

2016-17 MAGIL INTERIM REPORT AND ACCOUNTS

Six months ended 30 September 2016





No loading
at any time

Personnel authorized for
access to this area must
be present at all times
and must be accompanied
by a security guard.

Contents

04	OUR BUSINESS
06	REPORT AND FINANCIAL STATEMENTS
07	Statement of Directors' responsibilities
08	GROUP FINANCIAL STATEMENTS
08	Accounting policies
10	Consolidated income statement
11	Consolidated statement of comprehensive Income
11	Consolidated statement of changes in equity
13	Consolidated statement of financial position
14	Consolidated statement of cash flows
15	Notes to the financial statements

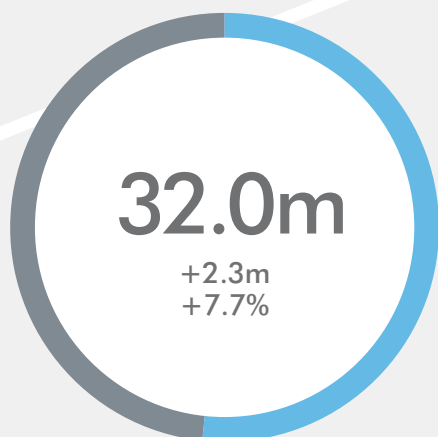


Our Business

Manchester Airport Group Investments Limited (MAGIL) is a wholly owned subsidiary of Manchester Airports Holdings Limited (MAHL). MAHL is a leading UK airport group and owns and operates Manchester, London Stansted, East Midlands and Bournemouth Airports, together with a significant property business.

PASSENGER NUMBERS (m) 6 MONTHS TO 30 SEPTEMBER

2015: 29.7m



MAHL employs over 4,500 people and annually serves over 50 million passengers. MAHL'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.

By achieving this goal, MAHL aims to become a global leader in airport management, products and services. MAHL 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

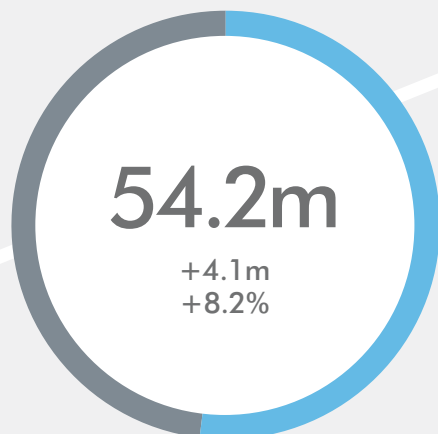
Enterprise Zone development, Airport City, at Manchester Airport.

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

For further details on the performance of the overall Group for the six months ended 30 September 2016, please refer to the MAHL Interim Report and Accounts.

PASSENGER NUMBERS (m) 12 MONTHS TO 30 SEPTEMBER

2015: 50.1m



References to "Group" in the remainder of the document refer to the "MAGIL Group"



Report and Financial Statements

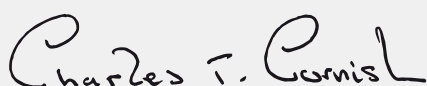
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 Airport Group Investments Limited and their respective responsibilities are as listed in the MAHL 2015-16 Annual Report.

By order of the Board

A handwritten signature in black ink that reads "Charles T. Cornish".

Charlie Cornish

Chief Executive
MAG

24 November 2016

A handwritten signature in black ink that reads "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 £1,310m (31 March 2016: £1,200m) of committed facilities and a net debt position of £926.7m (31 March 2016: £892.6m). The Group had financial headroom in excess of £365m at 30 September 2016, a level comfortably in excess of the internal compliance target.

Under existing facilities, and based on the board approved five-year business plan, MAG is forecast to have financial headroom in excess of £200m throughout 2016-17. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate with 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 MAHL 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	482.0	-	482.0	445.5	778.8
Result from operations before significant items	4	150.3	-	150.3	138.2	192.6
Significant items						
Impairment of property, plant and equipment	3	-	-	-	-	(8.4)
Restructuring costs	3	-	(2.9)	(2.9)	-	(2.9)
Result from operations		150.3	(2.9)	147.4	138.2	181.3
Movement in investment property fair values		-	-	-	6.2	16.5
Finance income		0.1	-	0.1	0.1	6.7
Finance costs		(21.3)	-	(21.3)	(22.0)	(43.9)
Result before taxation		129.1	(2.9)	126.2	122.5	160.6
Taxation	5	(18.7)	0.6	(18.1)	(30.7)	(7.1)
Result from continuing operations		110.4	(2.3)	108.1	91.8	153.5

