

2016-17 MAG INTERIM REPORT AND ACCOUNTS

Six months ended 30 September 2016





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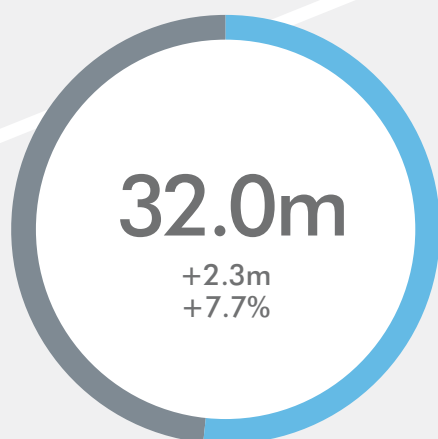


Our Business

MAG is a leading UK airport group and owns and operates Manchester, London Stansted, East Midlands and Bournemouth Airports, together with a significant property business. MAG employs over 4,500 people and annually serves over 50 million passengers. MAG's strategy is to increase long-term shareholder value by generating profitable growth through the development of its assets and by offering a high quality user experience for its customers.

PASSENGER NUMBERS (m) 6 MONTHS TO 30 SEPTEMBER

2015: 29.7m

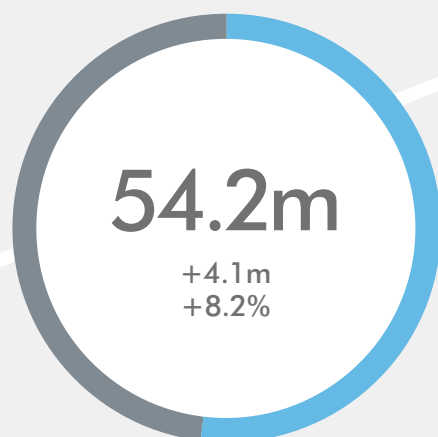


By achieving this goal, MAG aims to become a global leader in airport management, products and services. MAG also includes the commercial property division, MAG Property, which has over £640m of investment property assets across its four airports and has a 50% investment in the £800m major Enterprise Zone development, Airport City, at Manchester Airport.

MAG's shareholders comprise Manchester City Council, IFM Investors and the nine other Greater Manchester local authorities.

PASSENGER NUMBERS (m) 12 MONTHS TO 30 SEPTEMBER

2015: 50.1m





Chief Executive's Operating Review

Our airports have continued to grow strongly in the first half of this financial year, with passenger numbers increasing by 2.3 million to a record 32 million.



Charlie T. Cornish

Charlie Cornish

Chief Executive, MAG

Manchester Airport experienced its busiest ever summer, which has seen it pass the 25 million passengers per annum level for the first time. London Stansted

has also seen continued strong growth, and is now handling more passengers a year than at any time in its history. This growth has been delivered as a result of our continued focus on offering passengers the widest possible choice, both in terms of destinations and airlines.

All of this, combined with strong non-aviation revenues, has resulted in a 6.6% growth in EBITDA in the six months to £216 million.

The highlight of the period at Manchester Airport was the start of new direct services to Beijing with Hainan Airlines. The route, announced last year during a visit by the President of China, His Excellency Xi Jinping and the Rt Hon David Cameron, is performing well above expectations with flights over the summer operating 90% full.

REVENUE (£m)

2015: £445.5m

£482.3m

+£36.8m
+8.3%

EBITDA (£m)*

2015: £202.5m

£215.9m

+£13.4m
+6.6%

OPERATING PROFIT (£m)

2015: £137.0m

£145.5m

+£8.5m
+6.2%

PASSENGER NUMBERS (m)

2015: 29.7m

32.0m

+2.3m
+7.7%

*Before significant items

The route's early success is further evidence of the strong demand for direct long haul flights to and from the North, and highlights Manchester Airport's key role in connecting the region's economy to key global markets. This role has been reinforced by the recent announcements of new services to San Francisco, Houston, Singapore, Phuket and Goa – bolstering the current network which already includes key business routes like Dubai, Singapore, Hong Kong and Beijing to the east, and Washington, Boston, New York and Atlanta in the US.

We continue to make the case for major investment in the North's transport road and rail infrastructure. Transport provides the foundation of every successful economy and a significant improvement in rail connectivity – both with HS2 and improved services across the region – is needed to fuel the future growth of the Northern Powerhouse.

With the right package of Government support and infrastructure investment, Manchester Airport will meet a much higher share of regional demand, which will have wider economic benefits in terms of trade, skills, productivity and inward investment. By reshaping the way aviation demand is met in the UK, Manchester Airport will help alleviate the capacity pressures on airports in the South East and provide more scope for growth at a national level.

Stansted has also had a record summer, with passenger numbers in the first half of the financial year up 6.4%, compared with the same period last year. Stansted plays a vital role in the London aviation market, serving more European cities than any other UK airport. This extensive network means Stansted is the country's leading airport for European tourists, with more than half of its passengers arriving into the UK rather than leaving.

Following MAG's acquisition of London Stansted in 2013, we have grown passenger numbers by around 7 million and overhauled the internal look and feel of the terminal. Over this period, one of our main priorities has been to increase

the choice available to passengers by increasing the range of airlines serving the airport. During the summer we were delighted to announce that Jet2.com will be establishing its first southern base at Stansted. Stansted is now thriving and taking on a growing role in meeting demand for aviation capacity in the London system.

East Midlands Airport continues to perform well, with passenger numbers growing by 6.9% in the first six months and continued expansion of the airport's cargo facilities. East Midlands is now DHL's second biggest global hub, and it continues to be the biggest airport in the UK for all-cargo flights as customers take advantage of its strong location and convenient access to the motorway network.

Our US business is also growing and we now have three of our popular 'Escape Lounges' open in the States at airports in Minneapolis-St Paul, Oakland and Bradley, Connecticut. The clear signs are that US passengers enjoy the ability to use "common access" airport lounges, and we will continue to look for further opportunities to provide these facilities at other US airports.

MAG's Corporate Social Responsibility Report, published in September, highlighted that our growing airports are good news not just for the business but also the wider communities that they serve. The CSR report showed that activities at MAG airports delivered £6.2bn of economic value for the UK economy and for the communities in which its four UK airports operate – that's £8 for every £1 of revenue the airport makes.

