery of an extensive programme of risk review workshops, facilitated by our team of risk specialists who support management across the organisation in identifying and evaluating key risks and those that are emerging and developing effective mitigation strategies designed to manage risk exposure to an acceptable level.

The framework also enables management to identify and evaluate potential business and operational opportunities, enhancing the ability of the organisation to maximise these at an early stage and in a controlled manner.

In the last quarter of 2019-20, COVID-19 has tested MAG's business resilience, continuity and risk management systems. Key to the success of this is the uniformity of approach taken across the whole Group. We have provided further details on this and other significant risks below.

Risk appetite is well understood within the business and forms a key element of our risk evaluation methodology, providing clear boundaries for management on the levels of risk the business is prepared to accept, and prompting action where risks fall outside our defined appetite. Defined risk tolerances provide the foundation for consistent evaluation of risk across the business and the basis for assessing risks against our stated risk appetites.

The MAG Risk Management Framework establishes a set of key evaluation criteria for risk impact scoring. Each of these impacts is associated with a relevant appetite. In this way a greater appetite may be attributed to some commercial risks compared to a significantly lower appetite for regulatory and health and safety risks. Risks are escalated through the reporting process based on whether they are inside or outside of appetite. This enables a clear differentiation between a higher scoring risk for which MAG has a greater tolerance and a lower scoring risk for which the appetite is low or indeed zero.

This methodology applies to all MAG risks from operational through to strategic level. This consistent approach facilitates comparison of risks which means the most significant are escalated to appropriate governance forums. Risk appetite is considered by the Audit Committee as part of its annual plan of work to ensure that it remains fit for purpose.

Strong emphasis is placed on the development and implementation of robust action plans to mitigate or manage identified risks to a level which is inside MAG's risk appetite. Timely implementation of risk action plans is monitored by our Risk Team and progress is regularly reported to senior management and, where appropriate, to the Audit Committee and Board.

Ownership and accountability are key to the success of any risk framework, and management at all levels are expected to engage actively in the risk management process and take full ownership of risks within their areas of responsibility. As a minimum, management are required to engage in risk review workshops in advance of each Audit Committee meeting, ensuring that the Executive Committee and Audit Committee have an accurate and up-to-date view of the Group's risk profile throughout the year. This process is supported by the regular engagement of MAG's Risk Business Partners with Risk Owners and their teams. This ensures that risk is considered on a regular basis and remains at the forefront of business planning and decision-making.

The Audit Committee and our Executive Team receive regular detailed management information on the Group's risk profile through risk reports which highlight key risks, material changes to the risk profile and risks outside appetite. In addition, Airport Leadership Teams receive regular risk reports with a focus on both the risk profile and management's progress in implementing agreed mitigating actions. Management is accustomed to regular constructive challenge on its strategies to manage key risk exposures and is held to target deadlines to implement agreed mitigating actions.

Internal controls and risk management continued

Risk management continued

Risk management is embedded in MAG's decision-making processes through the requirement to provide detailed risk assessments within business case submissions and decision papers submitted to the Board and our various other governance forums. In addition, the Board receives periodic updates on the Group's risk profile to support strategic decision-making. This includes the outputs of biannual Strategic Risk workshops held with the Executive team to ensure that MAG's strategic and emerging risk assessments remain up to date and accurate.

At MAG we continuously strive to maintain a strong risk management culture which is open and transparent. It is important that management feel able to discuss risk issues openly and receive the support it needs to ensure that risks are actively managed or mitigated. The Risk Team engages regularly with management across the business to achieve this, facilitating open conversations around risk, ensuring they have the knowledge and tools to manage risk effectively within their own areas of responsibility.

The established processes outlined above mean that risk is considered at all levels of the organisation. Regular liaison with senior management provides a basis on which to consider new and emerging risks. Horizon scanning of risks is the responsibility of all senior MAG officers, supported by the Risk team to ensure that they are recorded in a timely manner to ensure appropriate governance and attention. Any significant or strategic risks are supported by the establishment of programmes with their own registers, input to by the programme team.

MAG has supported the implementation of the Risk Management Framework in 2019-20 through the introduction of a risk system. The use of risk software provides better access for MAG officers to the risks that they manage. This facilitates the process of adding new risks and updating existing risks. It also provides a suite of management information to allow business units to discuss their risk profile at a local level. This enhances the ownership and accountability of risks and ensure they are integrated into business operations.

Our Internal Audit Team provides management and the Audit Committee with independent assurance over the management of MAG's risk profile through the delivery of a risk-based Strategic Internal Audit Plan which assesses the adequacy and effectiveness of the internal control environment. The Plan is designed to provide assurance over the Group's risk profile across a 5-year period with a focus on prioritising the biggest risks. In this way there is a clear process to ensure that the Strategic Internal Audit Plan is aligned with the assessment of MAG's key risks. Findings from Internal Audit reports are reflected in the risk register to contribute to enhancing the robustness of existing controls, identifying new controls and the actions agreed by management where areas for development are identified.

Principal risks

The table below summarises the key strategic, corporate and operational risks identified during the year, with details of the strategies for managing them and some of the potential opportunities they present:

RISK	MITIGATION STRATEGY	OPPORTUNITIES
COVID-19	<p>At the outset of COVID-19 MAG activated our Group-wide business resilience and business continuity processes. We established a bronze, silver and gold command structure representing operational, Group and Executive functions.</p> <p>This ensured a consistent approach across the organisation which brought together colleagues from all functions in a joined-up response.</p> <p>Recognising the pervasive nature of the pandemic, we established top down and bottom up risk management processes. We compiled a COVID-19 strategic risk based on the organisational recovery strategy. The register highlights the risks to the achievement of a successful recovery and the mitigating actions we need to take to ensure we reduce the likelihood and / or impact of associated risks. It also provides a mechanism to facilitate and enhance governance processes through review and update of the risks and monitoring of the implementation of agreed actions.</p> <p>We have supplemented this via a series of bottom up risk registers focusing on MAG's successful recovery and the uncertainties faced across the business. In doing so we have taken into account guidance material and its application across our airports that has been published by UK Government, EASA and ICAO.</p>	<p>The pandemic represents an uncertainty of unprecedented global impact and duration. As such it has provided a unique opportunity to test MAG's business resilience and continuity plans. Learning lessons from this event will ensure MAG's already resilient structure is made even more robust to face future crises.</p> <p>The proactive measures we have taken demonstrate to our stakeholders the importance to MAG of being able to deliver high quality, safe and secure service as we seek to recover from the impact of the pandemic.</p>

Internal controls and risk management continued

Principal risks continued

RISK	MITIGATION STRATEGY	OPPORTUNITIES
Security Breach	<p>We continue to invest heavily year-on-year in ensuring our customers, employees and stakeholders remain safe and secure at all of our sites in the context of the current threat environment.</p> <p>We work closely with the Police and Government security agencies to ensure that our security facilities and processes meet the high standards required to respond to new and existing security threats.</p> <p>Drone related disruption at Gatwick, Heathrow and Dublin airports in 2018-19 illustrate a risk that has long existed on MAG's key risk registers.</p> <p>Working closely with operations and security colleagues as well as Government organisations MAG has revised and updated its approach to anti-drone controls to ensure we reflect on the lessons learned from events and the resulting guidance and advice.</p> <p>Our security facilities and processes are subject to extensive internal and external inspections and audits by regulators, external specialists and internal teams who regularly test the effectiveness of our security processes and identify opportunities for improvement.</p>	<p>Whilst security is paramount, we also want our customers to continue to enjoy a positive experience at our airports.</p> <p>We look for opportunities to enhance the customer experience whilst maintaining the high standards of security our stakeholders expect, in particular working to minimise security queuing times through continuous improvement and innovative approaches to our security processes and facilities.</p>
Material sustained disruption to operations	<p>We have a clear process across the Group to identify the key factors that could cause significant disruption to our operations. Working with senior management we identify the controls and further actions required to minimise the likelihood of such events occurring where practicable, and the impact of these should they occur.</p> <p>Each of our sites has emergency response, crisis management and business continuity plans in place which are regularly tested and updated to ensure we are able to respond quickly and effectively to disruptions to our operations. Our insurance programme provides financial protection for a wide range of events and incidents causing operational disruption.</p>	<p>Regular review and testing of our plans enable opportunities for improvement to be identified and implemented on an ongoing basis.</p> <p>MAG has invested a significant amount of time in 2019-20 to better establish business resilience and continuity across the Group. MAG has considered the mechanisms by which functions will respond to circumstances which could impact upon operations. This work has been undertaken to integrate joined up ways of working in MAG airports and across the Group as a whole.</p>
Major Health & Safety incident affecting our customers or colleagues	<p>The Health & Safety of our customers, employees and stakeholders is a fundamental priority for us. Robust Health & Safety policies, procedures and processes are in place, and compliance is monitored by our experienced team of Health & Safety specialists who undertake a programme of inspections and audits throughout the year.</p> <p>Health & Safety training is provided to all employees and briefings are provided to contractors and other visitors to our sites to ensure that key Health & Safety risks are understood and effectively managed.</p> <p>Our Health & Safety governance structure is designed to ensure that there is appropriate oversight of our management of Health & Safety risk and enables material risks to be quickly escalated and addressed.</p>	<p>Continuous improvement of our Health & Safety arrangements is a key focus for each of our operations. This is facilitated by our specialist Health & Safety Teams and underpinned by strong ownership and accountability by our management teams.</p>
Regulatory risk	<p>Compliance with regulatory requirements is a priority for MAG, and we invest in extensive internal and external assurance to ensure we continue to be fully compliant across all aspects of our operations.</p> <p>We also deploy risk management evaluation criterion specifically for regulatory risk. Given the number and complexity of the regulatory requirements we are subject to, this allows us to articulate and compare our key regulatory risks using a comprehensive approach.</p>	<p>We work closely and have strong relationships with our regulators to ensure we understand and can fully comply with their requirements. We strive to act quickly when opportunities for improvement are identified, and through our regulator relationships we are able to plan well in advance for successful responses to future requirements.</p>

Internal controls and risk management continued

Principal risks continued

RISK	MITIGATION STRATEGY	OPPORTUNITIES
'Brexit'	<p>The 2016 'Brexit' referendum decision and the continuing uncertainty concerning the outcome for the United Kingdom's future relationship with the EU and international trading options more generally, after the end of the transitory period presents a significant macroeconomic risk to the business, and the aviation industry faces uncertainty over the short and longer term impacts of the UK's exit from the EU.</p> <p>We monitor the economic environment closely and have ensured that our business plans are resilient to economic shocks through prudent scenario planning and sensitivity analysis. This, coupled with resilient foundations built during a successful period of growth, provides a positive long-term outlook.</p> <p>MAG will work closely with the aviation industry to ensure that the UK continues to enjoy liberal access to the EU aviation market.</p>	<p>Whilst carefully monitoring and managing exposure to the risks, we will seek to ensure that the business is well positioned to take the opportunities Brexit may present.</p> <p>MAG is focused on ensuring our airports have the capacity and quality of facilities our customers expect in the medium and longer term in response to the issues created by the COVID-19 global pandemic.</p> <p>The uncertainty around Brexit and other potential economic shocks has provided the opportunity to review our product and geographical diversification.</p>
Delivering major programmes	<p>MAG has a successful track record of delivering major programmes.</p> <p>The 2019/2020 financial year saw the continuation of our biggest ever programme – the transformation of Manchester's terminal, airfield and car parking facilities. We continue to assess progressing with the proposed transformation of London Stansted Airport.</p> <p>We have established rigorous governance arrangements to ensure that all capital delivery programmes are progressed in a controlled manner, to high quality standards and with the minimum possible disruption to our customers.</p>	<p>The design phases of the Stansted Transformation Programme and the transition towards construction of the Manchester Transformation Programme have given us the opportunity to raise the bar even higher for programme management and governance</p> <p>Opportunities to improve our existing capital delivery processes are being identified and implemented as the programme progresses</p> <p>At the start of the 2019-20 financial Manchester Airport experienced the biggest milestone to date in the transformation works with the opening of a new pier and multi-storey car park.</p> <p>In the second quarter of 2020-21, subject to the challenges COVID-19 has created, Manchester Airport will see the opening of the newly constructed Terminal 2 as work begins to refurbish the current Terminal building.</p>
Recruitment, development and retention of talented people	<p>Recruiting and retaining talent is critical to the success of our business, and this has been an area of significant focus in recent years. Our Talent Strategy aims to attract the best available people in the market and retain employees through a variety of initiatives including incentive schemes, career development programmes and mentoring to help them contribute to driving the success of the company, whilst getting the very best out of their career at MAG.</p> <p>We are also adapting our recruitment approach in key areas such as 'digital' to reflect the changing external environment, where the competition for talent is high.</p>	<p>Regular employee communications and performance reviews individually and collectively combined with regular communications from management and the use of employee engagement surveys enable colleagues to identify opportunities to improve the employee experience. MAG is transparent in communicating survey results and proactive in developing initiatives to deliver identified improvements.</p>

Internal controls and risk management continued

Principal risks continued

RISK	MITIGATION STRATEGY	OPPORTUNITIES
Cyber Security	<p>The security of our Technology systems, and in particular our customer, employee and stakeholder data are extremely important to us. We have a wide range of multi-layered defences within our Technology infrastructure to ensure that our systems remain operational and our data remains secure and have delivered a range of significant enhancements to our systems and network.</p> <p>We also run a security and education programmes for our colleagues and contractors to ensure they are aware of cyber risks and how to take action to mitigate them at an individual level.</p> <p>Contingency plans are in place to detect and respond to threats, security breaches and data loss, minimising the impact on our customers, stakeholders and the business.</p> <p>We have devoted significant resource to ensure that we have appropriate systems and processes in place to ensure our compliance with EU General Data Protection Regulation (GDPR) Measures included ensuring appropriate governance, awareness and data assessment and storage capacity, overseen by a dedicated Group Data Protection Officer.</p>	<p>MAG's Cyber Security Strategy sets out a programme of improvements to our Technology systems and infrastructure designed to ensure that the growth of our business is supported and underpinned by a secure and effective IT environment.</p> <p>Cyber Security Enhancements are reported through Cyber Security Programme Board and to the Cyber Security Steering Committee. This provides appropriate governance and oversight of our ongoing Cyber Security initiatives and includes work in progress to deal with changing Cyber threats and MAG's evolving digital online business.</p>
Climate Change	<p>MAG recognises the importance of social responsibility as an airport owner and operator. Maintaining public confidence is a high priority with inextricable implications on demand.</p> <p>As passenger numbers continue to grow and MAG develops the infrastructure to provide our guests with the best service possible, we are cognisant of the need to play our role in controlling carbon emissions and reducing our environmental impact.</p>	<p>The Sustainable Aviation Decarbonisation Road-Map represents joint working between airport operators, airlines, aerospace manufacturers and air navigation service providers. It provides a basis to tangibly reduce CO₂ emissions.</p> <p>We are in open dialogue with Government through the Achieving Net Zero Board. This both influences and monitors Government action against promises they have made and is a forum to demonstrate positive work undertaken by the aviation sector and MAG specifically.</p> <p>We also continue to maintain MAG's position as a leader in the Net Zero campaign with an aim towards achievement of net zero carbon emissions by 2038 as outlined in MAG's CSR Strategy. This work is all underpinned by the fact that MAG airports were the first in the UK to be carbon neutral.</p>

The directors present their annual report on the affairs of Manchester Airports Holdings Limited ('the Company') together with the audited financial statements for the year ended 31 March 2020.

Principal activity

The principal activities of the Company and its subsidiaries (the 'Group') during the year were the ownership, operation and development of airport facilities in the UK. The Group's revenues were derived from aircraft and passenger handling charges, airport-based commercial and retail activities, and property.

Review of business and future developments

The consolidated results for the year under review commence on page 61. The Company intends to continue its development of the Group as an operator of high-quality airports and airport facilities both within the UK and overseas. During the current COVID-19 pandemic the Group's focus is: to keep its assets and its people safe; to prudently manage our expenditure profiles to match demand levels, and maintain sufficient funding to enable MAG to take advantage demand levels as they return. A more detailed review of the Group's principal activities, results and future developments is provided in the business overview, management review and finance review sections of the strategic report.

Dividends and transfers to reserves

The retained loss for the year of £172.3m (2019: loss of £31.3m) after dividends paid of £199.3m (2019: £174.7m) will be transferred from reserves. In addition to the retained loss reserves were also adjusted by an increase of £25.3m reflecting: a gain of £23.9m relating to revision of actuarial assumptions relating to the Group's defined benefit pension schemes net of tax; a £1.7m movement on corporate tax rate and a foreign exchange loss of £0.3m on MAG's US investment. All dividends paid in the year were proposed and paid prior to the COVID-19 pandemic.

Board of Directors

The company directors during the year are detailed on page 1.

Compliance with Corporate Governance Principles

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

Conflicts of interest

The Company has procedures in place for managing conflicts of interest. Should a director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they should notify the Board in writing as soon as reasonably practicable. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

Indemnity and Insurance

The Company's Articles of Association provide that, to the extent permitted by the Companies Acts, the Company may indemnify any director, or former director, of the Company or of any associated companies, against any liability. Directors' and Officers' insurance has been established to provide cover for all Directors against their reasonable actions on behalf of the Company.

Statement of disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Contracts of significance

Details of contracts of significance with The Council of the City of Manchester are set out in note 35 to these financial statements.

Risk Management

The Board as a whole, including the Audit Committee members, consider the nature and extent of the risk management framework, and the risk profile that is acceptable in order to achieve the Group's strategic objectives. The Audit Committee has reviewed the work done by management, the Committee itself and the Board, on the assessment of the Group's principal risks, including their impact on the prospects of the Company. The most significant strategic, corporate and operational risks and uncertainties, and the prevailing approach to their management, are detailed on pages 39 to 42.

Streamlined energy and carbon reporting (SECR)

As detailed on page 36.

Going concern

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events, which are inherently uncertain. The current economic conditions resulting from the COVID-19 pandemic have had a significant impact on the Group's activity levels from March 2020 onwards. The impacts upon the general economy and the airline industry specifically have continued into the current financial year FY'21.

As a result, management have considered reasonable downside scenarios for the business through FY'21 and into FY22. The actions put in to place by MAG through its financing response, including the debt-holder consents obtained, mean that MAG's next covenant test is not measured until September 2021, with a reporting date of December 2021, being 14 periods of 15 months and 19 months respectively from the date of signing of the accounts. MAG is therefore not expected to be in breach of its financial covenants, even in a downside scenario, for a period in excess of 12 months.