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		108.1	91.8	153.5
Other comprehensive (expense)/income				
Items that will not be reclassified to profit or loss				
Remeasurement of retirement benefit liabilities	11	(81.7)	15.3	23.1
Deferred tax on remeasurement of retirement benefits 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		40.1	104.1	171.5

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

	Note	Attributable to equity holders of the Company			Total £m
		Share capital £m	Share premium £m	Reserves £m	
Balance at 1 April 2016		0.3	2,493.9	(318.0)	2,176.2
Profit for the period		-	-	108.1	108.1
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)
Balance at 30 September 2016		0.3	2,493.9	(277.9)	2,216.3

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**

	Note	Attributable to equity holders of the Company			Total £m
		Share capital £m	Share premium £m	Reserves £m	
Balance at 1 April 2015		0.3	2,493.9	(489.5)	2,004.7
Profit for the period		-	-	91.8	91.8
Remeasurement of retirement benefit liabilities net of tax		-	-	12.3	12.3
Balance at 30 September 2015		0.3	2,493.9	(385.4)	2,108.8

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

	Note	Attributable to equity holders of the Company			Total £m
		Share capital £m	Share premium £m	Reserves £m	
Balance At 1 April 2015		0.3	2,493.9	(489.5)	2,004.7
Profit for the year		-	-	153.5	153.5
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)
Balance at 31 March 2016		0.3	2,493.9	(318.0)	2,176.2

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	6	2,301.8	2,308.3	2,303.1
Intangible assets		45.7	48.2	47.0
Goodwill		166.3	166.3	166.3
Investment properties	7	640.3	631.2	641.3
Deferred tax assets	12	23.6	13.3	10.4
		3,177.7	3,167.3	3,168.1
CURRENT ASSETS				
Inventories		2.3	1.6	2.1
Trade and other receivables		105.1	98.3	70.7
Cash and cash equivalents		19.8	-	-
Amounts owed by group undertakings		496.3	322.4	394.3
		623.5	422.3	467.1
LIABILITIES				
Current liabilities				
Borrowings	8	(143.7)	(1.7)	(0.8)
Trade and other payables		(183.6)	(159.4)	(186.6)
Deferred income		(11.1)	(19.9)	(19.9)
Current tax liabilities		(51.7)	(43.3)	(33.7)
		(390.1)	(224.3)	(241.0)
NET CURRENT ASSETS		233.4	198.0	226.1
Non-current liabilities				
Borrowings	8	(802.8)	(891.4)	(891.8)
Retirement benefit liabilities	11	(136.1)	(59.0)	(52.9)
Deferred tax liabilities	12	(243.2)	(293.3)	(260.4)
Other non-current liabilities		(12.7)	(12.8)	(12.9)
		(1,194.8)	(1,256.5)	(1,218.0)
NET ASSETS		2,216.3	2,108.8	2,176.2
Shareholders' equity				
Share capital		0.3	0.3	0.3
Share premium		2,493.9	2,493.9	2,493.9
Other reserve		(1,249.4)	(1,249.4)	(1,249.4)
Retained earnings		971.5	864.0	931.4
Total equity		2,216.3	2,108.8	2,176.2

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

The financial statements on pages 8 to 24 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:					
	129.1	(2.9)	126.2	122.5	160.6
Result before taxation – continuing operations					
Change in value of investment properties	-	-	-	(6.2)	(16.5)
Net finance income and expense	21.2	-	21.2	21.9	37.2
Depreciation amortisation and impairment	67.5	-	67.5	63.7	135.6
Profit on sale of property, plant and equipment	(1.9)	-	(1.9)	(0.4)	(8.7)
(Increase)/Decrease trade and other receivables and inventories	(34.6)	-	(34.6)	(23.3)	3.7
Increase in amounts owed by Group companies	(102.0)	-	(102.0)	(79.9)	(140.2)
Release of grants	(0.4)	-	(0.4)	(0.4)	(0.6)
(Decrease)/Increase in trade and other payables	(2.1)	-	(2.1)	1.7	16.0
Increase in retirement benefits provision	1.5	-	1.5	0.9	2.6
Cash generated from operations	78.3	(2.9)	75.4	100.5	189.7
Interest paid			(20.3)	(21.4)	(43.0)
Interest received			0.1	0.1	-
Tax paid			(16.6)	(12.9)	(30.4)
Net cash from operating activities			38.6	66.3	116.3
Cash flows from investing activities					
Purchase of property, plant and equipment			(79.1)	(56.4)	(115.4)
Proceeds from transfer of assets to fellow group company			-	2.2	-
Proceeds (net of selling costs) from sale of property, plant and equipment, and investment properties			7.6	2.0	14.1
Net cash used in investing activities			(71.5)	(52.2)	(101.3)
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)	-	-
Net cash from/(used in) financing activities			53.5	(20.0)	(20.0)
Net increase/(decrease) in cash and cash equivalents	14		20.6	(5.9)	(5.0)
Cash and cash equivalents at beginning of period			(0.8)	4.2	4.2
Cash and cash equivalents at end of period			19.8	(1.7)	(0.8)