This reinforces our view that MAG airports can make vital contributions to rebalancing our economy over the coming decades. The Airport Commission process has dominated the Government's thinking on aviation issues over the past four years. Now that the Heathrow decision has been made, we will work with Government to look at how airports across the UK – including Manchester, Stansted and East Midlands – can meet growing demand

for aviation and drive economic growth in their respective regions.

This is especially important in the context of Britain leaving the European Union. As the country enters a new era, we will be working closely with the rest of our industry to ensure that once we leave the EU the UK remains a member of the European single aviation market. At no point have the excellent international air links that this country's airports provide been more vital to the nation's future prosperity and economic growth.

We are well prepared to respond to any adverse consequences that may be felt by the UK economy following the country's decision to leave the EU. Our strategy to drive top-line growth, improve efficiency and broaden our mix of business will continue and we remain focussed on delivering further profitable growth.

In the short-term, the Government's priority must be to make the most of the runways we already have during the 10-15 year period before a new Heathrow runway is ready. MAG is working on significant developments at Manchester and Stansted airports, which together will enable them to serve an extra 50 million passengers every year on their existing runways – more than a new runway at Heathrow. We need Government support for these airport investments and a clear commitment to delivering wider transport infrastructure, including faster rail services to Stansted and an APD 'holiday' on new long haul services to encourage airlines to establish routes to important new international markets.

This latest set of financial results demonstrates the resilience of our business during a period of economic and political uncertainty. In addition, the scale of the wider contribution that our airports make to the UK economy, and to the regions they serve, highlights the key role they play in driving long-term growth and the need for Government to support the development of a strong and vibrant network of competing airports across the whole country.

KEY PERFORMANCE INDICATORS

We focus on a number of key performance measures linked to delivery of our strategy to ensure we build value for our shareholders on a consistent basis over the long term.

Measure	Aim	Context	Group	Change %
Revenue	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.	£482.3m 2015: £445.5m	↑ +8.3%
EBITDA¹	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	£215.9m 2015: £202.5m	↑ +6.6%
Operating profit	Achieve steady and increasing profit from operations	We expect all our operations to positively contribute to the Group's result	£145.5m 2015: £137.0m	↑ +6.2%
Cash generated from operations²	Convert our operating profits into cash	We focus on converting our operating profits into cash to fund further investment and returns to shareholders	£183.4m 2015: £180.2m	↑ +1.8%
Market share³	Grow our share of the market	Measures the performance of MAG compared to the UK market	28.8% 2015: 28.4%	↑ +1.4%
Passengers (m)	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	32.0m 2015: 29.7m	↑ +7.7%

NOTES:

¹ EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation, and before significant items.

² Cash generated from operations is stated before the impact of significant items.

³ Market share excludes Heathrow airport, and is based on the latest available CAA data, which is for June 2016.



Financial Review

MAG has continued to deliver sustained growth for the first half of 2016-17 across the key financial metrics of revenue, EBITDA and operating cash flows.



Neil Thompson

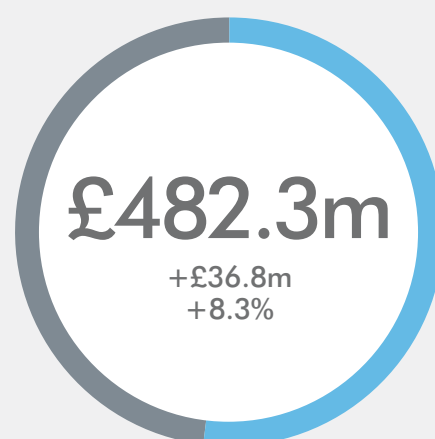
Neil Thompson
Chief Financial Officer, MAG

The strong half year results are underpinned by growth in passenger volumes, strong commercial performance, and continued focus on our operating cost base.

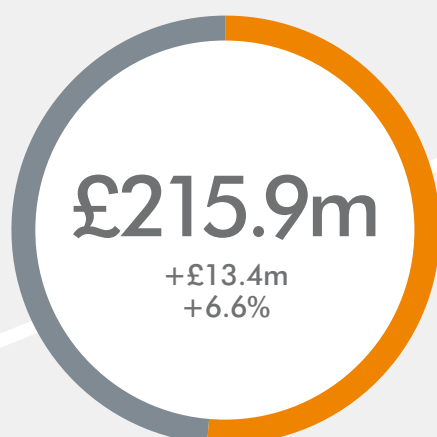
We have also continued to invest significantly across all our airports to provide modern and customer focused infrastructure and set the foundations to support our continuing long term growth strategy.

The Group is also focused on its long-term objective of delivering sustainable and growing dividends to our shareholders. In light of the strong trading performance, positive outlook for the second half of 2016-17, and longer term confidence in the future of the business, we are pleased to declare an interim dividend payment of £47.0m to our shareholders, representing a 22% increase on the previous year.

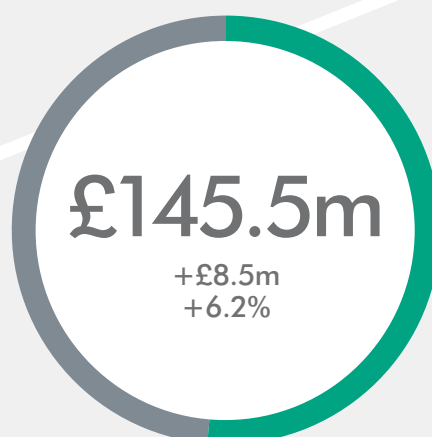
REVENUE (£m)
2015: £445.5m



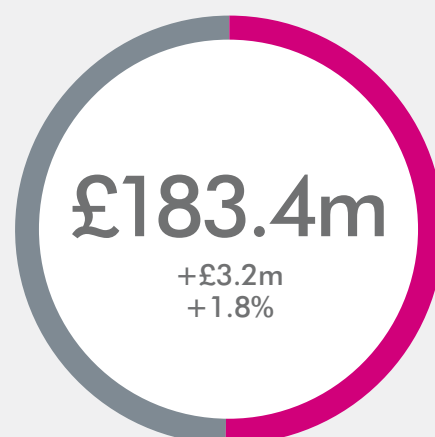
EBITDA* (£m)
2015: £202.5m



OPERATING PROFIT (£m)
2015: £137.0m



CASH GENERATED FROM OPERATIONS* (£m)
2015: £180.2m



*Before significant items

SUMMARY OF THE PERIOD'S RESULTS (£M)