In addition, taking into account the previously outlined level of cash, new equity funding, and realisation of property, the directors are confident that the Group has sufficient funds to allow it to operate throughout this period even in reasonable downside scenarios.

MAG also has a window, in excess of 12 months, for the Group to consider and address any emerging new or more significant risks in relation to its financial position or for future financial covenant testing dates from September 2021 onwards. Potential actions would include aligning capital investment, operating costs and aviation tariffs with a lower traffic environment; sourcing additional financial support to remedy any short-term shortfalls; or negotiating waivers with the holders for any potential breach of future financial problems beyond the current consent period.

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

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

Viability statement

The directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 39 and 42. These risks include the impact of COVID-19 pandemic and the Group's business resilience and business continuity mitigation strategies. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2023.

The directors have determined that a three-year period to 31 March 2023 constitutes an appropriate period over which to provide its viability statement. This is the period focused on by the Board during the strategic planning process and is aligned to our detailed passenger projections. The directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved we believe this presents users of the Annual Report with a reasonable degree of confidence while still providing a longer-term perspective.

In making this assessment the directors confirm that they have a reasonable expectation that the company can continue in operation and meet its liabilities throughout the period. The directors have considered the potential impact of COVID-19 on the cashflow and liquidity of the Group, over the period, together with the corresponding impact on the covenants associated with the Group's financing arrangements.

The current economic conditions resulting from the COVID-19 pandemic have had a significant impact on the Group's activity levels from March 2020 onwards. The impacts upon the general economy and the airline industry specifically have continued into the current financial year FY21.

The Group is subject to financial covenants on its Bond and Bank facilities, being leverage (Net Debt/EBITDA) and interest cover (EBITDA less tax/ net finance charges). The covenants are tested half yearly on 31 March and 30 September. As at 31 March 2020 the Group had complied with both of its covenants.

During the year ended 31 March 2020, the Group issued £350.0m in bonds with a maturity date of 30 September 2044. This increases the Group's committed facilities comprising: borrowings of £2.1bn of bonds and shareholder loans which mature beyond the viability period; and a £500.0m Secured Revolving Credit Facility (which was fully drawn at the year-end) with the Group holding £271.3m in cash balances. The Group's Secured Revolving Credit Facility will mature in June 2023 and £360.0m of the Group's bonds will mature in 2024. The remaining £1,100.0m of Group bonds will mature between 2034 and 2044.

Viability statement continued

Despite entering the crisis in a strong financial position, as a consequence of COVID-19 and the subsequent expected impact on EBITDA over the next 12 months, MAG would not have been able to avoid breaching its covenants when next testing at 30 September 2020.

Whilst the implementation of IFRS 16 adds £417.0m into MAG's reported liabilities, together with boosting its asset base by £414.8m, the Group has negotiated bank covenants on the basis of Frozen GAAP. Consequently, the implementation of this new accounting standard, is not reflected in the banking covenants calculations.

MAG as therefore acted promptly and successfully implemented a strategic financing response. This includes significant cash mitigation measures across costs and capital expenditure, including reducing future forecast expenditures by over £380.0m over the next two years; recently securing receipt of £300.0m of additional funding from its shareholders; together with MAG's property book current held for resale as part of a review its portfolio, with realisation of proceeds significantly in excess of £400.0m expected to be completed well within the next 12 months. All which together with MAG's strong liquidity position at 31 March provides adequate levels of funding beyond the next 12 months.

In addition, MAG has obtained comprehensive bank and bondholder support for its response, including obtaining waivers on its next two six monthly financial covenant tests at 30 September 2020 and 31 March 2021, removing any risk on financial covenants during the next financial year.

Further details of the actions the Group has taken are included in the "our response to COVID-19" section of the Chief Executive Officers statement and the "Business Outlook" section of the Financial Review.

Management have also considered reasonable downside scenarios for the business throughout the viability period. The actions put in to place by MAG through its financing response including the debt-holders consents obtained, mean that MAG's next covenants test is not measured until September 2021, with a reporting date of December 2021, being periods of 15 and 19 months respectively from the date of signing of the accounts. MAG is therefore not expected to be in breach of its financial covenants, even in a downside scenario, for a period in excess of 12 months.

In addition, taking into account the previously outlined level of cash, new equity funding, and realisation of property, the directors are confident that the Group has sufficient funds to allow it to operate throughout the viability period even in reasonable downside scenarios.

MAG also has a window, in excess of 12 months, for the Group to consider and address any emerging new or significant risks in relation to its financial position or for future financial covenant testing dates from September 2021 onwards. Potential actions would include aligning capital investment, operating costs and aviation tariffs with a lower traffic environment; sourcing additional financial support to remedy any short-term shortfalls; or negotiating waivers with the holders for any potential breach of future financial problems beyond the current consent period.

Having considered all the relevant requirements; including MAG's financial position, likely forecast and reasonable downsides, together with actions available to mitigate impacts and the time period available to act, it is accordingly appropriate that the group will continued in operation and meets its liabilities as they fall due over the three year period to 31 March 2023.

Employees

Employment policies

The Group's employment policies are regularly reviewed, refreshed where applicable and updated in agreement with the Board. The Group is committed to treating all employees and job applicants fairly and on merit, regardless of age, disability, gender and gender reassignment, marital and civil partnership status, pregnancy and maternity, race, religion or belief, and sexual orientation. The Group does not tolerate harassment or discrimination of any kind. If an employee becomes disabled, every effort is made to retain them in their current role or provide retraining or redeployment within the Group.

Apprentices and the National Living Wage

MAG remains fully supportive of apprenticeships. It increased its intake during the year ended 31 March 2020, with a view to enhancing talent pool diversity. The new and compulsory National Living Wage for workers aged 25 and over became effective on 1 April 2016 (update). MAG is committed to paying all of its employees above the prescribed level.

Consultation and communication

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are being made that may affect their interests. As part of the Trade Union recognition arrangements, various employee forums exist for each business area, and more information on consultation is provided in the annual CSR report.

In addition, there are regular briefings in relation to key business and operational developments. These are cascaded throughout the organisation via weekly newsletters, face-to-face events and online forums. MAG also relaunched its colleague magazine "Take Off" which celebrates the work of individuals and teams across all airport and business areas.

Consultation and communication continued

This year also saw the continued success of AIM (All Ideas Matter), MAG's idea scheme which gives all colleagues the opportunity to share ideas for innovation and business improvement. Thousands of ideas were generated across all of our airports, which were reviewed by a panel with the best being taken forward for implementation.

Policy and practice on payment of creditors

The Group's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code, copies of which are available from the CBI, Cannon Place, 178 Cannon Street, London, EC4N 6HN. For other suppliers the Group's policy is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.

These payment practices apply to all payments to creditors for revenue and capital supplies of goods and services without exception. The period of credit taken by the Group at 31 March 2020 was 46 days (2019: 58 days), reflecting the average number of days between receipt of the invoice and its subsequent payment.

Modern slavery act 2015

Our principal reference point for slavery and human trafficking are the definitions set out in the Modern Slavery Act 2015. We recognise that slavery and human trafficking can occur in many forms such as forced labour, child labour, domestic servitude, sex trafficking and workplace abuse. We are also aware that forced labour as a form of slavery includes debt bondage and the restriction of a person's freedom of movement whether that be physical or non-physical, for example, by the withholding of a worker's identity papers. We use the terms 'slavery' and 'human trafficking' to encompass all of these various forms of coerced labour.

We are committed to maintaining, and continuously improving, our practices to combat slavery and human trafficking. We are totally opposed to such abuses in our direct operations, our indirect operations and our supply chain as a whole, and understand that we have a responsibility to be alert to these risks in our business. All employees are expected to report concerns and management are expected to act upon them.

Charitable and Political Donations

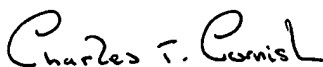
Charitable donations made by the Group during the year totalled £0.6m (2019: £1.0m). The donations were all made to recognised local and national charities for a variety of purposes. It is the Group's policy not to make contributions to political parties.

Auditor

Written resolutions relating to the reappointment of KPMG LLP as auditor, and to the authority of the directors to fix the auditor's remuneration, are to be put before the Company's voting shareholders for execution in the short term (and in the case of the former resolution, within the relevant period prescribed by statute). The most recent audit tender process was undertaken in 2017.

The Group assess the effectiveness of the audit process and the independence of the auditor on an annual basis. The evaluation of audit effectiveness takes into account the views of both management and the non-executive directors across a number of attributes. The independence of the external auditor considers both the quantum and the nature of non-audit services provided by the auditor during the year and ensures that compliant with both the Group's policy and the FRC's ethical guidance.

The report was approved and authorised by the Board and was issued on behalf of the Board.



Charlie Cornish
Chief Executive MAG
For and on behalf of the Board of Directors of the Company
9th July 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORTS HOLDINGS LIMITED

Opinion

We have audited the financial statements of Manchester Airports Holdings Limited ("the company") for the year ended 31 March 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to the accounting policies of the financial statements which describes uncertainties regarding the inherently uncertain trading environment, and specifically the potential breach of financial covenants at 30 September 2021. This, along with the other matters explained in the accounting policies, constitutes a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

Our opinion is not modified in this respect.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 47, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORTS HOLDINGS LIMITED CONTINUED

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Paul Sawdon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

9 July 2020

Accounting Policies

GENERAL INFORMATION

Manchester Airports Holdings Limited (the 'Company') is a limited liability company incorporated and domiciled in England and Wales in the UK, under the Companies Act 2006. The address of the registered office is Olympic House, Manchester Airport, Manchester, M90 1QX.

The principal activities of the Group are set out within the Directors' Report. These consolidated financial statements were approved for issue by the Board of Directors on 9 July 2020.

BASIS OF PREPARATION

The directors have prepared the financial statements on a going concern basis. In assessing the going concern position of the Group, the directors have considered the potential impact of COVID-19 on the cash flow and liquidity of the Group, over the next 12 months, together with the corresponding impact on the covenants associated with the Group's financing arrangements leading up to the next covenant test in Sept 2021.

The current economic conditions resulting from the COVID-19 pandemic have had a significant impact on the Group's activity levels from March 2020 onwards. The impacts upon the general economy and the airline industry specifically have continued into the current financial year FY21.

The Group is subject to financial covenants on its Bonds and Bank facilities, being leverage (Net Debt / EBITDA) and interest cover (EBITDA less tax / net finance charges). The covenants are tested half yearly on 31 March and 30 September. As at 31 March 2020 the Group had complied with both of its covenants.

At the year ended 31 March 2020 the Group had significant financial liquidity available of £281.3 million comprising cash in hand of £271.3 million together with £10 million in undrawn committed overdraft facilities. The Group also has access to a committed £90 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months. The Group does not currently expect to utilise the Liquidity Facility.

Despite entering the crisis in a strong financial position, as a consequence of COVID-19 and the subsequent expected impact on EBITDA over the next 12 months, MAG would not have been able to avoid breaching its covenants when next tested at 30 September 2020.

MAG has therefore acted promptly and successfully implemented a strategic financing response. This includes significant cash mitigation measures across costs and capital expenditure, including reducing future forecast expenditures by over £380m over the next two years; recently securing receipt of £300m of additional funding from its shareholders; together with MAG's property book currently held for resale as part of a review of its portfolio, with realisation of proceeds significantly in excess of £400m expected to be completed well within the next 12 months. All which together with MAG's strong liquidity position at 31 March provides adequate levels of funding beyond the next 12 months.

In addition MAG has obtained comprehensive bank and bondholder support for its response, including obtaining waivers on its next two six-monthly financial covenant tests at 30 September 2020 and 31 March 2021, removing any risk on financial covenants during the next financial year.

Further details of the actions the Group has taken are included in the "our response to COVID-19" section of the Chief Executive officers statement and the "Business Outlook" section of the Financial Review.

The actual impact of COVID-19 is expected to become clearer over the course of this financial year. In recent weeks the level of infection has been falling in most countries, appropriate manageable protocols have been established for a safe return to air travel, governments are progressively beginning to reopen the borders, and flying has re-commenced. The expectation is that international markets will soon reopen fully with a gradual recovery of traffic through this year.

Management have also considered reasonable downside scenarios for the business through FY21 and into FY22. The actions put in place by MAG through its financing response, including the debt-holder consents obtained, mean that MAG's next covenant test is not measured until September 2021, with a reporting date of December 2021, being periods of 15 months and 19 months respectively from the date of signing of the accounts. MAG is therefore not expected to be in breach of its financial covenants, even in a downside scenario, for a period in excess of 12 months.

In addition, taking into account the previously outlined level of cash, new equity funding, and realisation of property, the directors are confident that the Group has sufficient funds to allow it to operate throughout this period even in reasonable downside scenarios.

MAG also has a window, in excess of 12 months, for the Group to consider and address any emerging new or more significant risks in relation to its financial position or for future financial covenant testing dates from September 2021 onwards. Potential actions would include aligning capital investment, operating costs and aviation tariffs with a lower traffic environment; sourcing additional financial support to remedy any short-term shortfalls; or negotiating waivers with the holders for any potential breach of future financial problems beyond the current consent period.

Accounting Policies continued

BASIS OF PREPARATION continued

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

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

The following new accounting standards, amendment to standards and interpretations both have an effective date of 1 January 2019 and was adopted by the Group for the year ended 31 March 2020:

IFRIC23

- IFRIC 23 'Uncertainty over Income Tax Treatments'; and
- IFRIC 23 changes the method of calculating provisions for uncertain tax positions. The adoption of this standards and interpretations has not had any material effect on the Group's results or net assets for the year ended 31 March 2020.

IFRS 16, 'Leases'

The new standard fundamentally changes the accounting for leases by lessees. It eliminates the IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases, and instead introduces a single, on-balance sheet accounting model that is similar to finance lease accounting

The Group has adopted IFRS 16 using the modified retrospective approach. The use of the modified retrospective approach does not permit restatement of prior year comparative figures. Note 37 to these accounts provides reconciliations of the primary financial statements for the year ended 31 March 2020 as reported to the accounts that would have been prepared if the previous standard (IAS 17) was still in force. Additionally, management have ensured that the impact of IFRS 16 on the movement in APMs is highlighted by disclosing the underlying like-for-like movement.

Transition

The Group has decided to adopt the modified retrospective transition approach and will not restate comparative amounts. The Group has elected to measure the right-of-use asset at the lease liability on adoption and apply the recognition exemption for both short-term and low-value assets.

In adopting the modified retrospective approach the Group applied the following practical expedients:

- applying the permitted exemptions of short-term and low value leases;
- discounting the lease liability at the incremental borrowing rate as at the transition date; and
- basing the value the right-of-use asset on the lease liability

In the Annual Report for the year ended 31 March 2019, the Group advised that it was preparing for the implementation of the new accounting standard and provided an indication of the quantum of right-of-use asset and finance lease liability it expected to recognise as a consequence. A full review of all of the lease terms and assumptions in preparation for this annual report refined the quantification of the impact upon the Group's lease portfolio. Note 37 provides a reconciliation of the operating lease and IFRS 16 disclosures in the Annual Report for the year ended 31 March 2019 to the IFRS 16 impact recognised in this Interim Report

The weighted average discount rate, based on incremental borrowing rates, across the Group lease portfolio was 5.28%. The discount rate for each lease is dependent on lease start date and term.

Impact of IFRS 16 on financial statements

The Group recognised an opening right of use assets and lease liabilities of £420.9m with no impact upon the Group's net assets.

The adoption of IFRS 16 resulted in the Group's income statement reflected an increase to EBITDA for the year ending March 2020 of £28.0m, with operating profit is increased by £19.2m as the new depreciation charge is lower than the current operating lease payments. However, finance charges increased by circa £21.9m with an overall decrease in profit before tax of circa £2.7m. There is no material impact on the Group's effective tax rate, though it does impact upon the disclosure of the Group's deferred tax balances.

Accounting Policies continued

Impact of IFRS 16 on financial statements continued

Whilst the new standard does not impact on cash flows, the presentation of the cash flow statement changed significantly, with an increase in net cash inflows of £28.0m from operating activities being offset by an increase in net cash outflows of £21.9m of interest paid and £6.1m of financing activities (repayment of lease liability).

The impact of the changes to the Group's primary statements as a result of the new standard are shown in the reconciliation at note 37.

BASIS OF CONSOLIDATION

These consolidated financial statements include the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position, and statement of cash flows of the Company and all of its subsidiaries:

Subsidiaries are entities controlled directly or indirectly by the Company. Control exists when the Company has the power (directly or indirectly) to direct relevant activities of an entity so as to obtain benefits from its activities. Subsidiaries have been consolidated from the date that control commences until the date that control ceases. At such time, any resulting gain or loss is recognised in the profit and loss.

Interests in equity accounted investees

Entities, other than subsidiaries, over which the Company (directly or indirectly) exerts significant influence, but not control or joint control, are associates. The Group's investments in its associates are accounted for using the equity method.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an equity accounted investee is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the equity accounted investee since the acquisition date.

Transactions eliminated on consolidation

Intra-group balances and transactions, income and expenses and all profits and losses arising from intra- group transactions, are eliminated in preparing the Group financial statements.

REVENUE

The Group operates a number of revenue streams and accordingly applies methods for revenue recognition, based on the principles set out in IFRS 15. The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

The following revenue recognition criteria apply to the Group's main income streams.

Aviation income:

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

Retail concession income:

- concession income from retail and commercial concessions is recognised in the period to which it relates on an accruals basis. The contracts entered into are long-term income-sharing concession agreements, with the concession fee based on turnover.
- income from airport lounges is recognised at the point of usage.

Accounting Policies continued**Car park income:**

- car parking income is recognised at the point of exit for turn-up, short and long-stay parking.
- contract parking and pre-book parking is recognised over the period to which it relates on a straight-line basis. The Group considers the performance obligation is satisfied through the provision of a car park space for each day the car is parked.
- where car parking is booked through a third party, income and related commissions are accounted for on a gross basis as the Group is acting as a principal, rather than an agent, through its control of the pricing and availability of car park spaces.
- income and related commissions from the Group's distribution businesses, Looking4parking.com and skyparksecure are accounted for on a net basis, as the Group are acting as the agent in this relationship.

Property income:

- rental income arising on investment properties is accounted for on a straight-line basis over the lease term. The contracts being entered into are long-term lease arrangements.
- inter-company revenue arising from rental between the Group's operating segments has been eliminated.

Revenue is disaggregated at the income stream level, and all segments generate revenue from all of the Group's income streams, with the exception of MAG Property, which generates only property income, and the Group, consolidation and other segment, which does not earn aviation income.