	Six months to 30 September 2016	Six months to 30 September 2015	% change	Year end 31 March 2016
Passenger numbers (million)	32.0	29.7	7.7%	51.9
Revenue (£m)	482.3	445.5	8.3%	778.8
EBITDA (£m)*	215.9	202.5	6.6%	317.7
Operating profit (£m)	145.5	137.0	6.2%	175.6
Net cash flow from operating activities*	183.4	180.2	1.8%	325.3
Net debt (£m)	1,163.4	1,135.1	2.5%	1,143.0
Equity shareholders' funds (£m)	1,535.1	1,580.9	(2.9%)	1,588.7

RECONCILIATION OF EBITDA TO RESULT FROM OPERATIONS (£M)

	Six months to 30 September 2016			Six months to 30 September 2015		
	Before significant items	Significant items	After significant items	Before significant items	Significant items	After significant items
EBITDA	215.9	(2.9)	213.0	202.5	-	202.5
Depreciation and amortisation	(67.5)	-	(67.5)	(65.5)	-	(65.5)
Result from operations	148.4	(2.9)	145.5	137.0	-	137.0

SUMMARY TRADING PERFORMANCE

The Group has delivered further growth in the first half of the financial year, with all the major divisions exceeding the prior period performance at both a revenue and EBITDA level. This has been driven predominantly by an increase in passenger numbers of 7.7% to 32.0m, which has translated into growth in EBITDA of 6.6% (before significant items) to £215.9m.

The largest increases in passengers are at our two main airports, Manchester (growth of 10.1% on prior period) and London Stansted (growth of 6.4% on prior period), where airlines have increased frequencies on routes and introduced new destinations, largely driven through low cost carriers such as Ryanair and Easyjet.

New long-haul routes have also been added to increase the breadth of destinations across our airports, including the launch of the new direct route to Beijing from Manchester with Hainan Airways and routes to the USA and Mexico through Thomas Cook and TUI at Stansted.

East Midlands Airport, which has an important dual role across passenger and freight aircraft, has performed strongly with passenger growth of 6.9% on prior period driven through improved load factors and increased flights with low cost carriers, predominantly Ryanair and Jet2.com.

Bournemouth Airport has performed ahead of expectations, despite a reduction in passengers of 20.0%, with the

impact of the withdrawal of Flybe being partially mitigated by increased flights, predominantly with Ryanair.

The Group's passenger growth has led to an 8.3% increase in total revenues to £482.3m, with the Group's commercial strategy, and the impact of targeted investments across retail and car parking, driving improvements in the overall income per passenger.






Aviation income of £238.2m represents growth of 4.5% on the equivalent period in the prior year, reflecting the mix of traffic, in particular the low-cost carrier traffic, in supporting the long-term growth strategy. Cargo income, which represents 5% of aviation income, has seen growth

SIX MONTHS ENDED 30 SEPTEMBER 2016 (£M)

238.2	92.2	91.0	24.8	36.1	£482.3
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SIX MONTHS ENDED 30 SEPTEMBER 2015 (£M)

227.9	83.0	79.6	23.6	31.4	£445.5
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 Aviation	 Retail	 Car parking	 Property	 Other
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* Before significant items

PASSENGER TRAFFIC (M)

	Six months to 30 September 2016	Six months to 30 September 2015	% change	Year end 31 March 2016
Manchester Airport	15.2	13.8	10.1%	23.5
London Stansted Airport	13.3	12.5	6.4%	23.2
East Midlands Airport	3.1	2.9	6.9%	4.5
Bournemouth Airport	0.4	0.5	(20.0%)	0.7
Total passenger numbers	32.0	29.7	7.7%	51.9

of 3.8% to £11.8m driven by a greater volume of express freight traffic, in particular UPS, at East Midlands Airport.

Retail income of £92.2m for the first six months of the year has grown by 11.1%, with the yield benefitting from the significant investment in the retail facilities in recent periods, particularly at London Stansted. This strong performance is despite challenging conditions in retail, in particular Duty Free, as buying habits change, coupled with the adverse effect of a change in destination mix away from Middle Eastern and North African routes in favour of lower yielding EU destinations.

Car parking continues to be the strongest revenue growth stream within the Group, with revenues 14.3% higher than prior period, driven by additional capacity and the roll-out of the meet and greet products across all airports, and effective management of the customer trend of moving to pre-book channels.

Property income across the Group is £24.8m with an increase of £1.2m (5.1%) driven by new lettings agreed in both the previous and current financial year.

Other income, which includes utilities recharges and fees for airline services and aviation fuel sales, has grown by £4.7m (15.0%) on prior period.

Overall costs, excluding significant items, depreciation, amortisation and profit on disposal of property plant and equipment, have increased by £22.9m (9.3%), largely driven by passenger volume-related costs, including increased employee costs, predominantly across security and customer service, as well as marketing costs to support passenger growth and the development of new routes.

Depreciation and amortisation costs of £67.5m are £2.0m higher than prior period, reflecting the continued investment in infrastructure across the Group.

The Group undertook various planned restructuring and organisational programmes during the period, with the majority of the costs being a continuation of schemes which commenced in the previous financial period. In addition, the Group has invested significantly to improve the back-office finance, procurement and HR

systems, resulting in one-off external costs associated with the transition.

These schemes have resulted in a total of £2.9m being recognised as a significant item within the consolidated income statement.

PROPERTY

The MAG Property division manages the investment property portfolio comprising offices, hotels and cargo properties on an overall investment property portfolio of £640.3m. MAG also holds a 50% interest in the Airport City development at Manchester Airport.

The property team continue to explore opportunities to maximise value across its property portfolio and completed the sale of the DHL Global logistics facility in the period, generating a profit on disposal of £1.9m.

Property, including Airport City, has a strong pipeline of deals and is expected to deliver significant returns in the next few periods as plots are developed and sold as part of the overall business plan.

EBITDA BY DIVISION (£M)

	2016	2015	Change(m)	Change%
Manchester Airport	109.9	99.9	10.0	10.0%
London Stansted Airport	82.4	78.8	3.6	4.6%
East Midlands Airport	17.1	16.3	0.8	4.9%
MAG Property	10.3	10.1	0.2	2.0%
Bournemouth Airport	1.1	1.7	(0.6)	(35.3%)
Other businesses and consolidation	(4.9)	(4.3)	(0.6)	(14.0%)
	215.9	202.5	13.4	6.6%

NOTE: EBITDA is defined as earnings before interest, taxation, depreciation, amortisation and significant items.

CASH FLOW

Cash generated during the first six months of the year from operations, before significant items, has increased on the prior year by £3.2m (1.8%), from £180.2m to £183.4m. The seasonality impact on the translation of EBITDA growth into cash generated from operations is expected to unwind for the full year.

This translation of profits into cash supports our long-term financing position and allows the Group to continue to invest in infrastructure and development opportunities.

FINANCING AND INTEREST

Group net interest payable, before significant items, was consistent with the prior period at £37.2m reflecting the stable debt profile of the Group, predominantly made up of fixed rate bonds and a shareholder loan.

During the period, the Group successfully completed the refinancing of its revolving credit and liquidity facilities, comprising a £500m revolving credit facility and £60m in standby liquidity facilities, each with a five period term, replacing the previous £300m facility which was due to mature in February 2018. Issue costs of £3.5m were incurred in respect of this new facility, which will be amortised evenly over the duration of the financing.

The remaining £90m balance on the term loan, which was used to fund the acquisition of London Stansted airport, was repaid from the new facility. The remaining £0.6m of issue costs relating to this facility were amortised in full to the income statement in the period.

Net debt has increased slightly from 31 March 2016 to £1,163.4m, but in light of the new facilities, allows significant headroom to support future investment in capital infrastructure and property developments.

CAPITAL INVESTMENT

The Group continues to invest in its infrastructure across all its airports, with expenditure totalling £65.2m during the first half of the year.

The Manchester Transformation Programme continues to be the largest individual project in the period, with work continuing on the planning phase, including the awarding of the terminal contract to Laing O'Rourke.

Other major programmes include the transition onto the previously mentioned new finance and procurement systems, which are expected to go-live later this financial year and provide a more robust platform to support the growth strategy across MAG.

PENSIONS

The accounting deficit for all Group schemes is calculated by independent scheme actuaries PwC, who incorporate data taken from a number of markets in calculating the closing deficit position at the Balance Sheet date.

During the six month period the aggregate of the Group's defined benefit schemes moved from an IAS 19 accounting deficit of £52.9m to £136.1m. The increase in the deficit is significantly impacted by external market movements, in particular corporate bond yields, with discount rates reducing by 1.2% in the period, more than offsetting positive asset returns over the period.

TAX

The tax charge for the six months ended 30 September is £16.4m (2015: £29.9m). This is significantly impacted by the re-measurement of the deferred tax balances as a result of the enacted change in the future rate of corporation tax to 17%, which has resulted in a one-off deferred tax credit of £14.2m

The effective tax rate for the period is higher than the actual corporation tax rate of 20%, predominantly due to depreciation on fixed assets, particularly buildings, which no longer qualify for tax allowances.

EQUITY SHAREHOLDERS' FUNDS AND DIVIDENDS

Equity shareholders' funds are £1,535.1m (31 March 2016: £1,588.7m). The movement comprises £91.6m profit after tax and significant items, remeasurements on pension liabilities (net of tax) of £68.0m recorded in reserves, and the payment of a dividend of £77.2m during the first half of the year, reflecting the final dividend in respect of the year ended 31 March 2016.

In line with our dividend policy and in light of the growth achieved during the first six months of the financial year, and consistent with the strong long-term growth prospects, the directors have declared an interim dividend of £47.0m, which will be paid to the shareholders upon the signing of these financial statements.





Report and Financial Statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting', as adopted by the European Union, and that the Interim Report includes a fair review of the information required, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any changes in the related party transactions disclosed in the last Annual Report.

The directors of Manchester Airports Holdings Limited and their respective responsibilities are as listed in the MAG 2015-16 Annual Report.

By order of the Board

A handwritten signature in black ink, reading 'Charles T. Cornish'.

Charlie Cornish

Chief Executive

MAG

24 November 2016

A handwritten signature in black ink, reading 'Neil Thompson'.

Neil Thompson

Chief Financial Officer

MAG

24 November 2016

Group Financial Statements

ACCOUNTING POLICIES

GENERAL INFORMATION

This condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared on a going concern basis, and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2016, which has been prepared in accordance with IFRS as adopted by the European Union. The historical cost convention is applicable to these financial statements with the exception of investment properties, financial instruments and employee benefit scheme assets and obligations, which are fair valued at each reporting date.

The condensed set of interim financial statements has been prepared by the Group applying the same accounting policies and significant judgments as were applied by the Group in its published consolidated financial statements as at 31 March 2016, except for the following standards and interpretations which are effective for the Group from 1 April 2016:

Effective for the year ending 31 March 2017

- IAS 1, 'Presentation of Financial Statements' – Amendments relating to the Disclosure Initiative.
- IAS 16, 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Amendments relating to Clarification of Acceptable methods of depreciation and amortisation.
- IAS 27, 'Separate Financial Statements' – Amendments relating to Equity Method in Separate Financial Statements.
- IFRS 10, 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- IFRS 11, 'Joint Arrangements' – Amendments relating to Acquisitions of Interests in Joint Operations.
- Annual Improvements to IFRS 2012-2014 Cycle.

The adoption of these standards has not had any material effect on the Group's results or net assets for the period ended 30 September 2016.

The following new or revised standards issued by the International Accounting Standards Board have not been applied in preparing these accounts as their effective dates fall in periods beginning on or after 1 October 2016.

Effective for the year ending 31 March 2019

- IFRS 15, 'Revenue from Contracts with Customers'.

Effective for the year ending 31 March 2019 (not yet EU endorsed)

- IFRS 9, 'Financial Instruments' – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.

Effective for the year ending 31 March 2020 (not yet EU endorsed)

- IFRS 16, 'Leases'.

The Directors do not anticipate that the adoption of these standards, with the exception of IFRS 16 'Leases', will have a material impact on the Group's accounts. Certain of these standards will, when adopted, require addition to or amendment of disclosures in the accounts.