All revenue from the Group's income streams is generated in the UK other than some lounge and car park income which is generated in the United States of America by MAG US.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Group's performance may result in additional revenues based on the achievement of certain performance measures. In determining the amount of revenue and profits to record, and related balance sheet items (such as trade receivables, accrued income and deferred income) to recognise in the period, management are required to form a number of judgements and assumptions.

The Group's customer contracts include a diverse range of payment schedules dependent on the nature and type of services being provided. The Group agrees payment schedules at the beginning of contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance. Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income asset for this difference. All performance obligations are satisfied within the financial year and there are no judgements or assumptions required to estimate transaction price or allocate revenue to performance obligations.

Accounting Policies continued

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. when the Group assumes control. Control exists when the Group has the power to direct relevant activities of an entity so as obtain benefits from its activities. For acquisitions completed before 1 April 2010, attributable costs of the acquisition formed part of goodwill. For acquisitions completed on or after 1 April 2010, attributable costs of acquisition are expensed in the income statement in the period incurred.

Goodwill arising on acquisitions represents the difference between the fair value of the consideration given over the fair value of the assets, liabilities and contingent liabilities of an acquired entity. Positive goodwill is capitalised as an asset in the consolidated statement of financial position and is subject to annual impairment reviews, or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately in the Group's consolidated income statement and is not subsequently reversed (see critical accounting judgements).

FOREIGN TRANSACTIONS

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

CONTINGENT CONSIDERATION

The Group evaluate any contingent consideration payable and apply the application guidance set out in IFRS 3 to the particular circumstances of the transaction. The contingent consideration will accordingly be categorised as part of the consideration of the acquisition or as post-acquisition remuneration. In all instances where the contingent consideration is dependent upon the continuing employment of the recipients, the Group will treat the amount as post-acquisition remuneration.

OTHER INTANGIBLE ASSETS

Intangible assets that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific assets to which it relates. Amortisation is based on the costs of an asset less its residual value.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful economic life of the specific asset to which it relates, from the date that it is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The useful economic lives of the Group's intangible assets are detailed below:

	Years
Metrolink	20
Customer Relationships	10
Brands	10
Software & Intellectual Property	10

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment constitutes the Group's operational asset base, and includes terminal, airfield, car parking, land, plant, and owner-occupied property assets. Investment properties held to earn rentals or for capital growth are accounted for separately under IAS 40 'Investment properties'.

The Group has elected to use the cost model under IAS 16 'Property, plant and equipment', as modified by the transitional exemption to account for assets at deemed cost that were revalued previously under UK GAAP. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently, property, plant and equipment is stated at cost or deemed cost, less accumulated depreciation. Cost includes directly attributable own labour. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The Group capitalises borrowing costs into the cost of property, plant and equipment, if the criteria under IAS 23 are met. Depreciation is provided to write-off the cost of an asset on a straight-line basis over the expected useful economic life of the relevant asset.

Accounting Policies continued

Expected useful lives are set out below:

	Years
Freehold and long leasehold property	10 – 50
Runways, taxiways and apron	5 – 75
Mains services	7 – 100
Plant and machinery	5 – 30
Motor vehicles	3 – 7
Fixtures, fittings, tools and equipment	5 – 10

Useful economic lives are reviewed on an annual basis, to ensure they remain relevant and appropriate. No depreciation is provided on land. Repairs and maintenance costs are written off as incurred.

Assets under construction, which principally relate to airport infrastructure, are not depreciated until such time as they are available for use. If there are indications of impairment in the carrying value, then the recoverable amount is estimated and compared to the carrying amount. The recoverable amount is determined as the value that will ultimately be capitalised as an asset, based upon IAS 16 recognition and capitalisation criteria. Where indication of impairment occurs, the recoverable amount is determined based upon IAS16 recognition and capitalisation criteria. This carrying amount is assessed for impairment as part of the carrying value of the assets at each cash generating unit ("CGU") by comparison with the value in use generated by the CGU from its net cashflows.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly

INVESTMENT PROPERTIES

The Group accounts for investment properties in accordance with IAS 40 'Investment properties'. An investment property is one held to either earn rental income or for capital growth. The Group has elected to use the fair value model, and therefore investment properties are initially recognised at cost and then revalued to fair value at the reporting date by an independent property valuer.

Investment properties are not depreciated. Gains or losses in the fair value of investment properties are recognised in the income statement for the period in which they arise. Gains or losses on the disposal of an investment property are recognised in the income statement on completion.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

IMPAIRMENT

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. The impact of the COVID-19 pandemic was regarded by the directors as an impairment trigger. Consequently, an impairment review was performed at year end to assess the carrying value of the Group's assets.

LEASES AND FIRST TIME ADOPTION OF IFRS 16

Impact of adoption of IFRS 16

This financial year, MAG have adopted IFRS 16 'Leases' for the first time, which has significantly changed lessee accounting. The key differences between this standard, and the previous standard IAS 17 are outlined below:

Affected primary statement	IFRS 16	IAS 17
Income statement	Depreciation on right-of-use assets, under "depreciation and amortisation" and interest expense on lease liabilities, under "finance costs".	Rent costs were recognised straight line in 'other operating charges', apportioning total rent due under the agreement across the length of the term.
Statement of financial position	Right-of-use assets held in non-current assets, lease liabilities held in current liabilities where due within a year, non-current liabilities otherwise.	No obligations for future lease payments were recognised on the statement of financial position, unless these obligations were under a finance lease (not applicable for MAG).
Statement of cash flows	Rent payments are analysed into interest and capital, with the interest element included in the "interest paid" line and the capital element included under "cash generated from financing activities".	All rent payments were recognised in "cash generated from continuing operations".

The impact of adoption of IFRS 16 on the primary statements and key APMs is discussed in further detail in note 37 to the financial statements.

Accounting Policies continued

LEASES AND FIRST TIME ADOPTION OF IFRS 16 CONTINUED

Review of contracts for leases

At the inception of a contract, the Group assesses where a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to direct the use of an identified asset for a period of time, in exchange for consideration. As part of the adoption of IFRS 16, the Group has reviewed all existing contracts to assess whether they contain a lease.

The Group has opted to apply the practical expedient not to reassess whether contracts contain a lease/the Group reassesses existing contracts to confirm that they contain a lease.

Initial measurement

In line with the modified retrospective approach for IFRS 16, MAG have recognised lease liabilities measured at the present value of lease payments outstanding at the adoption date of 1 April 2019, discounting by applying the Group's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Group is reasonably certain to exercise
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease, unless the Group is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made at or before the adoption date, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

Subsequent measurement

The lease liability is subsequently measured at amortised cost, using the effective interest method, whilst the right-of-use asset is depreciated straight line over the remaining lease term as at the date of adoption.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate,
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee
- if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or
- if there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

MAG has elected to not recognise right-of-use assets and lease liabilities under leases of a duration of under one year; and low-value leases. The expense recognised in the income statement relating to such leases is below the £100,000 used for rounding in these financial statements, and therefore is not disclosed.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

GRANTS

Revenue grants are recognised in the income statement during the periods to which they relate.

Grants received and receivable relating to property, plant and equipment are shown as a deferred credit in current and non-current liabilities on the statement of financial position. An annual transfer to the income statement is made on a straight-line basis over the expected useful life of the asset for which the grant was received.

Accounting Policies continued

FINANCIAL INSTRUMENTS

Financial instruments are classified at fair value, and subsequently measured at amortised cost, Fair Value through Profit or Loss (FVPL) or Fair Value through Other Comprehensive Income (FVOCI).

The Group's treatment of financial assets and liabilities:

- trade receivables are recognised initially at their transaction price with a loss allowance provided based upon the estimated credit loss.
- all financial liabilities (corporate bonds, bank loans and overdrafts and trade and other payables) within the scope of IFRS9 are recognised at amortised cost.

Expected credit loss

The Group applies IFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, the Group have grouped trade receivables based on shared credit risk characteristics, including the customer's industry and the days past due. The Group's historical loss rates are considered alongside current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and reasonable forecasts.

The Group's definition of default is based on the ageing of the debts and will also consider the financial status of the customer.

CONTINGENT ASSETS

Contingent assets are primarily insurance related, and mitigate losses caused by claims against the Company. Contingent assets are only recognised when they are virtually certain and are presented in other debtors, separate from the associated provision amount. However, they are presented net in the profit and loss account.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group accounts for assets held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax and investment property that are carried at fair value.

Non current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale and equity-accounted investee is no longer equity accounted.

The assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet.

A discontinued operations is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business, is part of a single coordinated plan to disposal of such a line of business. When an operation is classified as a discontinued operation, the comparative statement is profit or loss and OCI is presented as if the operation had been discontinued from the start of the comparative year.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, bank deposits and short-term deposits net of bank overdrafts, which have an original maturity of three months or less.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

BORROWING COSTS

The Group does not capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets into the cost of property, plant and equipment, unless the criteria under IAS 23 are met. Where the criteria is met, borrowing costs are calculated by applying an average interest rate in the period to the expenditure incurred on qualifying assets.

All other borrowing costs are recognised in the income statement over the period of the borrowings using the effective interest method.

Accounting Policies continued

PROVISIONS

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

TAXATION

The tax expense for the year comprises current and deferred tax.

The charge for taxation is based on the profit for the year and takes into account deferred tax due to temporary differences between the tax bases of assets and liabilities, and the accounting bases of assets and liabilities in the financial statements. The principal constituents of the deferred tax liability in the Group financial statements are temporary differences on property, plant and equipment, where the carrying value in the financial statements is in excess of the tax base due to accelerated capital allowances, and the previous effects of revaluations under UK GAAP.

Deferred tax assets are recognised to the extent that it is regarded as probable that the temporary difference can be utilised against taxable profit in the future. Current tax and deferred tax relating to items recognised directly in equity, are also recognised directly in equity. Deferred tax is based on the tax laws and rates that have been enacted at the statement of financial position date and which are expected to apply when the relevant deferred tax item is realised or settled. Current tax has been calculated at the rate of 19% applicable to accounting periods ending 31 March 2020 (2019: 19%).

EMPLOYEE BENEFIT COSTS

The Group participates in four defined benefit schemes, which are contracted out of the state scheme, as well as two defined contribution schemes. The costs of defined contribution schemes are charged to the income statement in the year in which they are incurred. Defined benefit schemes are accounted for as an asset or liability on the statement of financial position. The asset or liability reflects the present value of defined benefit obligations, less the fair value of plan assets. The amount reported in the income statement for employee benefit costs includes past service costs, current service costs, interest costs and return on assets income. Past service costs are charged to the income statement immediately, and current service costs are charged to the income statement for the period to which they relate.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included as an employee benefit expense in the income statement.

Actuarial gains and losses are recognised in the statement of comprehensive income in the period in which they arise. The defined benefit asset or liability, together with the current and past service costs, are calculated at the reporting date by an independent actuary using the projected unit credit method.

Under IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', surpluses on pension schemes are not recognised unless there is an unconditional right to recover or realise them at some point during the life of the plan. The unconditional right would not exist when the availability of the refund or the reduction in future contribution would be contingent upon factors beyond the entity's control (for example, approval by third parties such as plan trustees). To the extent that the right is contingent, no asset would be recognised.

SIGNIFICANT ITEMS

Significant items are material items of income and expense that, because of the unusual nature or frequency of the events giving rise to them, merit separate presentation to allow an understanding of the Group's underlying financial performance. Such items include impairment of assets, major reorganisation of businesses and integration costs associated with significant acquisitions. They also include the costs associated with the close out of previous financing arrangements upon refinancing.

DIVIDENDS

A dividend to the Company's shareholders is recognised as a liability in the consolidated financial statements during the period in which the right to receive a payment is established via the declaration of a dividend approved by the Company's Board of Directors, or, as the case may be, voting shareholders.

Accounting Policies continued

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Group's accounting policies, the Group has made estimates and judgements concerning the future. Actual results may, however, differ from the estimates calculated, and management believe that the investment properties, leases, discontinued operations, going concern, pensions and goodwill categories contain the more significant judgements impacting these financial statements.

COVID-19 has had a significant impact upon the accounting estimates & judgements as at the reporting date. The Group has had to consider this impact in presenting the financial statements to this report. The critical accounting estimates areas of: valuation of investment properties; valuation of the Group's net pension liability; discount rate applied to leases under IFRS 16 and the impairment of the Group's non-financial assets are detailed below:

GOING CONCERN

The impact of COVID-19 has resulted in the Group obtaining waivers from the requirements to perform loan covenant testing and obtain additional shareholder funding to ensure that the Group has adequate headroom going forward.

The directors have evaluated whether these actions, coupled with further mitigating actions that the Group can undertake are sufficient to ensure that MAG will continue as a going concern for plausible future trading scenarios reflecting the likely timing and rate of recovery of the sector. Based upon this assessment outlined at page 50 the directors have concluded to regard MAG as a going concern for the purpose of these financial statements.

INVESTMENT PROPERTIES

Investment properties were valued at fair value at 31 March 2020 by Savills, Strutt and Parker and Fisher German. The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

The value of the Group's Investment Properties has been included at the values advised by its professional advisors. This has been revised in the case of the Group's non-core property portfolio which is currently being held for sale. Following the Group's decision to enter a period of exclusivity with a potential purchaser the valuation of the non-core property portfolio reflects the offer less anticipated selling costs.

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.

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in note 28.

LEASES

In adopting the new lease standard IFRS 16 estimates have been made in applying the Group's incremental borrowing rate to each lease in order to calculate the liability. This has involved estimating premium over the risk-free reflecting the nature of the asset using external benchmark data, the credit risk of MAG as a lessee, country risk and the long duration of MAG's most significant leases.

Additionally, judgement was applied in determining the lease term within the portfolio where options to extend existed. Consideration was given to the likelihood of the extension being exercised in calculating the lease liability

DISCONTINUED OPERATIONS

Classification of MAG's non-core property portfolio as a discontinued operation required management's judgement following the non-completion of the sale process during March 2020. With the delay caused by factors beyond MAG's control and the Group remaining committed to the sales process, management assessed whether it was highly probable that a firm purchase commitment would be received within one year in order to confirm that the classification as discontinued operations was appropriate.

Accounting Policies continued**CARRYING VALUE OF NON-FINANCIAL ASSETS (INCLUDING GOODWILL)**

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

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

The Group has considered future traffic levels projections issued by other industry participants in arriving at its own projections which were used for both the impairment review and the Group's going concern assessment. These projections considered the timing and rate of recovery to pre-COVID-19 activity levels. For impairment purposes long-term projections beyond the 7-year business plan time horizon were based upon long-term growth rates. Downside scenarios included low-growth assumptions in considering risks around recoverability of the assets carrying value.

Consolidated income statement*for the year ended 31 March 2020*

	Note	2020 £m Continuing operations	2020 £m Discontinued operations	2020 £m Total business	2019 £m Continuing operations	2019 £m Discontinued operations	2019 £m Total business
Revenue	1	893.4	28.9	922.3	861.7	27.7	889.4
Result from operations before significant items	4	201.3	25.2	226.5	203.9	22.1	226.0
Significant items	3	(18.6)	(6.2)	(24.8)	(9.4)	(5.8)	(15.2)
Result from operations		182.7	19.0	201.7	194.5	16.3	210.8
Share of result in equity accounted investees	17	-	-	-	3.5	-	3.5
Gains and losses on sale and valuation of investment properties	15	2.2	9.2	11.4	16.9	28.9	45.8
Finance costs	7	(109.5)	(14.7)	(124.2)	(59.9)	(14.6)	(74.5)
Result before taxation		75.4	13.5	88.9	155.0	30.6	185.6
Taxation - result from operations before significant items	9	(57.1)	(1.8)	(58.9)	(31.5)	(8.6)	(40.1)
Taxation - significant items	9	(3.0)	-	(3.0)	(2.1)	-	(2.1)
Result for the year		15.3	11.7	27.0	121.4	22.0	143.4
Earnings per share expressed in pence per share	12	4.8	3.7	8.5	38.3	7.0	45.3

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

Consolidated statement of comprehensive income

for the year ended 31 March 2020

	Note	2020 £m	2019 £m
Result for the year		27.0	143.4
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit liabilities	28	31.0	3.5
Foreign exchange movement		(0.3)	0.5
Deferred tax on remeasurement of retirement benefit liabilities	9	(7.1)	(0.6)
Effect of change in rate of corporation tax on deferred tax	9	1.7	-
Other comprehensive income for the year		25.3	3.4
Total comprehensive income for the year		52.3	146.8

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

Consolidated statement of changes in equity*for the year ended 31 March 2020*

	Note	Attributable to equity holders of the Group			Total £m
		Share capital £m	Share premium £m	Reserves £m	
Balance at 1 April 2019		316.7	687.2	488.8	1,492.7
Total comprehensive income for the year					
Result for the year		-	-	27.0	27.0
Foreign exchange movement		-	-	(0.3)	(0.3)
Remeasurement of defined benefit liabilities, net of tax	28, 9	-	-	23.9	23.9
Effect of change in rate of corporation tax on deferred tax	9	-	-	1.7	1.7
		-	-	52.3	52.3
Transactions with owners recorded directly in equity					
Dividends paid to equity holders	11	-	-	(199.3)	(199.3)
Balance at 31 March 2020		316.7	687.2	341.8	1,345.7

Consolidated statement of changes in equity*for the year ended 31 March 2019*

	Note	Attributable to equity holders of the Group			Total £m
		Share capital £m	Share premium £m	Reserves £m	
Balance at 1 April 2018		316.7	687.2	516.7	1,520.6
Total comprehensive income for the year					
Result for the year		-	-	143.4	143.4
Foreign exchange movement		-	-	0.5	0.5
Remeasurement of defined benefit liabilities, net of tax	28, 9	-	-	2.9	2.9
		-	-	146.8	146.8
Transactions with owners recorded directly in equity					
Dividends paid to equity holders	11	-	-	(174.7)	(174.7)
Balance at 31 March 2019		316.7	687.2	488.8	1,492.7