The Group is assessing the impact of the accounting changes that will arise under IFRS 16, however the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

The results for the six months to 30 September 2016 have not been audited, but at the Group's request, have been reviewed by the auditors, KPMG LLP. The financial information for the full year to 31 March 2016 is an abbreviated version of the Group's annual report and accounts for that year, which has been delivered to the Registrar of Companies. The report of the Auditors was (i) unqualified, (ii) did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The preparation of these financial statements in accordance with prevailing accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The assumptions and estimates are based on management's best knowledge of the event or actions in question; however actual results may ultimately differ from these estimates.

The accounting policies that the Group has adopted to determine the amounts included in respect of material items shown in the Statement of Financial Position, and also to determine the profit or loss, are listed in full in the Group's annual report and accounts 31 March 2016. Unless stated otherwise, these have been applied on a consistent basis.

The current economic conditions create uncertainty particularly over passenger numbers, which has a direct impact on income. The Group has demonstrated its ability to grow operating margins together with the ability to manage its investment program according to affordability and business performance. At the interim period ended 30 September 2016, the Group had £1,561.9m (31 March 2016: £1,436.9m) of committed facilities and a net debt position of £1,163.4m (31 March 2016: £1,143.0m).

The Group had unutilised facilities of £382m at 30 September 2016, and based on the board approved five-year business plan, MAG is forecast to have available spare facilities in excess of £250m throughout 2016-17, being more than adequate for the Group's financing requirements. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

The Group is subject to two historical financial covenants: Net Debt/EBITDA and EBITDA less tax paid/Net Finance Charges. The covenants are tested half yearly on 31 March and 30 September. As at 30 September 2016 the Group had complied with both of the covenants, and as a result of the Group's prudent financial policy, there is significant covenant headroom.

The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim report and financial statements.

RISKS AND UNCERTAINTIES

The principal strategic level risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out on pages 29 to 33 in the 2015-16 Annual Report, which is available on the Group's website (www.magworld.co.uk).

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

- Security breach;
- Material sustained disruption to operations;
- Major Health and Safety incident affecting our customers or colleagues;

- Cyber security;
- Threat of a downturn in demand due to adverse global economic factors;
- Regulatory risk;
- Delivering major programmes; and
- Recruitment, development and retention of talented people.

FORWARD-LOOKING STATEMENTS

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

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

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Six months ended 30 September 2016 £m	Six months ended 30 September 2016 £m	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m	Year ended 31 March 2016 £m
		Before significant items	Significant items	After significant items	After significant items	After significant items
Continuing operations						
Revenue	1	482.3	-	482.3	445.5	778.8
Result from operations before significant items	4	148.4	-	148.4	137.0	186.9
Significant items						
Impairment of property, plant and equipment	3	-	-	-	-	(8.4)
Restructuring costs	3	-	(2.9)	(2.9)	-	(2.9)
Result from operations		148.4	(2.9)	145.5	137.0	175.6
Share of result of associate	8	(0.3)	-	(0.3)	(0.2)	(0.7)
Movement in investment property fair values	9	-	-	-	6.2	16.5
Finance income		0.1	-	0.1	0.1	-
Finance costs		(37.3)	-	(37.3)	(37.2)	(74.2)
Result before taxation		110.9	(2.9)	108.0	105.9	117.2
Taxation	5	(17.0)	0.6	(16.4)	(29.9)	(0.5)
Result from continuing operations		93.9	(2.3)	91.6	76.0	116.7
Earnings per share expressed in pence per share –						
Continuing operations				28.92	24.00	36.85

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Result for the period		91.6	76.0	116.7
Other comprehensive (expense)/income				
Items that will not be reclassified to profit or loss				
Remeasurement of retirement benefit liabilities	13	(81.7)	15.3	23.1
Deferred tax on remeasurement of retirement benefit liabilities	5	13.9	(3.0)	(4.2)
Effect of change in rate of corporation tax on deferred tax	5	(0.2)	-	(0.9)
Other comprehensive (expense)/income for the period		(68.0)	12.3	18.0
Total comprehensive income for the period		23.6	88.3	134.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Attributable to equity holders of the Company			Total
		Share capital £m	Share premium £m	Reserves £m	£m
Balance at 1 April 2016		316.7	687.2	584.8	1,588.7
Profit for the period		-	-	91.6	91.6
Remeasurement of retirement benefit liabilities net of tax		-	-	(67.8)	(67.8)
Effect of change in rate of corporation tax on deferred tax		-	-	(0.2)	(0.2)
Dividends paid to equity holders	6	-	-	(77.2)	(77.2)
Balance at 30 September 2016		316.7	687.2	531.2	1,535.1

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		Attributable to equity holders of the Company			
	Note	Share capital	Share premium	Reserves	Total
		£m	£m	£m	£m
Balance at 1 April 2015		316.7	687.2	550.7	1,554.6
Profit for the period		-	-	76.0	76.0
Remeasurement of retirement benefit liabilities net of tax		-	-	12.3	12.3
Dividends paid to equity holders	6	-	-	(62.0)	(62.0)
Balance at 30 September 2015		316.7	687.2	577.0	1,580.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

		Attributable to equity holders of the Company			
	Note	Share capital	Share premium	Reserves	Total
		£m	£m	£m	£m
Balance At 1 April 2015		316.7	687.2	550.7	1,554.6
Profit for the year		-	-	116.7	116.7
Remeasurement of retirement benefit liabilities net of tax		-	-	18.9	18.9
Effect of change in rate of corporation tax on deferred tax		-	-	(0.9)	(0.9)
Dividends paid to equity holders	6	-	-	(100.6)	(100.6)
Balance at 31 March 2016		316.7	687.2	584.8	1,588.7

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	Note	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m	Year ended 31 March 2016 £m
ASSETS				
Non-current assets				
Property, plant and equipment	7	2,320.0	2,324.5	2,325.7
Intangible assets		45.7	48.2	47.0
Goodwill		166.3	166.3	166.3
Investment in associate	8	15.9	8.7	13.1
Investment properties	9	640.3	631.2	641.3
Deferred tax assets	14	23.6	13.3	10.4
		3,211.8	3,192.2	3,203.8
CURRENT ASSETS				
Inventories		2.3	1.6	2.1
Trade and other receivables		105.3	99.9	75.7
Cash and cash equivalents		34.6	7.7	0.3
		142.2	109.2	78.1
LIABILITIES				
Current liabilities				
Borrowings	10/11	(143.7)	-	-
Trade and other payables		(186.4)	(164.3)	(191.5)
Deferred income		(14.3)	(19.9)	(19.9)
Current tax liabilities		(28.4)	(28.4)	(12.3)
		(372.8)	(212.6)	(223.7)
NET CURRENT LIABILITIES		(230.6)	(103.4)	(145.6)
Non-current liabilities				
Borrowings	10/11	(1,054.3)	(1,142.8)	(1,143.3)
Retirement benefit liabilities	13	(136.1)	(59.0)	(52.9)
Deferred tax liabilities	14	(243.2)	(293.3)	(260.4)
Other non-current liabilities		(12.5)	(12.8)	(12.9)
		(1,446.1)	(1,507.9)	(1,469.5)
NET ASSETS		1,535.1	1,580.9	1,588.7
Shareholders' equity				
Share capital		316.7	316.7	316.7
Share premium		687.2	687.2	687.2
Retained earnings		531.2	577.0	584.8
Total equity		1,535.1	1,580.9	1,588.7

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

The financial statements on pages 18 to 35 were approved by the Board of Directors on 24 November 2016 and signed on its behalf by:



Charlie Cornish
Group Chief Executive
MAG

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 30 SEPTEMBER 2016

Note	Six months ended 30 Sept 2016 £m Before significant items	Six months ended 30 Sept 2016 £m Significant items	Six months ended 30 Sept 2016 £m After significant items	Six months ended 30 Sept 2015 £m After significant items	Year ended 31 March 2016 £m After significant items
Cash flows from operating activities:					
Result before taxation – continuing operations	110.9	(2.9)	108.0	105.9	117.2
Change in value of investment properties	-	-	-	(6.2)	(16.5)
Share of results of associate	0.3	-	0.3	0.2	0.7
Net finance income and expense	37.2	-	37.2	37.1	74.2
Depreciation amortisation and impairment	67.5	-	67.5	65.5	139.2
Profit on sale of property, plant and equipment	(1.9)	-	(1.9)	(2.4)	(10.6)
Increase in trade and other receivables and inventories	(29.5)	-	(29.5)	(24.7)	(1.0)
Release of grants	(0.4)	-	(0.4)	(0.4)	(0.6)
(Decrease)/increase in trade and other payables	(2.2)	-	(2.2)	4.3	17.2
Increase in retirement benefits provision	1.5	-	1.5	0.9	2.6
Cash generated from operations	183.4	(2.9)	180.5	180.2	322.4
Interest paid			(35.7)	(36.6)	(73.2)
Interest received			0.1	0.1	-
Tax paid			(16.7)	(13.5)	(30.4)
Net cash from operating activities			128.2	130.2	218.8
Cash flows from investing activities					
Purchase of property, plant and equipment			(74.7)	(56.4)	(123.7)
Investment in associate			(3.1)	(1.6)	(6.5)
Proceeds from transfer of assets to associate			-	0.4	3.2
Proceeds (net of selling costs) from sale of property, plant & equipment and investment properties			7.6	6.8	18.8
Net cash used in investing activities			(70.2)	(50.8)	(108.2)
Cash flows from financing activities					
Increase/(Decrease) in bank loan borrowings (net of issue costs)			143.7	(20.0)	(20.0)
Repayment of loans and borrowings			(90.2)	-	-
Dividends paid to shareholders			(77.2)	(62.0)	(100.6)
Net cash used in financing activities			(23.7)	(82.0)	(120.6)
Net increase/(decrease) in cash and cash equivalents	16		34.3	(2.6)	(10.0)
Cash and cash equivalents at beginning of period			0.3	10.3	10.3
Cash and cash equivalents at end of period			34.6	7.7	0.3

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1. REVENUE

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

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Aviation income	238.2	227.9	387.4
Commercial income			
Retail concessions	92.2	83.0	143.8
Car parking	91.0	79.6	137.6
Property and property related income	24.8	23.6	47.5
Other	36.1	31.4	62.5
Total commercial income	244.1	217.6	391.4
Total income	482.3	445.5	778.8

Other income includes utilities recharges and fees for airline services and aviation fuel sales.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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.

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.

September 2016	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group consolidation and other ³	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue							
External sales	262.0	162.4	38.4	13.9	6.0	(0.4)	482.3
Inter-segment sales ⁴	(0.2)	-	-	(1.4)	-	1.6	-
Total revenue	261.8	162.4	38.4	12.5	6.0	1.2	482.3
Result							
Segment operating profit/(loss) before significant items	77.6	53.2	12.7	9.4	0.4	(4.9)	148.4
Significant items	-	-	-	(0.7)	-	(2.2)	(2.9)
Segment operating profit/(loss) after significant items	77.6	53.2	12.7	8.7	0.4	(7.1)	145.5
Share of result of associate							(0.3)
Finance income							0.1
Finance costs							(37.3)
Result before taxation							108.0

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

2. BUSINESS AND GEOGRAPHICAL SEGMENTS *continued*

September 2016	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group consolidation and other ³	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Other information							
Segment assets	1,226.6	1,021.5	336.7	(Note 1)	75.4	693.8	3,354.0
Segment liabilities	(249.1)	(181.3)	(67.1)	(Note 1)	(6.8)	(1,314.6)	(1,818.9)
Capital expenditure	41.4	17.8	5.7	(Note 1)	0.3	-	65.2
Depreciation and amortisation	(32.3)	(29.2)	(4.4)	(0.9)	(0.7)	-	(67.5)
Taxation	(14.0)	(6.8)	0.9	(Note 1)	0.2	3.3	(16.4)
Result – geographical location²							
Segment operating profit before significant items	83.9	53.2	13.9	(Note 2)	2.3	(4.9)	148.4
September 2015	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group consolidation and other³	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue							
External sales	234.6	153.6	37.4	14.7	6.8	(1.6)	445.5
Inter-segment sales ⁴	(0.3)	-	-	(1.3)	-	1.6	-
Total revenue	234.3	153.6	37.4	13.4	6.8	-	445.5
Result							
Segment operating profit before significant items	70.2	50.6	11.9	7.5	1.1	(4.3)	137.0
Share of result of associate							(0.2)
Movement in investment property fair values							6.2
Finance income							0.1
Finance costs							(37.2)
Result before taxation							105.9
Other information							
Segment assets	1,188.7	1,277.0	332.7	(Note 1)	84.8	418.2	3,301.4
Segment liabilities	(257.9)	(163.1)	(71.1)	(Note 1)	(10.7)	(1,217.7)	(1,720.5)
Capital expenditure	23.4	19.8	1.9	(Note 1)	0.2	-	45.3
Depreciation and amortisation	(29.7)	(28.2)	(4.4)	(2.6)	(0.6)	-	(65.5)
Taxation	(16.5)	(11.7)	(2.7)	(Note 1)	(0.4)	1.4	(29.9)
Result – geographical location²							
Segment operating profit before significant items	74.6	50.6	13.0	(Note 2)	3.1	(4.3)	137.0

NOTES:

- 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.
- 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 sale of property assets is reported in the subsidiary companies depending on the geographical location of the investment properties and property, plant and equipment. The table shows how profit from operations would appear with property reported by geographical location.
- Group consolidation and other includes "Groupco", "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 are in Note 10 Borrowings.
- Sales between segments are at arm's length.