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

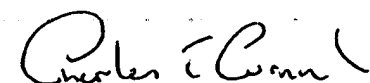
Consolidated statement of financial position

as at 31 March 2020

	Note	2020 £m	2019 £m
Non-current assets			
Goodwill	16	170.8	170.8
Intangible assets	16	45.4	47.0
Property, plant and equipment	13	3,350.9	2,978.8
Right-of-use assets	14	414.8	-
Investment properties	15	137.5	552.6
Investment in equity accounted investees	17	7.0	23.7
Deferred tax assets	30	88.0	14.2
		4,214.4	3,787.1
Current Assets			
Assets held for sale	18	461.4	2.6
Inventories	19	5.2	3.5
Trade and other receivables	20	103.3	129.7
Cash and cash equivalents	21	271.3	32.5
		841.2	168.3
Current Liabilities			
Liabilities directly associated with assets held for sale	18	(73.7)	-
Trade and other payables	27	(332.7)	(252.6)
Deferred income		(21.3)	(25.7)
Current lease liabilities	29	(6.0)	-
Current tax liabilities		(2.5)	(24.4)
		(436.2)	(302.7)
Net current assets/ (liabilities)		405.0	(134.4)
Non-current liabilities			
Borrowings	22-26	(2,524.8)	(1,832.2)
Retirement benefit liabilities	28	(46.2)	(83.9)
Non-current lease liabilities	29	(411.0)	-
Deferred tax liabilities	30	(266.4)	(225.1)
Other non-current liabilities	31	(25.3)	(18.8)
		(3,273.7)	(2,160.0)
Net Assets		1,345.7	1,492.7
Shareholders' equity			
Share capital	32	316.7	316.7
Share premium	32	687.2	687.2
Retained earnings	33	341.8	488.8
Total equity		1,345.7	1,492.7

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

The financial statements on pages 50 to 106 were approved by the Board of Directors on 9 July 2020 and signed on its behalf by:



Charlie Cornish, Group Chief Executive, MAG

Consolidated statement of cash flows

for the year ended 31 March 2020

		2020 £m	2020 £m	2020 £m	2019 £m	2019 £m	2019 £m
	Note	Before significant items	Significant items	After significant items	Before significant items	Significant items	After significant items
Cash flows from operating activities							
Result before taxation - continuing operations		94.0	(18.6)	75.4	164.4	(9.4)	155.0
Gains and losses on sales and valuations of investment properties		(2.2)	-	(2.2)	(16.9)	-	(16.9)
Share of result in equity accounted investees		-	-	-	(3.5)	-	(3.5)
Net finance costs		109.5	-	109.5	59.9	-	59.9
Depreciation and amortisation		180.8	-	180.8	153.6	-	153.6
(Profit) on sale of property, plant and equipment		-	-	-	(1.8)	-	(1.8)
Increase in trade and other receivables and inventories		12.2	-	12.2	13.0	-	13.0
Increase in trade and other payables		12.3	-	12.3	13.5	1.3	14.8
Increase of grants		6.7	-	6.7	6.6	-	6.6
(Decrease)/ Increase in retirement benefits provision		(10.8)	10.5	(0.3)	0.1	-	0.1
Cash generated from continuing operations		402.5	(8.1)	394.4	388.9	(8.1)	380.8
Result before taxation – discontinued operations				13.5			30.6
Finance costs - discontinued operations				14.7			14.6
Non-cash movements – discontinued operations				(9.0)			(24.6)
Interest paid				(111.1)			(98.1)
Tax paid				(58.8)			(41.1)
Net cash from operating activities				243.7			262.2
Cash flows from investing activities							
Purchase of property, plant and equipment				(510.6)			(566.5)
Investment in equity accounted investee				(1.2)			(4.5)
Purchase of goodwill				-			(4.5)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				0.7			-
Proceeds from sale of assets held for sale				2.0			-
Proceeds from sale of discontinued operation				-			15.4
Net cash used in investing activities				(509.1)			(560.1)
Cash flows from financing activities							
Increase in bank loan borrowings, net of debt issue costs	23			349.0			135.1
Issue of shareholder loans				-			350.0
Funds received from shareholder				18.7			-
Bond issued in the year, net of issue costs	24			341.9			-
Payment of principal on lease liabilities				(6.1)			-
Dividends paid to shareholders	11			(199.3)			(174.7)
Net cash from financing activities				504.2			310.4
Net increase in cash and cash equivalents	36			238.8			12.5
Cash and cash equivalents at the beginning of the year				32.5			20.0
Cash and cash equivalents at the end of the year	21			271.3			32.5

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

Notes to the financial statements continued

for the year ended 31 March 2020

1 Revenue

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

	2020 £m	2019 £m
Aviation income	361.2	354.5
Commercial income		
Retail concessions	200.0	198.1
Car parking	234.8	221.4
Property and property related income	18.7	18.5
Other	78.7	69.2
Total commercial income	532.2	507.2
Total income - continuing operations	893.4	861.7
Income - discontinued operations ¹	28.9	27.7
Total income	922.3	889.4

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

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

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

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

Revenue from all income streams is recognised in line with IFRS 15.

As at 31 March 2020 there were no revenue recognised relating to performance obligations that were unsatisfied as at the year end. Any billing where performance obligations were not satisfied are held in deferred income.

Notes to the financial statements continued

for the year ended 31 March 2020

2. Business and geographical segments

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

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

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

Year ended 31 March 2020

	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG property	Group, consolidation and other ³	Consolidated - continuing operations	Discontinued operations
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Total revenue	437.7	365.2	71.1	2.6	26.8	903.4	28.9
Inter-segment sales ⁴	(3.3)	-	-	-	(6.7)	(10.0)	-
External Revenue	434.4	365.2	71.1	2.6	20.1	893.4	28.9
Result							
Segment operating profit/(loss) before significant items	107.8	101.1	12.2	(4.2)	(15.6)	201.3	25.2
Significant items	(1.5)	7.3	(0.4)	-	(24.0)	(18.6)	(6.2)
Segment operating profit/(loss) after significant items	106.3	108.4	11.8	(4.2)	(39.6)	182.7	19.0
Share of result in equity accounted investees						-	-
Gains and losses on sales and valuation of investment properties						2.2	9.2
Finance costs						(109.5)	(14.7)
Result before taxation						75.4	13.5
Other information							
Segment assets	2,118.7	1,187.4	285.7	(Note 1)	1,002.4	4,594.2	461.4
Segment liabilities	(545.7)	(399.0)	(52.7)	(Note 1)	(2,638.8)	(3,636.2)	(73.7)
Capital expenditure	383.5	93.2	15.4	(Note 1)	40.7	532.8	7.9
Depreciation	91.3	69.3	12.7	(Note 1)	4.0	177.3	0.2
Amortisation	2.5	-	-	(Note 1)	1.0	3.5	-
Taxation	38.5	33.2	7.3	(Note 1)	(18.9)	60.1	1.8
Result - geographical location²							
Segment operating profit/(loss) before significant items	103.6	101.1	12.2	(Note 2)	(15.6)	201.3	25.2

See next page for footnotes.

Notes to the financial statements continued

for the year ended 31 March 2020

2. Business and geographical segments continued

Year ended 31 March 2019

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG property £m	Group, consolidation and other ³ £m	Consolidated - continuing operations £m	Discontinued operations £m
Revenue							
Total revenue	425.7	359.3	68.9	0.6	12.2	866.7	27.7
Inter-segment sales ⁴	-	-	-	-	(5.0)	(5.0)	-
External Revenue	425.7	359.3	68.9	0.6	7.2	861.7	27.7
Result							
Segment operating profit/(loss) before significant items	111.8	104.1	11.8	(3.8)	(20.0)	203.9	22.1
Significant items	(2.9)	(0.1)	(0.2)	(0.1)	(6.1)	(9.4)	(5.8)
Segment operating profit/(loss) after significant items	108.9	104.0	11.6	(3.9)	(26.1)	194.5	16.3
Share of result in equity accounted investees						3.5	-
Gains and losses on sales and valuation of investment properties						16.9	28.9
Finance costs						(59.9)	(14.6)
Result before taxation						155.0	30.6
Other information							
Segment assets	2,028.4	938.5	241.5	(Note 1)	747.0	3,955.4	-
Segment liabilities	(610.9)	(178.4)	(65.2)	(Note 1)	(1,541.3)	(2,395.8)	-
Capital expenditure	408.3	151.8	13.4	(Note 1)	17.4	590.9	-
Depreciation	75.8	62.3	11.6	(Note 1)	1.1	150.8	-
Amortisation	2.5	-	-	(Note 1)	0.5	3.0	-
Taxation	3.7	24.4	4.9	(Note 1)	0.6	33.6	8.6
Result - geographical location²							
Segment operating profit/(loss) before significant items	108.0	104.1	11.8	(Note 2)	(20.0)	203.9	22.1

¹ The Group's reporting structure is such that the assets and liabilities of MAG Property are included in the Manchester Airport statement of financial position.

² For management accounting purposes MAG reports property income and profit on sale of property assets (excluding London Stansted) within the MAG Property division. For statutory purposes property income and profit on disposal of core property assets is reported in the subsidiary companies depending on the geographical location of the investment properties and property, plant and equipment. For non-core properties these are reported within the figures of the property division.

³ Group consolidation and other includes Group, Head Office, MAG USA, 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 22 Borrowings.

⁴ Sales between segments are at arm's length.

During the year MAG US has not been disclosed as a separate segment as part of the Group's segmental reporting. Following the acquisition in June 2020, further details in note 38, the intention of the directors is for MAG US to be disclosed as separate segment in FY21.

Notes to the financial statements continued

for the year ended 31 March 2020

3. Significant items

	2020 £m	2019 £m
Recorded in result from continuing operations		
Significant items ¹	18.6	9.4
Total significant items recorded in result from continuing operations	18.6	9.4
Recorded in result from discontinued operations		
Significant items incurred by discontinued operations ²	6.2	1.5
Loss on sale of discontinued operations ²	-	4.3
Total significant items recorded in result from discontinued operations	6.2	5.8
Total significant items	24.8	15.2

NOTES:

¹ Significant items from continuing operations

Significant items of £18.6m (2019: £9.4m) include a number of restructuring programmes of £1.3m across Group, Stansted and MAG US, M&A activity £2.7m, the additional pensions and associated costs of £12.2m relating to the McCloud judgement (£1.8m) and the transfer of employees from the Group's defined benefit to a defined contribution scheme (£10.4m). Additionally the Group incurred incremental costs of £0.7m directly relating to COVID-19 during March 2020 and £1.1m additional operating costs that have been incurred as a result of the ongoing Manchester Transformational Programme works.

² Significant items from discontinued operations

Significant items of £6.2m (2019: £5.8m) relates directly to the sale of the Group's non-core property portfolio including advisory fees and additional works not part of the normal course of business.

4. Result from operations before significant items

	2020 £m	2019 £m
Turnover	893.4	861.7
Wages and salaries	(221.2)	(209.2)
Social security costs	(21.5)	(20.5)
Pension costs	(22.7)	(19.1)
Employee benefit costs	(265.4)	(248.8)
Depreciation and amortisation	(180.8)	(153.8)
Profit on disposal of property, plant and equipment	-	1.8
Other operating charges ¹	(245.9)	(257.0)
Result from continuing operations before significant items	201.3	203.9
Result from discontinued operations before significant items	25.2	22.1
Result from operations before significant items - total business	226.5	226.0

NOTES:

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

Notes to the financial statements continued

for the year ended 31 March 2020

5. Employee information

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2020 Number	2019 Number
By location		
Manchester Airport	3,934	3,397
London Stansted Airport	1,872	1,694
East Midlands Airport	593	558
	6,399	5,649

Manchester Airport includes Group, Head Office, MAG-USA, Looking4Parking and SkyParkSecure as well as operational employees. The calculation for the average number of employees has been calculated for both 2020 and 2019 to reflect full-time equivalent (FTEs) employees.

6. Directors' emoluments

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 27 to 29 in the remuneration report.

	2020 £m	2019 £m
Directors' emoluments		
Aggregate emoluments	5.9	6.5

An amount of £0.1m (2019: £0.2m) was paid into money purchase schemes in respect of two directors (2019: two). Consistent with the treatment in prior years the amounts above include STIP payments during the year of £1.8m (2019: £1.7m) paid relating to prior periods and LTIP amounts accrued of £1.7m (2019: £2.4m).

	2020 £m	2019 £m
Key management compensation		
Aggregate emoluments	9.4	9.2

Key management for the Group are the Board of Directors and members of the Executive Committee (EXCO) who control and direct the Group's operational activities and resources. Consistent with the treatment in prior years the amounts above include STIP payments during the year of £2.5m (2019: £2.6m) paid relating to prior periods and LTIP amounts accrued of £2.8m (2019: £3.0m).

	2020 £m	2019 £m
Highest paid director		
Aggregate emoluments	2.0	2.2

The £2.0m (2019: £2.2m) includes salary, benefits, LTIP and STIP.

Notes to the financial statements continued

for the year ended 31 March 2020

7. Finance costs

	Note	2020 £m	2019 £m
Interest payable on bank loans and overdrafts		3.4	2.6
Interest payable on bonds		54.9	45.2
Interest payable on other borrowings		65.2	48.6
Interest cost on defined benefit pension schemes	28	2.2	2.1
Interest expense on lease liabilities ¹	29	21.9	-
Capitalisation of borrowing costs	13	(23.4)	(24.0)
Total finance costs		124.2	74.5

¹ Lease interest expense reflected in current year figures following the adoption of IFRS 16 by the Group.

£14.7m (2019: £14.6m) of finance costs are attributable to discontinued operations.

8. Result before taxation

	Note	2020 Continuing operations £m	2020 Discontinued operations £m	2019 Continuing operations £m	2019 Discontinued operations £m
Result before taxation has been arrived at after charging/(crediting):					
Hire of plant and machinery – operating leases (IAS 17)		-	-	0.4	-
Hire of other assets – operating leases (IAS 17) ⁴		-	-	27.0	-
Release of capital based grants		(0.7)	-	(0.4)	-
Depreciation of property, plant and equipment	13	168.7	-	150.6	-
Depreciation of right-of-use assets ¹	14	8.6	0.2	-	-
Amortisation of intangible assets	16	3.5	-	3.0	-
Profit on disposal of property, plant and equipment		-	-	(1.8)	-
Significant items	3	18.6	6.2	9.4	5.8
Gains and losses on sales and valuation of investment properties	2, 15	(2.2)	(9.2)	(16.9)	(28.9)
Interest charged on lease liabilities ⁴	29	21.7	0.2	-	-
Employee benefit costs	4	265.4	1.2	248.8	0.3
Auditor's remuneration²					
Audit of these financial statements		0.2	-	0.1	-
Amounts receivable by the Company's Auditor and its associates in respect of:		-	-	-	-
Audit of subsidiaries' financial statements		0.3	-	0.2	-
Other services relating to taxation & other consultancy		0.1	-	0.1	-
Total auditor's remuneration		0.6	-	0.4	-

NOTES

¹ Depreciation expense reflected in current year figures following the adoption of IFRS 16 by the Group.

² A description of the work of the Audit Committee is set out in the Corporate Governance Report and includes an explanation of how Auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditor.

³ Significant items have been separately disclosed on the face of the consolidated income statement. Further details of these items are shown in note 3 Significant items.

⁴ Charges for the current year are amounts included in the P&L under IFRS 16, the prior year comparative relates to operating lease charges under IAS 17.

Notes to the financial statements continued

for the year ended 31 March 2020

9. Taxation

Analysis of charge in the year

	2020 £m Continued operations	2020 £m Discontinued operations	2020 £m Total	2019 £m Continued operations	2019 £m Discontinued operations	2019 £m Total
Current taxation						
UK corporation tax on profits for the year	34.4	2.0	36.4	38.3	1.6	39.9
Adjustment in respect of prior year	0.5	-	0.5	(2.0)	-	(2.0)
Total current taxation	34.9	2.0	36.9	36.3	1.6	37.9
Deferred taxation						
Temporary differences arising in the year	4.0	(0.1)	3.9	(0.7)	7.0	6.3
Adjustment in respect of prior year	(5.0)	0.2	(4.8)	(2.0)	-	(2.0)
Effect of change in rate of corporation tax	26.2	(0.3)	25.9	-	-	-
Total ordinary deferred taxation	25.2	(0.2)	25.0	(2.7)	7.0	4.3
Total taxation charge	60.1*	1.8	61.9	33.6	8.6	42.2

*Of the £60.1m taxation charge, £3.0m relates to taxation on continuing operations significant items. No taxation charge on the discontinued operations significant items.

Taxation on items charged/(credited) to equity

	2020 £m	2019 £m
Deferred taxation on remeasurement of retirement benefit liabilities	7.1	0.6
Effect of change in rate of corporation tax	(1.7)	-
Total taxation charge	5.4	0.6

Factors affecting the taxation charge for the year

The total taxation charge for the year ended 31 March 2020 is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below.

	2020 £m Continued operations	2020 £m Discontinued operations	2020 £m Total	2019 £m Continued operations	2019 £m Discontinued operations	2019 £m Total
Result before taxation	75.4	13.5	88.9	155.0	30.6	185.6
Result before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%):	14.3	2.6	16.9	29.5	5.8	35.3
Effect of:						
Lower than standard rate used for DT temporary differences	23.9	(0.6)	23.3	0.6	-	0.6
Non-taxable items/non-deductible items	(4.5)	0.2	(4.3)	7.6	2.8	10.4
Effect of change in rate of corporation tax	26.4	(0.4)	26.0	(4.1)	-	(4.1)
Total taxation debit	60.1	1.8	61.9	33.6	8.6	42.2

The UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset and liability amounts at 31 March 2020 have been calculated at 19% (2019: 17%).

Notes to the financial statements continued

for the year ended 31 March 2020

10. Discontinued operations

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

	Year ended 31 March 2020	Year ended 31 March 2019
	£m	£m
Revenue	28.9	27.7
Operating costs	(3.7)	(5.6)
Results from operations before significant items	25.2	22.1
Significant items	(6.2)	(5.8)
Gains and losses on sales and valuation of investment properties	9.2	28.9
Finance costs	(14.7)	(14.6)
Attributable tax expense	(1.8)	(8.6)
Result of discontinued operation	11.7	22.0
Net profit attributable to discontinued operation (attributable to owners of the Group)	11.7	22.0

The Group has commenced a sales process for its non-core property portfolio during the year ended 31 March 2020 with the sale anticipated to complete within 12 months. Non-core property represented a major line of business for the Group. Consequently the trading performance of the portfolio has been classified as a discontinued operation. The assets held for sale in relation to the discontinued operations are disclosed in note 18. Included within 31 March 2019 discontinued operations is an additional charge of £4.3m in relation to the disposal of Bournemouth International Airport Limited.