3. SIGNIFICANT ITEMS

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Recorded in result from operations:			
Impairment of property, plant and equipment ¹	-	-	8.4
Restructuring costs ²	2.9	-	2.9
Total recorded in result from operations	2.9	-	11.3
Total significant items	2.9	-	11.3

NOTES:

1 Impairment of property, plant and equipment

An impairment provision of £8.4m was made in the year ended 31 March 2016 against the carrying values of property, plant and equipment at Bournemouth Airport.

2 Restructuring costs

Restructuring costs of £2.9m (year ended 31 March 2016: £2.9m) have been incurred in respect of restructuring programmes across the Group.

4. RESULT FROM OPERATIONS

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Turnover	482.3	445.5	778.8
Wages and salaries	(81.1)	(73.3)	(147.8)
Social security costs	(7.4)	(6.3)	(12.4)
Pension costs	(7.2)	(6.6)	(14.0)
Employee benefit costs	(95.7)	(86.2)	(174.2)
Depreciation and amortisation	(67.5)	(65.5)	(130.8)
Profit on disposal of fixed assets	1.9	2.4	10.6
Other operating charges ¹	(172.6)	(159.2)	(297.5)
Result from operations before significant items	148.4	137.0	186.9

NOTES:

¹ Other operating charges includes maintenance, rent, rates, utilities and other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 *continued*

5. TAXATION

ANALYSIS OF CHARGE IN THE PERIOD

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Current taxation			
UK corporation tax on profits for the period	33.7	32.9	35.1
Adjustment in respect of prior period	(0.6)	-	0.5
Total current taxation	33.1	32.9	35.6
Deferred taxation			
Temporary differences arising in the period	(1.7)	(3.0)	(4.9)
Adjustment in respect of prior period	(0.8)	-	(1.3)
Effect of change in rate of corporation tax	(14.2)	-	(28.9)
Total ordinary deferred taxation	(16.7)	(3.0)	(35.1)
Total taxation charge	16.4	29.9	0.5

TAXATION ON ITEMS (CREDITED)/CHARGED TO EQUITY

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Deferred taxation on remeasurement of retirement benefit liabilities	(13.9)	3.0	4.2
Effect of change in rate of corporation tax	0.2	-	0.9
Total taxation (credit)/charge	(13.7)	3.0	5.1

The March 2016 Budget included a reduction in the rate of corporation tax from 1 April 2020 of 2% to 17%. This change was substantively enacted on 5 September 2016. This reduction is in addition to a previously substantively enacted reduction of 1% to 19% from 1 April 2017. The lower tax rates of 19% and 17% will reduce the company's future current tax charge after 1 April 2017 and 1 April 2020 respectively. The reduced rates will also be reflected in the deferred tax balance covering reporting periods ending after 5 September 2016. The deferred tax balance at 30 September 2016 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

6. DIVIDENDS

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m
Amounts recognised as distributions to equity holders in the period:		
Dividends paid in relation to the year ended 31 March 2016 of 24.38 pence (2015: 19.58 pence) per share	77.2	62.0
Proposed interim dividend for the year ended 31 March 2017 of 14.84 pence (2016: 12.19 pence) per share	47.0	38.6

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
Cost						
At 1 April 2016	215.0	481.6	2,039.2	597.5	118.9	3,452.2
Additions	-	-	-	-	65.2	65.2
Reclassification	-	-	19.9	22.2	(42.1)	-
Disposals	-	-	(4.7)	-	-	(4.7)
At 30 September 2016	215.0	481.6	2,054.4	619.7	142.0	3,512.7
Depreciation						
At 1 April 2016	69.8	189.8	418.0	448.9	-	1,126.5
Charge for the period	-	7.3	34.3	24.6	-	66.2
At 30 September 2016	69.8	197.1	452.3	473.5	-	1,192.7
Carrying amount						
At 30 September 2016	145.2	284.5	1,602.1	146.2	142.0	2,320.0
At 31 March 2016	145.2	291.8	1,621.2	148.6	118.9	2,325.7

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 *continued*

8. INVESTMENT IN ASSOCIATE

2016

	£m
Cost and carrying value	
At 1 April 2016	13.1
Release of investment – MAG's own share ¹	(0.1)
Group's share of associate's loss for the period	(0.3)
Investment in associate	3.2
At 30 September 2016	15.9

NOTE:

¹ Included within the investment in associate balance is an amount of £3.4m (31 March 2016 £3.5m) relating to MAG's own costs incurred in the setting up of its share in Airport City. This is being released to the 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, logistics and advanced manufacturing, was formally constituted on 8 October 2014. The directors have applied IFRS 10 'Consolidated Financial Statements' and IAS 28 revised 'Investment in Associates' in classifying the Group's 50% 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%, meaning that MAG plus all but one other party must be in agreement to exercise control.

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

	2016 £m
Total Assets	31.1
Total Liabilities	(6.1)
Net Assets	25.0
Group's share of Net Assets	12.5
Revenue	-
Loss for the period	(0.6)
Group's share of Associate's loss for the period	(0.3)

As part of the Airport City partnership the Group has agreed to pay an equity contribution of up to a maximum of £30m if required.