11. Dividends

	2020	2019
	£m	£m
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 March 2019 of 40.42 pence (2018: 34.95 pence) per share	128.0	110.7
Interim dividend for the year ended 31 March 2020 of 22.51 pence (2019: 20.21 pence) per share	71.3	64.0
Amounts recognised as distributions to equity holders in the year	199.3	174.7
Dividends not recognised at the end of the reporting year		
In addition to the above dividends, since year end the directors have recommended that there is no payment of a final dividend for the year ended 31 March 2020 (2019: 40.42 pence) per share (2018: 34.95 pence) per share	-	128.0

Notes to the financial statements continued

for the year ended 31 March 2020

12. Earnings per share

Earnings per share is the Group's result of the year, after taxation, divided by the weighted average number of shares in issue in the year.

	2020					2019				
	Earnings		Weighted average number of shares	Per share amount		Earnings		Weighted average number of shares	Per share amount	
	Continuing operations	Discontinued operations		Continuing operations	Discontinued operations	Continuing operations	Discontinued operations		Continuing operations	Discontinued operations
	£m	£m	m	pence	pence	£m	£m	m	pence	pence
EPS attributable to ordinary shareholders - before significant items	33.9	17.9	316.7	10.7	5.7	130.8	27.8	316.7	41.3	8.8
EPS attributable to ordinary shareholders - after significant items	15.3	11.7	316.7	4.8	3.7	121.4	22.0	316.7	38.3	7.0

13. Property, plant and equipment

	Freehold land and property £m	Other land and buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
2020						
Cost						
At 1 April 2019	209.9	481.6	2,173.1	739.0	768.0	4,371.6
Additions	-	5.7	1.0	2.4	531.6	540.7
Reclassification from assets in the course of construction	-	127.4	160.8	73.9	(362.1)	-
Other reclassifications	(30.5)	30.5	-	-	-	-
Reclassification from/(to) investment properties (note 15)	-	1.5	(0.2)	(0.2)	-	1.1
Reclassification to intangible assets (note 16)	-	-	-	-	(0.5)	(0.5)
Disposals	(0.4)	(0.3)	(4.9)	(0.4)	-	(6.0)
At 31 March 2020	179.0	646.4	2,329.8	814.7	937.0	4,906.9
Depreciation						
At 1 April 2019	64.5	198.2	587.2	542.9	-	1,392.8
Charge for the period	-	18.4	88.7	61.6	-	168.7
Depreciation on disposals	-	(0.3)	(4.8)	(0.4)	-	(5.5)
At 31 March 2020	64.5	216.3	671.1	604.1	-	1,556.0
Carrying amount						
At 31 March 2020	114.5	430.1	1,658.7	210.6	937.0	3,350.9
Carrying amount						
At 31 March 2019	145.4	283.4	1,585.9	196.1	768.0	2,978.8

Notes to the financial statements continued

for the year ended 31 March 2020

13. Property, plant and equipment continued

	Freehold land and property £m	Other land and buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
2019						
Cost						
At 1 April 2018	203.2	451.7	2,105.3	659.4	369.0	3,788.6
Additions	-	0.2	-	0.5	590.2	590.9
Reclassification from assets in the course of construction	-	31.6	76.0	81.3	(188.9)	-
Reclassification to/from investment properties (note 15)	6.7	-	(0.7)	(0.2)	(2.3)	3.5
Disposals	-	(1.9)	(7.5)	(2.0)	-	(11.4)
At 31 March 2019	209.9	481.6	2,173.1	739.0	768.0	4,371.6
Depreciation						
At 1 April 2018	64.5	187.1	513.3	488.5	-	1,253.4
Charge for the period	-	13.0	81.2	56.4	-	150.6
Depreciation on disposals	-	(1.9)	(7.3)	(2.0)	-	(11.2)
At 31 March 2019	64.5	198.2	587.2	542.9	-	1,392.8
Carrying amount						
At 31 March 2019	145.4	283.4	1,585.9	196.1	768.0	2,978.8
Carrying amount						
At 31 March 2018	138.7	264.6	1,592.0	170.9	369.0	2,535.2

The carrying amount of land not depreciated as at 31 March 2020 is £235.4m (31 March 2019: £235.8m).

Capitalised borrowing costs

During the year ended 31 March 2020, borrowing costs of £23.4m were capitalised (31 March 2019: £24.0m), relating to borrowing costs incurred in FY20. 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 FY20 was 5.84% (2019: 6.07%). These borrowing costs were capitalised due to the transformational capital investment projects being undertaken at Manchester and London Stansted Airports.

Impairment Review

During the year ended 31 March 2020, management have carried out an impairment review of the fixed assets, including the useful economic lives of assets. Additional depreciation of £6.8m has been recognised at Manchester and Stansted in the year, due to replacement of assets prior to the original estimated useful life. The additional depreciation ensures the net book value of the existing assets will be nil by the date of replacement.

The assets to be replaced are:

Manchester: £0.4m in relation to T2 retail assets due to be replaced by January 2021 and £1.6m in relation to runway surface assets, due to be replaced by March 2024;

Stansted: £2.4m of runway surface assets due to be replaced by June 2022, and £2.4m of baggage handling assets to be replaced by March 2021.

The carrying value of the PPE for each CGU was assessed by management as part of the year end impairment exercise. The details of the this review is detailed at note 16.

Assets in the course of construction

Assets in the course of construction reached peak levels of £937.0m in the year ended 31 March 2020. Management expect that, subject to an adequate return in passenger demand, approximately 70% of this balance will be brought into use in the year ended 31 March 2021.

Notes to the financial statements continued

for the year ended 31 March 2020

14. Right-of-use assets

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Cost				
At 1 April 2019	222.1	198.1	0.7	420.9
Additions	1.9	-	3.2	5.1
Reclassification from property, plant and equipment (note 13)	-	-	-	-
Reclassification to assets held for sale (note 18)	(2.8)	-	-	(2.8)
Remeasurements	0.1	0.3	-	0.4
At 31 March 2020	221.3	198.4	3.9	423.6
Depreciation				
At 1 April 2019	-	-	-	-
Charge for the period	5.5	3.0	0.3	8.8
At 31 March 2020	5.5	3.0	0.3	8.8
Carrying amount				
At 31 March 2020	215.8	195.4	3.6	414.8

Impairment Review

The carrying value of the right-of-use assets for each cash generating unit ("CGU") was assessed by management as part of the year end impairment exercise. The details of the this review is detailed at note 16.

Key lease arrangements

Key lease arrangements are detailed in note 29.

Income from subleasing right-of-use assets

During the year to 31 March 2020, the income generated from subleasing right-of-use assets was £1.9m, generated solely from sublets of land and buildings.

Gains or losses generated from sale and leaseback transactions

During the year to 31 March 2020, no gains or losses were generated from sale and leaseback transactions.

15. Investment Properties

	Investment properties £m
2020	
Valuation	
At 1 April 2019	552.6
Additions	7.4
Reclassification to property, plant and equipment (note 13)	(1.1)
Disposals	(0.7)
Revaluation	10.1
Reclassification to assets held for sale (note 18)	(430.8)
At 31 March 2020	137.5

Notes to the financial statements continued

for the year ended 31 March 2020

15. Investment Properties continued

	Investment properties £m
2019	
Valuation	
At 1 April 2018	526.1
Additions	0.2
Reclassification to property, plant and equipment (note 13)	(3.5)
Revaluation	42.5
Disposals	(10.1)
Reclassification to assets held for sale (note 18)	(2.6)
At 31 March 2019	552.6

The fair value of the Group's commercial investment property at 31 March 2020 has been arrived at on the basis of a valuation carried out at that date by Savills Plc. Strutt & Parker carried out the valuation of the London Stansted residential property portfolio, and Fisher German carried out the valuation of the Manchester residential property portfolio at 31 March 2020. 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 discounted cash flow methods. The independent investment property valuations have been reported on the basis of 'material uncertainty', consequently, less certainty, and a higher degree of caution should be attached to the valuation than would normally be the case. Under IAS 40 a fair value method has been adopted to revalue investment properties that become occupied by the Group and are transferred to property, plant and equipment.

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

Commercial Property

Valuation Technique	Significant Unobservable Inputs	Inter- relationship between key unobservable inputs and fair value measurements
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Investment property Comparable yields All risks adjustment Escrow assumption for Covid non-payment Development Land Comparable price per acre 	<p>The estimated fair value would increase if:</p> <ul style="list-style-type: none"> market rental growth was higher void periods were shorter occupancy rates were higher non-payment of rent was lower the risk adjusted discount rate was lower

Residential Property

Valuation Technique	Significant Unobservable Inputs	Inter- relationship between key unobservable inputs and fair value measurements
Valuation is completed on a comparable basis of similar properties in the vicinity.	Where comparable evidence is hard to obtain, adjusted information is used to reflect differences in location, size, aspect and condition.	<p>The estimated fair value would increase if the property:</p> <ul style="list-style-type: none"> was larger in a preferred location in a better condition

The valuation of the investment property was undertaken on 31st March 2020 during the early stages of the lockdown as a result of the COVID-19 pandemic. Consequently the depth of impact of the pandemic and its duration on the property market has led to the valuers to report on the basis of a material uncertainty. In arriving at the valuation in the Annual Report the following adjustments were made to the fair value of the properties:

- the application of judgement based cashflow 'escrow' deductions from the market value to reflect the perceived impact of COVID-19 on the disruption of rent collection; and
- for the Group's non-core investment property portfolio the valuation has been adjusted to reflect the likely sales proceeds anticipated from the anticipated sale of the portfolio.

The rental income earned by the Group from its investment property amounted to £38.8m (2019: £32.0m), of which £28.9m was attributable to discontinued operations (2019: £27.7m). Direct operating expenses arising on the investment property in the year amounted to £4.4m (2019: £4.8m), which includes £nil (2018: £nil) of operating costs where no income was derived.

Gains and losses on sales and valuation of investment properties reported in the consolidated income statement of £11.4m in the year (2019: £45.8m) includes £10.1m of valuation gains on investment property (2019: £42.5m), of which £9.2m was attributable to discontinued operations (2019: £28.1m attributable). The residual £1.3m relates to £1.2m of gains on sale in the year, with no gain in the discontinued operations (2019: gains on sale of £3.3m, with £0.8m attributable to discontinued operations), and £0.1m valuation gain on the brought forward asset held for sale.

Notes to the financial statements continued

for the year ended 31 March 2020

16. Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 April 2019	170.8	58.5	229.3
Additions	-	1.4	1.4
Reclassification from property, plant and equipment (note 13)	-	0.5	0.5
Disposals	-	-	-
At 31 March 2020	170.8	60.4	231.2
Amortisation			
At 1 April 2019	-	11.5	11.5
Charge for the year	-	3.5	3.5
At 31 March 2020	-	15.0	15.0
Carrying amount			
At 31 March 2020	170.8	45.4	216.2
At 31 March 2019	170.8	47.0	217.8

Goodwill

Goodwill is allocated to cash generating units based on the benefits to the Group that arise from each business combination. For the purposes of impairment testing, goodwill is allocated to the lowest cash generating unit at which management monitor goodwill. The lowest level of cash generating unit is considered to be: Manchester Airport; London Stansted Airport; East Midlands Airport; MAG US; Looking4parking.com; and SkyParkSecure.

Impairment

The principal CGUs used in the Group's impairment assessment consisted of:

- Manchester airport where the recoverable amount provided a £1,150m headroom over the assets carrying value of £1,961m
- London Stansted airport where the recoverable amount provided £882m of headroom over the assets carrying value of £1,735m;
- East Midlands airport where the recoverable amount provided £201m of headroom over the assets carrying value of £224m;
- MAG US airport where each lounge constitutes a CGU where the recoverable amount provides a headroom of £16m over the carrying value of £16m; and
- MAG's Distribution Companies (where the CGU's are the Looking4Parking and SkyParkSecure businesses) where the recoverable amount provides a headroom of £43m in excess of the £11m carrying value.

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

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board covering five years and a detailed longer term forecasts to cover a further 20 years beyond that point. The budget reflected the business's best view of the timing and rate of recovery to pre-COVID-19 activity levels and estimated that MAG would return to 85% of pre-COVID-19 pax levels in FY22 and 95% in FY23. These projections for the timing and rate of pax recoveries are in line with the projections used for going concern. For the purposes of the impairment assessment the business reflected the budget for the first 7 years and considered a terminal value based upon a long-term growth reflecting estimated rates of inflation. The business used a budget of 7 years as opposed to the 5 years advised under IAS 38 to reflect the additional period for the business to return to normal trading levels post COVID-19 recovery.

The discount rates used in the cash flow forecasts have been estimated based on post-tax rates that reflect the market participant's assessment of the time value of money and the risks specific to the cash generating unit. In determining the discount rates, the Group has sought to arrive at a Weighted Average Cost of Capital (WACC) using the capital asset pricing model for a market participant. The post-tax rate used to discount the forecast cash flows was calculated as: pre-tax 8.44% (2019: 6.60%), post-tax 6.84% (2019: 5.48%) for the UK airport CGUs (2019). and pre-tax: 10.56%; post-tax: 8.34% for MAG US, Looking4Parking and SkyParkSecure.

Sensitivity analyses reflecting downside scenarios which: reflected increased discount rates of pre-tax 8.64% (post-tax 7.0%) and lower growth rates of 2.0%. The impact of these scenarios individually and combined result in no impairment.

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for the year ended 31 March 2020

16. Intangible assets continued

Other intangible assets

In 2014 the Group secured rights to ensure that the Greater Manchester Metrolink light rail system was extended to Manchester Airport, connecting the airport to the wider Metrolink network. The contractual agreement ensures that the Metrolink service, which commenced in November 2014, will be operated for a period of 30 years. The cost of securing the rights has been capitalised and is being amortised over 20 years from November 2014, which the directors believe to be the foreseeable period over which the majority of the benefits from the service will accrue to the Airport. Whilst MAG anticipate that the impact of the COVID-19 pandemic will reduce passenger numbers on the Metrolink system whilst air traffic numbers are less than pre-COVID levels, the expectation is that the use of the rail system will subsequently return to more normal levels of activity. Consequently the Metrolink intangible asset has not been impaired. The management have assessed the recoverable amount of the carrying value of the Metrolink contribution as part of the impairment assessment of the Manchester Airport (CGU), as the cashflows relating to the Metrolink asset are not independent from those of the airport, which is detailed above.

Additional intangible assets relate to software, intellectual property, customer lists and brands as part of the acquisition of Looking4Parking and SkyParkSecure.

17. Investment in equity accounted investees

2020	£m
Cost and carrying value	
At 1 April 2019	23.7
Investment in equity accounted investees	0.9
Group's share of equity accounted investee's result	-
Transfer to assets held for sale ¹	(17.6)
At 31 March 2020	7.0

¹ The Group are treating 50% of its shareholding as an asset held for sale, following the accounting treatment under IFRS 5, Assets held for Sale and Discontinued Operations. The value of this interest has been calculated proportionate to the original 70% shareholding.

The investment in equity accounted investees relates to the Group's investment in Airport City.

Included within the investment in equity accounted investees balance is an amount of £2.5m (31 March 2019: £2.5m) relating to MAG's own costs incurred in the setting up of its share in Airport City. This will be released to the consolidated income statement on a proportional basis on the sale of plots within the Airport City development.

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. During the year ended 31 March 2019 the Group purchased a further 20% share in Airport City, following the insolvency of the parent of the Carillion JV partner, increasing the shareholding to 70%. The directors have applied IFRS 10 'Consolidated Financial Statements' and IAS 28 Revised 'Investment in Associates' in maintaining the classification of the Group's 70% share in Airport City as an associate, determining that MAG has significant influence over Airport City by virtue of its shareholding, but not control given that all key matters require a super-majority of more than 79.9%, such that MAG plus all but one other party must be in agreement to exercise control.

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.

	2020 £m	2019 £m
Current assets	34.7	33.4
Current liabilities	(3.2)	(3.5)
Net assets	31.5	29.9
Group's share of equity accounted investee's net assets	22.1	20.9
Revenue		
Result for the period	-	(0.2)
Group's share of equity accounted investee's result for the period	-	(0.2)

As part of its investment in Airport City, the Group has agreed to pay an equity contribution up to a maximum of £42m if required. 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 (2019: none).

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for the year ended 31 March 2020

18. Assets held for sale and associated liabilities

	31 March 2020 £m	31 March 2019 £m
Assets held for sale		
Current assets		
Right-of-use assets	2.8	-
Investment properties	432.8	2.6
Investment in associate	17.6	-
Trade and other receivables	8.2	-
Total	461.4	2.6
	31 March 2020 £m	31 March 2019 £m
Associated liabilities		
Current liabilities		
Non-current lease liabilities	(2.7)	-
Deferred tax liabilities	(62.8)	-
Trade and other payables	(3.8)	-
Current lease liabilities	(0.2)	-
Deferred income	(4.2)	-
Total	(73.7)	-

Assets held for sale and associated liabilities relate to the non-core property portfolio, 50% of Airport City, and related trading balances.

The fair value measurement and valuation of the Group's commercial investment property at 31 March 2020 has been disclosed in note 15 to the financial statements.

19. Inventories

	2020 £m	2019 £m
Consumables	5.2	3.5
	5.2	3.5

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for the year ended 31 March 2020

20. Trade and other receivables

	2020 £m	2019 £m
Trade receivables	67.4	75.0
Other receivables	7.0	11.7
Prepayments and accrued income	28.9	43.0
	103.3	129.7

The average credit period taken on sales is 22 days (2019: 26 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £2.6m (2019: £3.2m). This includes reserves against specific debts estimated as irrecoverable and additional amounts included comprising of £0.2m (2019: £0.3m) additional reserve relating to estimated credit losses.

The directors consider that the carrying amount of trade and other receivables are at amortised cost.

Trade receivables are non-interest bearing and are generally on 30 day terms. The level of past due debt over 90 days old has been recalculated to reflect age based upon due date:

	2020 £m	2019 £m
Debt due over 90 days	3.4	7.5
Total	3.4	7.5

Movement in the expected credit loss of trade receivables is as follows:

	£m
Balance at 1 April 2019	3.2
Increase in allowance for impaired receivables	1.0
Additional provision during the year	0.4
Provision utilised during the year	(2.0)
Balance at 31 March 2020	2.6

The creation and release of provisions for impaired receivables have been included in 'operating expenses' in the consolidated income statement.

Amounts charged to the provision account are generally written off when there is no expectation of recovery. The ageing of these receivables is as follows:

	2020 £m	2019 £m
Less than 60 days	-	-
60 to 90 days	-	0.1
Over 90 days	2.6	3.1

The Group has limited exposure to foreign currency exchange risk with trade and other receivables including £7.6m held in US dollars by the MAG US business. All other receivables amounts are denominated in pounds sterling. There are no credit quality issues with receivables that are not past their due date. Additional disclosure on financial risk is included in note 26.

21. Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and in hand	271.3	32.5

The directors consider that the carrying value of cash and cash equivalents are at amortised cost.

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for the year ended 31 March 2020

22. Borrowings

	Note	2020 £m	2019 £m
Bank loans	23	481.9	132.3
Bonds	24	1,441.4	1,098.4
Other borrowings	25	601.5	601.5
		2,524.8	1,832.2
Borrowings are repayable as follows:			
In one year or less, or on demand			
Bank loans	23	-	-
		-	-
In more than one year, but no more than two years			
Bank loans	23	-	-
		-	-
In more than two years, but no more than five years			
Bank loans	23	481.9	132.2
Bonds	24	358.1	-
		840.0	132.2
In more than five years – due other than by instalments			
Bonds	24	1,083.3	1,098.4
Other borrowings	25	601.5	601.5
		1,684.8	1,699.9
Non-current borrowings		2,524.8	1,832.1
Total borrowings		2,524.8	1,832.1

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 in February 2014 and April 2014 respectively.

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

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

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

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

The Amended and Restated LF Agreement has total facilities of £90.0m (increased from £60m on 1 April 2019) and is sized to cover 12 months interest on secured debt. The LF Agreement is a 364-day revolving facility with a five year term on each annual renewal.

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

As set out in the basis of preparation on page 50, despite entering the crisis in a strong financial position, as a consequence of COVID-19 and the subsequent expected impact on EBITDA over the next 12 months, MAG would not have been able to avoid breaching its covenants when next tested at 30 September 2020. MAG has obtained comprehensive bank and bondholder support for its response, including obtaining waivers on its next two six-monthly financial covenant tests at 30 September 2020 and 31 March 2021, removing any risk on financial covenants during the next financial

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for the year ended 31 March 2020

23. Bank loans

	2020 £m	2019 £m
Secured revolving credit facility	484.0	135.0
Less: unamortised debt issue costs ¹	(2.1)	(2.7)
	481.9	132.3

NOTE:

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

At 31 March 2020 the Group had £nil (31 March 2019: £350.0m) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £500.0m secured revolving credit facility (£484m drawn at 31 March 2020), less certain carve-outs in respect of ancillary facilities of £16.0m. The Group also had access to £10.0m of overdraft facilities.

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

See note 22 for further information on financial liabilities, including maturity analysis.

24. Bonds

	2020 £m	2019 £m
Repayable other than by instalments		
MAG bond 4.125% £360.0m due 2024	360.0	360.0
MAG bond 4.75% £450.0m due 2034	450.0	450.0
MAG bond 2.875% £300.0m due 2039	300.0	300.0
MAG bond 2.875% £350.0m due 2044	350.0	-
Less: discount on issue	(10.7)	(5.3)
Less: unamortised debt issue costs	(7.9)	(6.3)
	1,441.4	1,098.4

See note 22 for further information on financial liabilities, including maturity analysis.

25. Other borrowings

	2020 £m	2019 £m
Repayable other than by instalments		
Shareholders' loan at an interest rate of 12% expiring on 9 February 2055	251.9	251.9
Shareholders' loan at an interest rate of 10% expiring on 30 September 2056	175.0	175.0
Shareholders' loan at an interest rate of 10% expiring on 30 September 2057	175.0	175.0
Less: unamortised debt issue costs	(0.4)	(0.4)
	601.5	601.5

The Shareholders' loans are unsecured.

Notes to the financial statements continued

for the year ended 31 March 2020

26. Financial instruments

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2020 was as follows:

	£m	£m
Fixed rate financial liabilities	2,042.9	1,699.9
Floating rate financial liabilities	481.9	132.3
	2,524.8	1,832.2

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

The Group has prepared an analysis of the impact of potential, likely changes in interest rates.

The result of an increase in interest rates of 1% per annum would be to increase/(decrease) income and equity for the year by the following amounts:

	£m	£m
Impact on income statement	(2.1)	(1.0)
Impact on equity	-	-
	(2.1)	(1.0)

(b) Fixed rate and non-interest bearing financial liabilities

	2020	2019
Weighted average annual interest rate	5.83%	6.43%
Weighted average period for which interest is fixed	21yr 2m	21 yrs 6m

The weighted average period for non-interest bearing liabilities as at 31 March 2020 was 1 year (2019: 1 year).

(c) Maturity analysis of financial liabilities

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

	£m	£m
In one year or less, or on demand	604.1	245.1
In more than one year, but no more than two years	120.1	110.1
In more than two years, but no more than five years	705.6	690.2
In more than five years – due other than by instalments	4,238.1	3,787.1
	5,667.9	4,832.5

This maturity profile represents the fair value of all financial liabilities, as denoted in table (d) below.

	2020	2019
Expiring in less than one year	-	-
Expiring in one to two years	-	-
Expiring in more than two years	-	350.0
	-	350.0

Notes to the financial statements continued

for the year ended 31 March 2020

26. Financial instruments continued

(d) Fair values versus carrying amounts of financial instruments

The following table provides a comparison, by category, of the carrying amounts and the fair values of the Group's financial instruments as at 31 March 2020 and 2019. Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced 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.

	Note	2020 Carrying amount £m	2020 Fair value £m	2019 Carrying amount £m	2019 Fair value £m
Financial liabilities:					
Instruments held at amortised cost					
Bank loans and overdrafts	23	(481.9)	(481.9)	(132.3)	(132.3)
Trade payables	27	(74.2)	(74.2)	(60.5)	(60.5)
Bonds	24	(1,441.4)	(1,474.9)	(1,098.4)	(1,266.6)
Other borrowings	25	(601.5)	(582.2)	(601.5)	(660.2)
		(2,599.0)	(2,613.2)	(1,892.7)	(2,119.6)
Financial assets:					
Instruments held at amortised cost					
Cash at bank and in hand	21	271.3	271.3	32.5	32.5
Trade receivables	20	67.4	67.4	75.0	75.0
Other assets held at fair value					
Assets held for sale	18	2.6	2.6	2.6	2.6
Investment properties	15	137.5	137.5	552.6	552.6
		478.8	478.8	662.7	662.7
Net financial liabilities		(2,120.2)	(2,134.4)	(1,230.0)	(1,456.9)

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).

All financial instruments carried at fair value have been measured by a level 2 valuation method.

Investment properties carried at fair value have been measured by a level 3 valuation method.

Summary of methods and assumptions used for determining fair values

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

* Refer to note 15 for valuation techniques applied.

Notes to the financial statements continued

for the year ended 31 March 2020

26. Financial instruments continued

(e) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020 Carrying amount £m	2019 Carrying amount £m
Trade receivables	67.4	75.0
Cash at bank and in hand	271.3	32.5
Credit exposure	338.7	107.5

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in note 20.

27. Trade and other payables

	2020 £m	2019 £m
Trade payables	74.2	60.5
Other taxation and social security	6.1	6.5
Other payables	26.2	11.8
Accruals	225.6	173.4
Capital-based grants	0.6	0.4
	332.7	252.6

Prior to the year end the Group received £18.7m of funds from MCC and district councils. This funding is part payment for £56.1m equity contribution for C-shares, which were issued by MAHL post year end, for the purpose of funding the Group's A2/A3 car park (see note 38). As the shares had not been issued as at the reporting date the Group has categorised the funds within other payables.

28. Retirement benefit liabilities

McCloud judgement

A past service cost of £1.8m (2019: nil) has been recognised in the income statement, reflecting an estimate of the impact of allowing for the McCloud judgement on the Greater Manchester Pension Fund. This follows a court judgement on 20 December 2018 ruling in favour of age discrimination in the Judges and Firefighters Scheme (known as the McCloud judgement). A supreme high court ruling on 27 June 2019 denied the Government the right to appeal the case. The impact of the McCloud judgement is likely to have implications for public sector pension schemes such as the Greater Manchester Pension Fund.

Pensions offer to defined benefit pension members

An exercise was carried out over the year for active members of MAG's defined benefit pension schemes to provide these members the option to opt out of defined benefit and instead join a defined contribution pension scheme for future accrual of pension benefits. The impact of this exercise has been accounted for as a curtailment gain of £9.4m (2019: nil) in the income statement, reflecting the breaking of the salary link for members who opted out and ceased accrual in the defined benefit schemes.

Defined contribution schemes

The Group operates a defined contribution scheme for all qualifying employees. The assets of the scheme is held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully, the contributions payable by the Group are reduced by the amount of forfeited contributions. The Group also started to participate in the Legal & General Mastertrust defined contribution pension scheme from 1 October 2019 for those employees who opted out of the Group's defined benefit schemes as part of the exercise carried out above.

The total cost charged to income of £11.0m (2019: £6.9m) represents contributions payable to the scheme by the Group at rates in the pension scheme's contribution schedule. As at 31 March 2020, there was £nil (2019: £nil) of contributions due in respect of the current reporting period that had not been paid over to the scheme.

Notes to the financial statements continued

for the year ended 31 March 2020

28. Retirement benefit liabilities continued

Defined benefit schemes

The Group operates four defined benefit pension schemes as follows:

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

Under the schemes, the employees are entitled to retirement benefits based on their salary and length of service at the time of leaving the schemes, payable on attainment of retirement age (or earlier death). No other post-retirement benefits are provided. All schemes are closed to new entrants but are not closed to future accrual (with the exception of AVPS). The Group operates the schemes under the applicable UK regulatory framework. Benefits are paid to members from trustee-administered funds, and the trustees of each scheme are responsible for ensuring that each respective scheme is sufficiently funded to meet current and future benefit payments. Scheme assets are held in trusts separate from the Group. If investment experience is worse than expected, the Group's obligations are increased.

MAG participates in the GMPF scheme, which forms part of the Local Government Pension Scheme.

The nature of the relationship between the Group and the trustees of each scheme is also governed by UK regulations. The trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment performance. In order to assess the level of contributions required, triennial valuations are carried out with the scheme's liabilities measured using prudent assumptions (relative to those used to measure accounting liabilities).

The trustees' other duties include managing the investment of scheme assets and administration of scheme and discretionary benefits. The Group works closely with the trustees of each scheme.

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2020 amounted to £13.1m (2019: £15.6m) and there were no one-off contributions during this period (2019: £nil).

Total employees' pension contributions for defined benefit schemes across the Group during the year ended 31 March 2020 amounted to £2.1m (2019: £2.8m) and there were no one-off contributions during this period (2019: £nil).

Actuarial gains or losses are recognised immediately in the statement of comprehensive income, included within remeasurements.

The Greater Manchester Pension Fund (GMPF)

Certain employees of the Group participate in the GMPF, administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £5.0m (2018: £5.5m) related to payments into the GMPF.

The securities portfolio of the fund is managed by two external professional investment managers and the property portfolio is managed internally by GMPF. Participation is by virtue of Manchester Airport Plc's status as an 'admitted body' to the fund.

The last full valuation of the fund was undertaken on 31 March 2019 by an independent actuary. The Fund was valued using the attained age method. The purposes of the valuation were to determine the financial position of the Fund and to recommend the contribution rate to be paid by Manchester Airport PLC and the other participating employers. The market value of the whole of the Fund's assets for all employers at 31 March 2019 was £23,844m (previous valuation in 2013: £17,325m). The funding level of the scheme as measured using the actuarial method of valuation was 102% (previous valuation in 2016: 93%).

The principal assumptions used in the 2019 valuation were as follows:

Salary increase	3.10% per annum
Pensions increase/price inflation	2.30% per annum

The costs of providing pensions are charged to the income statement on a consistent basis over a term agreed between the GMPF and the employer. These costs are determined by an independent qualified actuary and any variations from regular costs are spread over the remaining working lifetime of the current members.

MAG (STAL) pension scheme

On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. A condition of the purchase was that a new defined benefit pension scheme was set up to provide comparable benefits to those employees who had previously participated in the BAA pension scheme prior to the acquisition. Current employees transferred their accrued benefits to the MAG (STAL) Pension Scheme, but no liability for pensioners or deferred members was transferred. The last full actuarial valuation of the M.A.G (STAL) pension scheme was carried out by the scheme actuary on 30 September 2016. The aggregate market value of the assets in the scheme at the date of that actuarial valuation was £153.4m (previous valuation £104.9m), which represented approximately 87.9% (previous valuation 104.9%) of the present value of the liabilities. The scheme was valued using the projected unit method.

Notes to the financial statements continued

for the year ended 31 March 2020

28. Retirement benefit liabilities continued

Other schemes

Full actuarial valuations were carried out on the other defined benefit schemes as follows:

- E.M.I.A Pension Scheme (EMIA) – 6 April 2017
- Airport Ventures Pension Scheme – 1 August 2016

The aggregate market value of the assets in the EMIA scheme at the date of that actuarial valuation was £59.8m (previous valuation £48.4m), which represented approximately 74% (previous valuation 94%) of the present value of the liabilities. The scheme was valued using the projected unit

The other schemes are not significant to the Group and details of its valuation are included in the relevant entity's financial statements.

The numerical disclosure provided below for the defined benefit schemes is based on the most recent actuarial valuations disclosed above, which have been updated by independent qualified actuaries to take account of the requirements of IAS 19.

The key assumptions used are as follows:

	GMPF		MAG (STAL)		EMIA		AVPS	
	2020	2019	2020	2019	2020	2019	2020	2019
Rate of increase in salaries	2.65%	3.25%	2.55%	3.25%	2.00%	2.00%	N/A	N/A
Rate of increase of pensions in payment	1.65%	2.25%	1.55%	2.25%	1.55%	2.25%	1.65%	2.25%
Discount rate	2.35%	2.40%	2.35%	2.45%	2.35%	2.40%	2.35%	2.40%
Inflation assumption	1.65%	2.25%	1.55%	2.25%	1.55%	2.25%	1.65%	2.25%

Life expectancy from 65

Longevity at age 65 for current

Males	20.1 years	20.7 years	21.5 years	22.7 years	23 years	22.9 years	21.2 years	20.9 years
Females	23 years	23.2 years	23.5 years	24.7 years	24.2 years	24.0 years	23.5 years	23.2 years

Longevity at age 45 for current members

Males	20.9 years	22.2 years	22.5 years	23.7 years	24.1 years	24.0 years	22.2 years	22.0 years
Females	24.3 years	24.4 years	24.7 years	25.6 years	25.4 years	25.2 years	24.7 years	24.4 years

The longevity assumptions for the MAG (STAL) scheme reflect the higher age profile of active scheme members, compared to other pension schemes, as the scheme commenced in 2013.

Following the start of the Government's consultation regarding the alignment RPI with CPI, MAG have considered whether the existing approach to setting the RPI and CPI inflation assumptions should be amended to allow for this potential change. MAG's view is that it is a valid approach to maintain the existing approach to setting the RPI and CPI inflation assumptions, which is in line with the requirement of IAS 19 and have therefore retained the existing methodology. We will keep these assumptions under review in future periods as more details around the RPI consultation are released, including any decision by Government or the UKSA to proceed with the change.

Risk and risk management

Through its defined benefit pension schemes the Group is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility	For the purpose of setting the contribution requirements, the calculation uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio - whereas under IAS 19 (R), the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. GMPF, MAG (STAL) and EMIA hold a significant proportion of their assets in return-seeking funds. The returns on these assets may be volatile and are not closely correlated to the value placed on the liabilities. This means that the deficit may be volatile in the shorter term, which may result in an increase in the contribution requirements and an increase in the net defined liability recorded on the statement of financial position. However, the Group believes that return-seeking assets offer an appropriate level of return over the long term for the level of risk that is taken. Furthermore, the schemes' other assets are well-diversified by investing in a range of asset classes, including diversified growth funds, government bonds and corporate bonds.
Changes in bond yields	A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in the scenario the schemes' investment in corporate and government bonds is expected to increase and therefore offset some of the increase in the value placed on the liabilities.
Inflation risk	The majority of the schemes' benefit obligations are linked to inflation and higher outturn levels of inflationary increases are in place to protect the benefits against extreme inflation. Inflation will lead to a higher benefit obligation (although in most cases caps on the majority of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature e.g. corporate bonds and government bonds, or have an indirect link to inflation e.g. equities).
Life expectancy	The majority of the schemes' obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy.

Notes to the financial statements continued

for the year ended 31 March 2020

28. Retirement benefit liabilities continued

	Fair value of scheme assets £m	Present value of defined benefit obligations £m	(Deficit)/ surplus in the scheme £m
GMPF¹			
2020	408.9	(441.3)	(32.4)
2019	465.7	(503.9)	(38.2)
2018	437.5	(483.5)	(46.0)
2017	435.2	(489.4)	(54.2)
2016	363.1	(402.6)	(39.5)
2015	377.7	(432.5)	(54.8)
2014	346.0	(383.9)	(37.9)
MAG (STAL)			
2020	184.8	(182.1)	2.7
2019	185.0	(209.8)	(24.8)
2018	172.5	(195.0)	(22.5)
2017	161.4	(189.2)	(27.8)
2016	131.8	(133.4)	(1.6)
2015	130.3	(134.9)	(4.6)
2014	113.9	(107.1)	6.8
EMIA			
2020	60.7	(77.2)	(16.5)
2019	61.9	(82.8)	(20.9)
2018	61.3	(80.1)	(18.8)
2017	59.9	(82.5)	(22.6)
2016	52.9	(64.7)	(11.8)
2015	55.1	(69.1)	(14.0)
2014	48.5	(57.6)	(9.1)
AVPS²			
2020	3.4	(3.4)	-
2019	3.7	(3.7)	-
2018	3.9	(3.9)	-
2017	4.0	(4.0)	-
2016	3.5	(3.5)	-
2015	3.6	(3.6)	-
2014	3.1	(3.1)	-
Total²			
2020	657.8	(704.0)	(46.2)
2019	716.3	(800.2)	(83.9)
2018	675.2	(762.5)	(87.3)
2017	660.5	(765.1)	(104.6)
2016	551.3	(604.2)	(52.9)
2015	566.7	(640.1)	(73.4)
2014	511.5	(551.7)	(40.2)

NOTES:

¹ The figures as shown represent the proportion of the scheme that is attributable to the Group. £5.0m (2019: £6.0m) of the liabilities are unfunded.

² The AVPS has a surplus of £0.7m (2019: £0.7m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

³ The present value of the deficit funding commitments to the three schemes GMPF, MAG (STAL), EMIA, is less than the IAS19 deficit at the balance sheet date and therefore IFRS14 has no effect on the figures disclosed.