9. INVESTMENT PROPERTIES

2016

	£m
Cost or valuation	
At 1 April 2016	641.3
Disposals	(1.0)
At 30 September 2016	640.3
Carrying amount	
At 30 September 2016	640.3
At 31 March 2016	641.3

Investment properties

The fair value of the Group's commercial investment property at 31 March 2016 was arrived at on the basis of a valuation carried out at that date by Deloitte Chartered Surveyors. Strutt & Parker carried out the valuation of the London Stansted residential property portfolio, and Mellor Braggins carried out the valuation of the Manchester residential property portfolio. The valuers are independent and are not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

The fair value of the Group's commercial investment property at 30 September 2016 was updated by Deloitte Chartered Surveyors as at the Balance Sheet date. No fair value adjustment has been recognised at 30 September 2016 as the difference between the fair value and the carrying value of the commercial investment property at that date was immaterial.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 *continued*

10. BORROWINGS

		30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
	Note			
Bank loans	11	143.7	89.3	89.4
Bonds	12	802.8	802.1	802.4
Other borrowings		251.5	251.4	251.5
		1,198.0	1,142.8	1,143.3
Borrowings are repayable as follows:				
In one year or less, or on demand				
Bank loans	11	143.7	-	-
		143.7	-	-
In more than one year				
Bank loans	11	-	89.3	89.4
Bonds	12	802.8	802.1	802.4
Other borrowings		251.5	251.4	251.5
		1,054.3	1,142.8	1,143.3

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.

During the period the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500.0m revolving credit facility and £60.0m in standby liquidity facilities, each with a five year term, maturing in 2021, with optional extensions. The £90.0m balance on the Secured Senior Term Facility (forming part of the Initial ACF Agreement) was repaid from this new facility.

The Amended and Restated Initial ACF Agreement comprises a £500.0m Senior Secured Revolving Credit Facility (2015: £300.0m).

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

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

11. BANK LOANS

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Secured Senior Term Facility	-	90.0	90.0
Secured Revolving Credit Facility	147.0	-	-
Less: unamortised debt issue costs ¹	(3.3)	(0.7)	(0.6)
	143.7	89.3	89.4

NOTE:

¹ Following the refinancing of the Group's banking facilities, unamortised issue costs of £0.6m were written off following the repayment of the £90.0m Secured Senior Term Facility. This charge had no cash flow consequences. Issue costs arising in relation to obtaining the new facility will be amortised over the duration of the financing, namely five years, as part of the effective interest rate.

At 30 September 2016 the Group had £338.0m (31 March 2016 : £285.0m) 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 (£147.0m drawn at 30 September 2016), less certain carve-outs in respect of ancillary facilities of £15.0m. The Group also had access to £10.0m of overdraft facilities.

Interest on the overdraft, Term Facility, Revolving Credit Facility and Liquidity Facility is linked to LIBOR plus a margin (dependent on facility).

12. BONDS

	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Repayable by other than by instalments			
MAG bond 4.125% £360.0m due 2024	360.0	360.0	360.0
MAG bond 4.75% £450.0m due 2034	450.0	450.0	450.0
Less: discount on issue	(1.9)	(2.1)	(2.0)
Less: unamortised debt issue costs	(5.3)	(5.8)	(5.6)
	802.8	802.1	802.4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 continued

13. RETIREMENT BENEFITS

	Six months ended 30 September 2016 £m	Six months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Balance in scheme at start of the period	(52.9)	(73.5)	(73.5)
Movement in period:			
Current service cost recognised in Income Statement	(5.3)	(4.9)	(10.4)
Past service cost recognised in Income Statement	-	(0.1)	(0.1)
Contributions	4.8	5.4	10.5
Net interest expense recognised in Income Statement	(1.0)	(1.2)	(2.5)
Total re-measurements in Statement of Comprehensive Income	(81.7)	15.3	23.1
Balance in scheme at end of the period	(136.1)	(59.0)	(52.9)

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

14. DEFERRED TAXATION

	Deferred taxation asset £m	Deferred taxation liability £m	Total £m
At 1 April 2016	10.4	(260.4)	(250.0)
(Charge)/credit to income	(0.2)	16.9	16.7
Credit to equity	13.4	0.3	13.7
At 30 September 2016	23.6	(243.2)	(219.6)

15. 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. During the period the Group was party to the following transactions with MCC:

As at 30 September 2016 the amount of loans outstanding owed to MCC by the Group was £83.2m (30 September 2015: £83.2m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2015: £nil) to MCC during the period and paid interest of £5.0m (30 September 2015: £5.0m).

As at 30 September 2016 the amount of loans outstanding owed to the other nine councils (each of which is a related party to The Company by virtue of its shareholding) by the Group was £79.4m (30 September 2015: £79.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2015: £nil) to the other nine councils during the period and paid interest of £4.8m (30 September 2015: £4.8m).

Included in external charges are charges for rent and rates amounting to £13.8m (30 September 2015: £13.6m) and other sundry charges of £0.2m (30 September 2015: £0.1m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

Transactions involving IFM

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

As at 30 September 2016 the amount of loans outstanding owed to IFM by the Group was £89.4m (30 September 2015: £89.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2015: £nil) to IFM during the year and paid interest of £5.4m (30 September 2015: £5.4m).

Transactions involving associate

As at 30 September 2016 the amounts owing from the associate were £1.5m (30 September 2015: £0.4m) and amounts owed to the associate were £0.1m (30 September 2015: £0.6m).

16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	At 1 April 2016 £m	Cash flow £m	Other non-cash movements £m	30 September 2016 £m
Cash at bank and in hand	0.3	34.3	-	34.6
Total cash and cash equivalents (including overdrafts)	0.3	34.3	-	34.6
Current debt	-	(143.7)	-	(143.7)
Non-current debt	(1,143.3)	90.2	(1.2)	(1,054.3)
Net debt	(1,143.0)	(19.2)	(1.2)	(1,163.4)

17. CONTINGENT LIABILITIES

A contingent liability exists under Part 1 of the Land Compensation Act 1973 relating to claims that may be made by individual property owners in respect of alleged diminution in value of their homes as a result of development works carried out at Stansted Airport in the 1999-2007 period. Any claims made will raise complex matters of expert evidence in relation to historic noise levels and property values in the immediate vicinity of the airport. Accordingly, both the existence of any liability for the Group, and were such liability to be demonstrated the extent of it, remain uncertain. In any event, it is the directors' opinion based on professional advice to date that any liability incurred will not be material to the Group.

In addition the Group has performance bonds and other items arising in the normal course of business amounting to £2.8m at 30 September 2016 (30 September 2015: £2.5m). As part of the Airport City partnership the Group has agreed to pay an equity contribution of up to a maximum of £30m if required.



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