Notes to the financial statements continued

for the year ended 31 March 2020

28. Retirement benefit liabilities continued

Plan assets

	GMPF		MAG (STAL)		EMIA		AVPS		TOTAL	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Equities and other growth assets	243.4	316.5	100.0	118.1	32.0	34.8	-	-	375.4	469.4
Corporate and government bonds	75.6	70.6	74.5	43.0	16.9	16.5	3.4	3.6	170.4	133.7
Property	37.2	37.6	-	-	6.2	6.1	-	-	43.4	43.7
Other	52.7	41.0	10.3	23.9	5.6	4.5	-	0.1	68.6	69.5
Fair value of assets	408.9	465.7	184.8	185.0	60.7	61.9	3.4	3.7	657.8	716.3

Both the EMIA and GMPF pension schemes contain Level 3 assets where valuation is not based upon observable market data. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar assets and discounted cash flow methods. The independent valuations have been reported on the basis of 'material uncertainty', consequently, less certainty, and a higher degree of caution should be attached to the valuation than would normally be the case.

The valuation techniques applied to the Level 3 assets within the Group's pension schemes are:

- GMPF pooled investment vehicles – as determined by relevant fund managers including market prices; quotations; discounted cashflows; comparable transaction pricing or industry multiples; or other pricing methodology;
- GMPF investment properties - estimates of open market value reflecting assumptions on: rental growth; void rates; and discount rates;
- EMIA Annuities (to discharge liability relating to specific scheme members) – valued at the corresponding amount of the relevant scheme member's scheme obligation; and
- EMIA With profits insurance policies – cumulative reversionary bonuses declared and current terminal bonus.

Movement in net defined benefit liability - all schemes

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m
Opening position as at 1 April*	(800.2)	(761.6)	716.3	675.2	(83.9)	(86.4)
Included in the income statement						
Current service cost of defined benefit scheme	(10.3)	(11.4)	(1.9)	(1.4)	(12.2)	(12.8)
Past service cost	(1.8)	(1.3)	-	-	(1.8)	(1.3)
Curtailment	9.4	-	-	-	9.4	-
Interest (cost)/income	(17.4)	(19.5)	15.2	17.4	(2.2)	(2.1)
	(20.1)	(32.2)	13.3	16.0	(6.8)	(16.2)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	(62.9)	35.6	(62.9)	35.6
Experience (loss)/gain arising on scheme liabilities	4.0	(0.9)	-	-	4.0	(0.9)
Remeasurement (loss)/gain due to financial assumption changes	76.3	(42.6)	-	-	76.3	(42.6)
Remeasurement gain due to demographic assumption changes	13.6	11.2	-	-	13.6	11.2
	93.9	(32.3)	(62.9)	35.6	31.0	3.3**
Cash flows						
Contributions	(2.1)	(2.8)	15.6	18.9	13.5	16.1
Benefits paid	24.5	29.4	(24.5)	(29.4)	-	-
Impact of asset ceiling	(0.7)	(0.7)	-	-	(0.7)	(0.7)
Closing position as at 31 March	(704.7)	(800.2)	657.8	716.3	(46.9)	(83.9)

* The opening position excludes the impact of the asset ceiling.

** The movement of £3.3m in addition to the £0.2m change in asset ceiling results in a total movement of £3.5m through the SOCI.

Notes to the financial statements continued

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28. Retirement benefit liabilities continued

Movement in net defined benefit liability - GMPF scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Opening position as at 1 April	(503.9)	(483.5)	465.7	437.5	(38.2)	(46.0)
Included in the income statement						
Current service cost of defined benefit scheme	(4.5)	(4.4)	-	-	(4.5)	(4.4)
Past service cost	(1.8)	(1.0)	-	-	(1.8)	(1.0)
Curtailment	1.9	-	-	-	1.9	-
Interest (cost)/income	(10.9)	(12.4)	9.8	11.2	(1.1)	(1.2)
	(15.3)	(17.8)	9.8	11.2	(5.5)	(6.6)
Amount recognised in the statement of comprehensive income (SOCi)						
Actual return less expected return on pension scheme assets	-	-	(53.6)	28.9	(53.6)	28.9
Experience (loss)/gain arising on scheme liabilities	8.2	(0.7)	-	-	8.2	(0.7)
Remeasurement (loss)/gain due to financial assumption changes	44.8	(23.4)	-	-	44.8	(23.4)
Remeasurement gain due to demographic assumption changes	7.4	4.1	-	-	7.4	4.1
	60.4	(20.0)	(53.6)	28.9	6.8	8.9
Cash flows						
Contributions	(1.0)	(1.2)	5.5	6.7	4.5	5.5
Benefits paid	18.5	18.6	(18.5)	(18.6)	-	-
Closing position as at 31 March	(441.3)	(503.9)	408.9	465.7	(32.4)	(38.2)

The scheme liabilities have a duration of approximately 15 years.

Movement in net defined benefit liability - MAG (STAL) Scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Opening position as at 1 April	(209.8)	(195.0)	185.0	172.5	(24.8)	(22.5)
Included in the income statement						
Current service cost of defined benefit scheme	(5.2)	(6.1)	(0.9)	(0.6)	(6.1)	(6.7)
Past service cost	-	(0.1)	-	-	-	(0.1)
Curtailment	7.8	-	-	-	7.8	-
Interest (cost)/income	(4.6)	(5.0)	4.0	4.5	(0.6)	(0.5)
	(2.0)	(11.2)	3.1	3.9	1.1	(7.3)
Amount recognised in the statement of comprehensive income (SOCi)						
Actual return less expected return on pension scheme assets	-	-	(6.1)	6.0	(6.1)	6.0
Experience (loss)/gain arising on scheme liabilities	(4.2)	(0.1)	-	-	(4.2)	(0.1)
Remeasurement (loss)/gain due to financial assumption changes	24.6	(14.4)	-	-	24.6	(14.4)
Remeasurement gain due to demographic assumption changes	6.4	6.2	-	-	6.4	6.2
	26.8	(8.3)	(6.1)	6.0	20.7	(2.3)
Cash flows						
Contributions	(0.9)	(1.3)	6.6	8.6	5.7	7.3
Benefits paid	3.8	6.0	(3.8)	(6.0)	-	-
Closing position as at 31 March	(182.1)	(209.8)	184.8	185.0	2.7	(24.8)

The scheme liabilities have a duration of approximately 25 years.

Notes to the financial statements continued

for the year ended 31 March 2020

28. Retirement benefit liabilities continued

Movement in net defined benefit liability - EMIA scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Opening position as at 1 April	(82.8)	(80.1)	61.9	61.3	(20.9)	(18.8)
Included in the income statement						
Current service cost of defined benefit scheme	(0.6)	(0.9)	(1.0)	(0.6)	(1.6)	(1.5)
Past service cost	-	(0.2)	-	-	-	(0.2)
Curtailment	(0.3)	-	-	-	(0.3)	-
Interest (cost)/income	(1.8)	(2.0)	1.3	1.6	(0.5)	(0.4)
	(2.7)	(3.1)	0.3	1.0	(2.4)	(2.1)
Amount recognised in the statement of comprehensive income (SOCl)						
Actual return less expected return on pension scheme assets	-	-	(2.9)	0.6	(2.9)	0.6
Experience (loss)/gain arising on scheme liabilities	-	(0.1)	-	-	-	(0.1)
Remeasurement (loss)/gain due to financial assumption changes	6.6	(4.7)	-	-	6.6	(4.7)
Remeasurement gain due to demographic assumption changes	(0.2)	0.9	-	-	(0.2)	0.9
	6.4	(3.9)	(2.9)	0.6	3.5	(3.3)
Cash flows						
Contributions	(0.2)	(0.3)	3.5	3.6	3.3	3.3
Benefits paid	2.1	4.6	(2.1)	(4.6)	-	-
Closing position as at 31 March	(77.2)	(82.8)	60.7	61.9	(16.5)	(20.9)

The scheme liabilities have a duration of approximately 20 years.

Movement in net defined benefit liability - AVPS Scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Opening position as at 1 April	(3.0)	(3.0)	3.7	3.9	0.7	0.9
Included in the income statement						
Current service cost of defined benefit scheme	-	-	-	(0.2)	-	(0.2)
Interest (cost)/income	(0.1)	(0.1)	0.1	0.1	-	-
	(0.1)	(0.1)	0.1	(0.1)	-	(0.2)
Amount recognised in the statement of comprehensive income (SOCl)						
Actual return less expected return on pension scheme assets	-	-	(0.3)	0.1	(0.3)	0.1
Remeasurement (loss)/gain due to financial assumption changes	0.3	(0.1)	-	-	0.3	(0.1)
	0.3	(0.1)	(0.3)	0.1	0.0	-
Cash flows						
Benefits paid	0.1	0.2	(0.1)	(0.2)	-	-
Closing position as at 31 March	(2.7)	(3.0)	3.4	3.7	0.7	0.7

The AVPS has a surplus of £0.7m (2019: £0.7m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

Notes to the financial statements continued

for the year ended 31 March 2020

28. Retirement benefit liabilities continued

History of experience gains and losses

	GMPF		MAG (STAL)		EMIA		AVPS		TOTAL	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Difference between actual and expected returns on assets amount	(53.6)	28.9	(6.1)	6.0	(2.9)	0.6	(0.3)	(0.1)	(62.9)	35.4
% of scheme assets	-13.1%	6.2%	-3.3%	3.2%	-4.8%	1.0%	-8.8%	-2.7%	-9.6%	4.9%
Experience (loss)/gain on liabilities amount	8.2	(0.7)	(4.2)	(0.1)	-	(0.1)	-	-	4.0	(0.9)
% of scheme liabilities	-1.9%	0.1%	2.3%	-	-	0.1%	-	-	-0.6%	0.1%
Total amount recognised in SOCI	6.8	8.9	20.7	(2.3)	3.5	(3.3)	0.0	-	31.0	3.3
% of scheme liabilities	-1.5%	-1.8%	-11.4%	1.1%	-4.5%	4.0%	-	-	-4.4%	-0.4%

** The movement of £3.3m in addition to the £0.2m change in asset ceiling results in a total movement of £3.5m through the SOCI.

Sensitivity analysis

	GMPF	MAG (STAL)	EMIA	AVPS	TOTAL
	2020 £m	2020 £m	2020 £m	2020 £m	2020 £m
0.5% increase in real discount rate	(31.4)	(18.2)	(7.1)	(0.3)	(57.0)
0.5% decrease in real discount rate	35.7	21.9	8.1	0.3	66.0
0.5% increase in RPI inflation	35.3	18.2	5.5	0.3	59.3
0.5% decrease in RPI inflation	(31.8)	(16.4)	(5.1)	(0.2)	(53.5)
0.5% increase in the salary increase rate	4.6	3.6	-	N/A	8.2
0.5% decrease in the salary increase rate	(4.5)	(3.6)	-	N/A	(8.1)
1 year increase in life expectancy	15.7	5.5	3.6	0.2	25.0
1 year decrease in life expectancy	(15.7)	(5.5)	(3.6)	(0.2)	(25.0)

Notes to the financial statements continued

for the year ended 31 March 2020

29. Lease liabilities

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
At 1 April 2019	222.1	198.1	0.7	420.9
Additions	1.5	-	3.2	4.7
Interest charge for the period	11.5	10.3	0.1	21.9
Payments of liabilities	(16.9)	(10.6)	(0.5)	(28.0)
Reclassification to assets held for sale	(2.9)	-	-	(2.9)
Remeasurements	0.1	0.3	-	0.4
At 31 March 2020	215.4	198.1	3.5	417.0

Maturity analysis of lease liabilities - discounted

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Within 1 year	4.8	0.4	0.8	6.0
Within 2 to 5 years	14.6	2.0	2.7	19.3
After 5 years	196.0	195.7	-	391.7
Total	215.4	198.1	3.5	417.0

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 31 March 2020 to the contract maturity date.

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
In one year or less, or on demand	16.0	10.6	1.0	27.6
In more than one year, but not more than two years	15.3	10.6	0.9	26.8
In more than two years but not more than five years	41.3	31.7	2.0	75.0
In more than five years	603.0	613.2	-	1,216.2
Total	675.6	666.1	3.9	1,345.6

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

Key lease arrangements

Manchester City Council (held within land and buildings):

The Group has a commitment in respect of a land lease with The Council of the City of Manchester (MCC), a related party as described in note 35. Ground rent leases are a base fee of £2.8m, and this element of the lease contributed £52.7m to the opening right-of-use asset and 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 £55.2m to the opening right-of-use asset and finance lease liability. As property element lease payments are variable depending on an index or rate, this element has given rise to a further £86.8m contribution to the opening right-of-use asset and lease liability. All elements of the MCC lease are included in the measurement of the lease liability.

In total, the MCC contributes £194.7m of the opening right-of-use asset and lease liability in land and buildings, and no element of the annual rent is excluded from the measurement of the lease liability.

UK Power Networks (held within airport infrastructure):

A significant portion of the airport infrastructure lease liability relates to an electricity distribution agreement with UK Power Networks. Included in the measurement of the lease liability are minimum amounts payable under the agreement, relating to a base fee of £8.4m, and £2.2m for capital investment in the network, contributing £198.1m to the opening right-of-use asset and lease liability. Remaining amounts of £0.7m are due, relating to a volume and recharge element. These are variable in nature with no minimum commitment, and therefore excluded in measurement of the lease liability.

Aberdeen Standard (held within land and buildings):

The Group has a commitment in relation to a lease of office property at Manchester Airport with Aberdeen Standard. Included in the measurement of the lease liability is fixed rent due under the lease, currently £1.0m and reviewed five-yearly to reflect prevailing market rates. The obligations under this lease have contributed £14.5m to the opening right-of-use asset and lease liability.

Notes to the financial statements continued

for the year ended 31 March 2020

30. Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group and movements in relation to them during the current and prior years.

	Accelerated capital allowances £m	Investment properties £m	Retirement benefit obligations £m	Fair value acquisition adjustment £m	Short-term timing differences* £m	Total £m
At 1 April 2019	109.9	77.9	(14.2)	32.5	4.8	210.9
Charge to income	12.6	6.4	-	1.2	4.7	24.9
Charge to equity	-	-	5.4	-	-	5.4
At 31 March 2020	122.5	84.3	(8.8)	33.7	9.5	241.2
At 1 April 2018	111.4	74.0	(14.8)	34.2	0.6	205.4
(Credit)/charge to income	(1.5)	3.9	-	(2.3)	4.2	4.3
Charge to equity	-	-	0.6	-	-	0.6
Deferred tax on acquisitions	-	-	-	0.6	-	0.6
At 31 March 2019	109.9	77.9	(14.2)	32.5	4.8	210.9

*Includes a deferred tax asset of £79.2m for lease liabilities, and a deferred tax liability of £78.8m for lease assets.

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:

	2020 £m	2019 £m
Deferred tax liabilities	329.2	225.1
Deferred tax asset	(88.0)	(14.2)
	241.2	210.9

Of the £329.2m deferred tax liability, £62.8m is attributable to discontinued operations and has been classified as a liability associated with the asset held for sale in note 18.

31. Other non-current liabilities

	2020 £m	2019 £m
Accruals and deferred income	3.5	3.5
Capital-based grants	21.8	15.3
	25.3	18.8

32. Share capital and share premium

	Ordinary shares of £1 each			Total £m
	Number of shares m	Share capital £m	Share premium £m	
Issued, called up and fully paid				
At 31 March 2020	316.7	316.7	687.2	1,003.9
At 31 March 2019	316.7	316.7	687.2	1,003.9

Notes to the financial statements continued

for the year ended 31 March 2020

33. Reserves

	Retained earnings £m
At 1 April 2019	488.8
Remeasurement of retirement benefit liabilities	31.0
Deferred tax on remeasurement of retirement benefit liabilities	(7.1)
Effect of change in rate of corporation tax on deferred tax	1.7
Foreign exchange movement	(0.3)
Result for the year	27.0
Dividends paid in the year	(199.3)
As at 31 March 2020	341.8

	2020 £m	2019 £m
Reconciliation of movement in shareholders' funds		
Opening shareholders' funds	1,492.7	1,520.6
Total recognised income for the year	52.6	146.3
Foreign exchange movement	(0.3)	0.5
Dividends paid in the year	(199.3)	(174.7)
Equity shareholders' funds as at 31 March	1,345.7	1,492.7

During the year a separate foreign exchange reserve has not been disclosed. Following the acquisition in June 2020; further details in note 38, the intention of the directors is for this to be disclosed separately in FY21.

34. Capital commitments and contingent liabilities

	2020 £m	2019 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	100.7	155.4

The Group has performance bonds and other items arising in the normal course of business amounting to £3.3m at 31 March 2020 (2019: £3.0m). As part of its investment in Airport City the Group has agreed to pay an equity contribution up to a maximum of £42m if required.

35. Related party transactions

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

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

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

As at 31 March 2020 the amount of loans outstanding owed to MCC by the Group was £207.5m (2019: £207.5m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2019: £nil) to MCC during the year and paid interest of £11.2m (2019: £16.5m).

As at 31 March 2020 the amount of loans outstanding owed to the other nine councils (each of which is a related party to Manchester Airports Holdings Limited by virtue of its shareholding) by the Group was £180.9m (2019: £180.9m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2019: £nil) to the other nine councils during the year and paid interest of £9.8m (2019: £14.8m).

Included in external charges are charges for rent and rates amounting to £27.7m (2019: £25.1m) and other sundry charges of £0.2m (2019: £0.3m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

During the year, amounts of £18.7m (2019: £nil) were received from MCC and the nine borough councils for the financing of the A2/A3 car park at Manchester Airport.

Notes to the financial statements continued

for the year ended 31 March 2020

35. Related party transactions continued

Transactions involving IFM

Industry Funds Management (IFM), through its subsidiary, is a related party to Manchester Airports Holdings Limited as IFM owns 35.5% of the share capital of the Company. During the year, the Group was party to the following transactions with IFM.

As at 31 March 2020 the amount of loans outstanding owed to IFM by the Group was £213.7m (2019: £213.7m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2019: £nil) to IFM during the year and paid interest of £11.6m (2019: £17.2m).

Transactions involving equity accounted investee

As at 31 March 2020 the amounts owing were £nil (2019: £nil) and amounts owed were £nil (2018: £0.1m). Net assets of £0.4m (2019: £nil), comprising freehold land, were sold to the equity accounted investees by the Group during the year.

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

	2019 £m	Cash flow £m	Other non-cash movements £m	2020 £m
Cash at bank and in hand	32.5	238.8	-	271.3
Cash on short term deposit	-	-	-	-
Cash and cash equivalents disclosed in the statement of financial position	32.5	238.8	-	271.3
Overdrafts	-	-	-	-
Total cash and cash equivalents (including overdrafts)	32.5	238.8	-	271.3
Current debt	-	-	-	-
Non-current debt	(1,832.2)	(690.9)	(1.7)	(2,524.8)
Net debt	(1,799.7)	(452.1)	(1.7)	(2,253.5)
IFRS 16*				
Current debt	(6.0)	-	-	(6.0)
Non-current debt	(414.9)	6.1	(2.2)	(411.0)
	(420.9)	6.1	(2.2)	(417.0)

* The adoption of IFRS 16 for the accounting period ending 31 March 2020 has given rise to a lease liability.

Notes to the financial statements continued

for the year ended 31 March 2020

37. Impact of IFRS 16 upon primary statements

The purpose of these pages is to provide a reconciliation from the financial results to the pro-forma statements with the previous IAS 17 policies adopted by the Group (including key APMs such as Adjusted EBITDA), thereby giving the reader greater insight into the impact of IFRS 16 on the reporting of Group since the modified retrospective methodology of implementation does not permit restatement of comparative figures. The Group does not foresee removal of any existing APMs as a result of adoption of IFRS 16. In the accounts for the year ended 31 March 2021, IFRS 16 comparatives will be available and as such the Group will no longer be required to produce the reconciliation below to illustrate the accounts on a like-for-like basis.

Consolidated income statement for the year ended 31 March 2020

	Continuing operations 2020 as reported £m	Rent and finance costs £m	Depreciation £m	Continuing operations 2020 under IAS 17 £m
Revenue	893.4	-	-	893.4
Operating charges excluding depreciation	(511.3)	(28.0)	-	(539.3)
Adjusted EBITDA*	382.1	(28.0)	-	354.1
Depreciation	(180.8)	-	8.8	(172.0)
Result from operations before significant items*	201.3	(28.0)	8.8	182.1
Significant items	(18.6)	-	-	(18.6)
Result from operations	182.7	(28.0)	8.8	163.5
Share of result in equity accounted investee	-	-	-	-
Gains and losses on sales and valuation of investment properties	2.2	-	-	2.2
Finance costs	(109.5)	21.9	-	(87.6)
Result before taxation	75.4	(6.1)	8.8	78.1

Consolidated statement of cashflows for the year ended 31 March 2020

	Continuing operations 2020 as reported £m	Payment recognised as operating charge £m	Interest charge £m	Lease repayment £m	Continuing operations 2020 under IAS 17 £m
Cash generated from continuing operations*	394.4	(28.0)	-	-	366.4
Result before taxation – discontinued operations	13.5	-	-	-	13.5
Finance expense - discontinued operations	14.7	-	-	-	14.7
Non cash movements - discontinued operations	(9.0)	-	-	-	(9.0)
Interest paid	(111.1)	-	21.9	-	(89.2)
Tax paid	(58.8)	-	-	-	(58.8)
Net cash from operating activities	243.7	(28.0)	21.9	-	237.6
Net cash used in investing activities	(509.1)	-	-	-	(509.1)
Net cash from/(used in) financing activities	504.2	-	-	6.1	510.3
Net increase in cash and cash equivalents	238.8	(28.0)	21.9	6.1	238.8

*As explained on page 11.

Notes to the financial statements continued

for the year ended 31 March 2020

37. Impact of IFRS 16 upon primary statements continued

Consolidated statement of financial position as at 31 March 2020

	2020 as reported £m	Rent and finance costs £m	Depreciation £m	Opening balance £m	Additions and remeasurement £m	Transfers to assets held for sale and associated liabilities £m	2020 under IAS 17 £m
Non-current assets							
Goodwill	170.8	-	-	-	-	-	170.8
Intangible assets	45.4	-	-	-	-	-	45.4
Property, plant and equipment	3,350.9	-	-	-	-	-	3,350.9
Right-of-use assets	414.8	-	8.8	(420.9)	(5.5)	2.8	-
Investment properties	137.5	-	-	-	-	-	137.5
Investment in equity accounted investee	7.0	-	-	-	-	-	7.0
Deferred tax assets	88.0	-	-	-	-	-	88.0
	4,214.4	-	8.8	(420.9)	(5.5)	2.8	3,799.6
Current Assets							
Assets held for sale	461.4	-	-	-	-	(2.8)	458.6
Inventories	5.2	-	-	-	-	-	5.2
Trade and other receivables	103.3	-	-	-	-	-	103.3
Cash and cash equivalents	271.3	-	-	-	-	-	271.3
	841.2	-	-	-	-	(2.8)	838.4
Current Liabilities							
Liabilities directly associated with assets held for sale	(73.7)	-	-	-	-	2.9	(70.8)
Trade and other payables	(332.7)	-	-	-	-	-	(332.7)
Deferred income	(21.3)	-	-	-	-	-	(21.3)
Current lease liabilities	(6.0)	-	-	6.2	-	(0.2)	-
Current tax liabilities	(2.5)	-	-	-	-	-	(2.5)
	(436.2)	-	-	6.2	-	2.7	(427.3)
Net current liabilities	405.0	-	-	6.2	-	(0.1)	411.1
Non-current liabilities							
Borrowings	(2,524.8)	-	-	-	-	-	(2,524.8)
Retirement benefit liabilities	(46.2)	-	-	-	-	-	(46.2)
Non-current lease liabilities	(411.0)	(6.1)	-	414.7	5.1	(2.7)	-
Deferred tax liabilities	(266.4)	-	-	-	-	-	(266.4)
Other non-current liabilities	(25.3)	-	-	-	-	-	(25.3)
	(3,273.7)	(6.1)	-	414.7	5.1	(2.7)	(2,862.7)
Net Assets	1,345.7	(6.1)	8.8	-	(0.4)	-	1,348.0

Notes to the financial statements continued

for the year ended 31 March 2020

37. Impact of IFRS 16 upon primary statements continued

Reconciliation from IAS 17 to IFRS 16 lease liability

The purpose of the below table is to provide a reconciliation from the lease commitment disclosed in the 31 March 2019 Annual Report and Accounts, under the previous standard (IAS 17), to the opening lease liability as disclosed in this Annual Report and Accounts, under the new standard (IFRS 16).

	Lease liability £m
31 March 2019 - IAS 17 disclosure total	442.9
Application of discount rate to future lease payments ¹	(6.0)
IFRS 16 opening impact estimate - 31 March 2019	436.9
Inclusion of fixed payments/exclusion of contingent rent ²	(1.8)
Impact of rent increases	0.2
Revision of discount rates used on long term leases ³	(22.3)
Adjustments to timing of payments	8.0
Other	(0.1)
	(16.0)
IFRS 16 opening impact - 1 April 2019	420.9

Notes:

¹ Under IAS 17, lease payments were undiscounted, except in the case of the MCC and UK Power Networks lease commitments discussed in note 29, where a discount rate of 5% has been historically applied. Under IFRS 16, all future lease payments are discounted with reference to the interest rate implicit in the lease.

² As part of the review of lease commitments in place leading up to Group's first time adoption of IFRS 16, a number of elements previously believed to be contractual were in fact contingent and fell outside of the scope of measurement of our IFRS 16 lease liability. As such, these elements have been excluded before arriving at the Group's opening position as at 1 April 2019.

³ The discount rates used on the MCC and UK Power Networks leases were increased, to better reflect the long term nature of these arrangements.

38. Post balance sheet events

On 26 June 2020 the Group obtained the approval from its Banks and Bondholders for the waiver of the requirement to perform loan covenant testing as at 30 September 2020 and 31 March 2021. Additionally, MAG's shareholders have injected £300m of funds into the Group.

On 21 May 2020 MAHL issued C-Shares to fund MCC and the Manchester District Councils to fund the £56.1m A2/A3 car park at Manchester Airport. The Group had received £18.7m of funds relating to the share issue prior to the year end and accounted for these within other payables. The full £56.1m has been reclassified to equity subsequently to the year end on completion of the share issue.

As a response to COVID-19 the Group reduced and refocused its transformation activity at both Manchester and Stansted with the focus being to complete the current phase of work at both airports. The phasing of future phase transformation activity will align as demand levels return.

On 22 June 2020 the Group acquired 100% of the share capital of airportparkingreservations.com LLC ("APR") and parksleepfly.com LLC ("PSF") with approximately 55% (\$30m USD) of the estimated cash consideration being payable in the financial year, with deferred consideration payable in April 2021 and a potential third tranche of consideration payable in April 2022 contingent upon US passenger numbers.

Accounting policies

Manchester Airports Holdings Limited (the 'Company') is a company limited by shares and incorporated and domiciled in England and Wales in the UK. The address of the registered office is Olympic House, Manchester Airport, Manchester, M90 1QX.

These financial statements present information about the Company as an individual undertaking and not about its Group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £million.

In these financial statements, the Company is considered to be a qualifying entity for the purposes of FRS 102, and has applied the exemptions available under this FRS in respect of the following disclosures:

- statement of cash flows and related notes;
- key management personnel compensation;

Furthermore, as the consolidated financial statements of Manchester Airports Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Functional currency

The Company's functional and presentation currency is the pound sterling.

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

Amounts owed to subsidiary undertakings

Intercompany balances are stated at historic cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and short-term deposits net of bank overdrafts, which have an original maturity of three months or less.

Interest payable

Interest payable is recognised in the income statement as it accrues, using the effective interest method.

Statement of financial position

as at 31 March 2020

	Note	2020 £m	2019 £m
Non-current assets			
Investments	3	2,253.1	2,253.1
		2,253.1	2,253.1
Current Assets			
Trade and other receivables	4	580.9	467.7
Cash and cash equivalents	5	4.7	-
		585.6	467.7
Liabilities			
Current liabilities	6	(1,062.5)	(732.9)
Net current liabilities		(476.9)	(265.2)
Total assets less current liabilities		1,776.2	1,987.9
Net assets		1,776.2	1,987.9
Capital and reserves			
Share capital	7	316.6	316.6
Share premium		687.2	687.2
Retained earnings		772.4	984.1
Total equity		1,776.2	1,987.9

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

The financial statements on pages 101 to 106 were approved by the Board of Directors on 9 July 2020 and signed on its behalf by:



Charlie Cornish, Group Chief Executive, MAG



Sir Adrian Montague CBE, Chairman, MAG

Statement of changes in equity*for the year ended 31 March 2020*

	Share capital	Share premium	Profit and loss account	Total
	£m	£m	£m	£m
Balance at 1 April 2019	316.6	687.2	984.1	1,987.9
Total comprehensive income for the year				
Result for the year	-	-	(12.4)	(12.4)
Transactions with owners recorded directly in equity				
Dividends paid to equity holders	-	-	(199.3)	(199.3)
Balance at 31 March 2020	316.6	687.2	772.4	1,776.2

Statement of changes in equity*for the year ended 31 March 2019*

	Share capital	Share premium	Profit and loss account	Total
	£m	£m	£m	£m
Balance at 1 April 2018	316.6	687.2	1,172.8	2,176.6
Total comprehensive income for the year				
Result for the year	-	-	(14.0)	(14.0)
Transactions with owners recorded directly in equity				-
Dividends paid to equity holders	-	-	(174.7)	(174.7)
Balance at 31 March 2019	316.6	687.2	984.1	1,987.9

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

Notes to the financial statements

for the year ended 31 March 2020

1. Notes to the income statement

Amounts receivable by the Company's auditor and the auditor's associates, in respect of services to the Company and the Company's subsidiaries, have not been disclosed as the information has been disclosed on a consolidated basis as noted on page 70. The Directors of Manchester Airports Holding Limited during the year and their aggregate remuneration is disclosed on a consolidated basis in note 6 to the consolidated financial statements, on page 70. The highest paid director disclosed within this note is the highest paid director of the Company.

2. Loss on ordinary activities after taxation of the company

As permitted by Section 408 of the Companies Act, the Company is exempt from the requirements to present its own profit and loss account. The result attributable to the Company is a loss of £18.8m (2019: loss of £14.0m) before payment of dividends.

3. Investments

	Subsidiary undertakings £m
Cost and net book value	
At 1 April 2019	2,253.1
At 31 March 2020	2,253.1

4. Trade and other receivables

	2020 £m	2019 £m
Amounts due from subsidiaries	580.9	467.7
	580.9	467.7

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

5. Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and in hand	4.7	-
	4.7	-

The directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

6. Trade and other payables

	2020 £m	2019 £m
Other payables	18.7	-
Amounts due to subsidiaries	1,043.8	732.9
	1,062.5	732.9

Amounts owed to subsidiary undertakings include a loan from Manchester Airport Plc of £950.9m (2019: £732.8m), which was interest bearing at 31 March 2020, with interest charged at a rate of 1.5% (2018: 1.5%) above base rate per annum. The remainder of the amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

Other payables represents £18.7m of funds received before the year end relating to the share issue to fund the A2/A3 car park at Manchester Airport prior. The share subscription was issued post year end.

7. Called up share capital

	Number (m)	2020 £m	2019 £m
Issued, called up and fully paid			
Ordinary shares of £1 each	316.6	316.6	316.6
		316.6	316.6

In addition to 316.6m non-voting ordinary shares, the Company has also issued 10 A and 10 B shares, which carry equal voting rights but do not carry any rights to receive dividends or distributions. Non-voting ordinary shares carry equal rights to receive dividends and distributions.

Notes to the financial statements continued

for the year ended 31 March 2020

8. Subsidiary undertakings

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by:		Principal activity
		Group	Company	
Agency of the North Limited ²	Ordinary £1 shares	100%		Holding company
Airport Advertising Limited ²	Ordinary £1 shares	100%		Non trading
Airport City (Asset Manager) Limited ^{1,2}	Ordinary £1 shares	70%		Property holding company
Airport City (General Partner) Limited ^{1,2}	Ordinary £1 shares	70%		Property holding company
Airport City Limited Partnership ^{1,2}	Ordinary £1 shares	70%		Property holding company
Airport City Management Company (South) Limited ^{1,2}	Ordinary £1 shares	100%		Property management company
Airport City (Manchester) Limited ^{1,2}	Ordinary £1 shares	100%	100%	Property holding company
Airport City (Manchester) Investments Limited ^{1,2}	Ordinary £1 shares	100%		Property holding company
Airport Petroleum Limited ²	Ordinary £1 shares	100%		Non trading
Airport Services International Limited ²	Ordinary £1 shares	100%	100%	Holding company
Bainsdown Limited ³	Ordinary £1 shares	100%		Property holding company
East Midlands Airport Core Property Investments Limited ²	Ordinary £1 shares	100%		Non trading
East Midlands Airport Nottingham Derby Leicester Limited ²	Ordinary £1 shares	100%		Intermediate holding company of East Midlands International Airport Limited
East Midlands Airport Property Investments (Hotels) Limited ²	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Industrial) Limited ²	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Offices) Limited ²	Ordinary £1 shares	100%		Investment property holding company
East Midlands International Airport Limited ⁴	Ordinary £1 shares 9% cumulative redeemable preference shares	100% 100%		Airport operator
EMIA Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
Looking4Parking Limited ²	Ordinary £1 shares	100%		Trading company
Manchester Airport Aviation Services Limited ³	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Finance Holdings Limited ²	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport Group Finance Limited ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Funding Plc ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Investments Limited ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Property Developments Limited ²	Ordinary £1 shares	100%		Property development company
Manchester Airport Group Property Services Limited ²	Ordinary £1 shares	100%		Property management company
MAG Investments Assets Limited ³	Ordinary £1 shares	100%		Holding company
MAG Airport Limited ²	Ordinary £1 shares	100%		Trading company
Manchester Airport Group US Holdings Inc. ^{1, 6}	Ordinary \$0.01 shares	100%		Investment holding company
Manchester Airport Plc ³	Ordinary £1 shares	100%		Airport operator
Manchester Airport Property Investments (Hotels) Limited ²	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Industrial) Limited ²	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Offices) Limited ²	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Ventures Limited ²	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
MAG Investments US Limited ²	Ordinary £1 shares	100%		Investment holding company

Notes to the financial statements continued

for the year ended 31 March 2020

8. Subsidiary undertakings continued

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by:		Principal activity
		Group	Company	
MAG Overseas Investments Limited ²	Ordinary £1 shares	100%	100%	Investment holding company
MAG US Lounge Management LLC ^{*, 6}	N/A	100%		Non trading
MAG US Parking Management LLC ^{*, 6}	N/A	100%		Non trading
MAG US Terminal Management LLC ^{*, 6}	N/A	100%		Non trading
MAG DC Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
MAG Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
MAG US (Apollo) Limited	Ordinary £1 shares	100%		Holding company
MAG US (Apollo) Inc	N/A	100%		Non trading
MAGO Holdings Limited	Ordinary £1 shares	100%		Trading company
Ringway Developments Plc ²	Ordinary £1 shares	100%		Property holding company
Ringway Handling Limited ³	Ordinary £1 shares	100%		Non trading
Ringway Handling Services Limited ³	Ordinary £1 shares	100%		Non trading
Simmerdown Limited ²	Ordinary £1 shares	100%		Holding company
Skyparksecure Limited ²	Ordinary £1 shares	100%		Trading company
Stansted Airport Limited ⁵	Ordinary £1 shares	100%		Airport operator
Travel Parking Group Limited ²	Ordinary £1 shares	100%		Holding company
Worknorth Limited ²	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		
Worknorth II Limited ³	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		

NOTES:

1. These reflect the Group's 70% investment in Airport City shown within the Group financial statements as an investment in equity accounted investee. The registered office addresses for each of the above companies are listed below.

² Olympic House, Manchester Airport, Manchester, M90 1QX

³ PO Box 532, Town Hall, Albert Square, Manchester, M60 2LA

⁴ Building 34, East Midlands Airport, Castle Donington, Derby DE74 2SA

⁵ Enterprise House, Bassingbourn Road, Stansted Airport, Essex, CM24 1QW

⁶ 251 Little Falls Drive, Wilmington, Delaware, 19808, United States of America

All the above companies operate in their country of incorporation or registration, which is England and Wales except where indicated (*) is United States of America.

IMPORTANT INFORMATION

Cautionary Statement: The Annual Report and Accounts contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast. Unless expressly stated otherwise, the 'Group', 'MAG', 'Manchester Airports Group', 'MAHL' or 'the Company' means Manchester Airports Holdings Limited and its subsidiary undertakings.