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	Six months ended 30 September 2015	Year ended 31 March 2016
	£m	£m	£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	35.8	31.4	62.5
Total commercial income	243.8	217.6	391.4
Total income	482.0	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	(0.7)	482.0
Inter-segment sales ⁴	(0.2)	-	-	(1.4)	-	1.6	-
Total revenue	261.8	162.4	38.4	12.5	6.0	0.9	482.0
Result							
Segment operating profit/(loss) before significant items	77.6	53.2	12.7	9.4	0.4	(3.0)	150.3
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	(5.2)	147.4
Finance income							0.1
Finance costs							(21.3)
Result before taxation							126.2

**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	1,194.5	1,021.5	336.7	(Note 1)	75.4	1,173.1	3,801.2
Segment liabilities	(246.0)	(181.3)	(67.1)	(Note 1)	(6.8)	(1,083.7)	(1,584.9)
Capital expenditure	45.8	17.8	5.7	(Note 1)	0.3	-	69.6
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	1.6	(18.1)
Result – geographical location²							
Segment operating profit before significant items	83.9	53.2	13.9	(Note 2)	2.3	(3.0)	150.3
September 2015							
	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	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	7.4	1.1	(3.0)	138.2
Movement in investment property fair values							6.2
Finance income							0.1
Finance costs							(22.0)
Result before taxation							122.5
Other information							
Segment assets	1,154.3	1,277.0	332.7	(Note 1)	84.8	740.8	3,589.6
Segment liabilities	(266.3)	(158.6)	(74.0)	(Note 1)	(11.0)	(970.9)	(1,480.8)
Capital expenditure	23.4	19.8	1.9	(Note 1)	0.2	-	45.3
Depreciation and amortisation	(29.7)	(28.2)	(4.4)	(0.8)	(0.6)	-	(63.7)
Taxation	(17.1)	(12.1)	(2.8)	(Note 1)	(0.4)	1.7	(30.7)
Result – geographical location²							
Segment operating profit before significant items	74.5	50.6	13.0	(Note 2)	3.1	(3.0)	138.2

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" 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 8 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	482.0	445.5	778.8
Wages and salaries	(80.4)	(73.3)	(146.2)
Social security costs	(7.3)	(6.3)	(12.4)
Pension costs	(7.2)	(6.6)	(14.0)
Employee benefit costs	(94.9)	(86.2)	(172.6)
Depreciation and amortisation	(67.5)	(63.7)	(127.2)
Profit on disposal of fixed assets	1.9	0.4	8.7
Other operating charges ¹	(171.2)	(157.8)	(295.1)
Result from operations before significant items	150.3	138.2	192.6

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	35.4	33.7	41.7
Adjustment in respect of prior period	(0.6)	-	0.5
Total current taxation	34.8	33.7	42.2
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	18.1	30.7	7.1

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 remeasurements 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. 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	192.5	481.6	2,039.2	597.5	108.0	3,418.8
Additions	-	-	-	-	65.2	65.2
Transfer from fellow group company	-	-	4.4	-	-	4.4
Reclassification	-	-	19.9	22.2	(42.1)	-
Disposals	-	-	(4.7)	-	-	(4.7)
At 30 September 2016	192.5	481.6	2,058.8	619.7	131.1	3,483.7
Depreciation						
At 1 April 2016	59.0	189.8	418.0	448.9	-	1,115.7
Charge for the period	-	7.3	34.3	24.6	-	66.2
At 30 September 2016	59.0	197.1	452.3	473.5	-	1,181.9
Carrying amount						
At 30 September 2016	133.5	284.5	1,606.5	146.2	131.1	2,301.8
At 31 March 2016	133.5	291.8	1,621.2	148.6	108.0	2,303.1

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

7. 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 were 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.

8. BORROWINGS

	Note	30 September 2016 £m	30 September 2015 £m	31 March 2016 £m
Bank overdraft		-	1.7	0.8
Bank loans	9	143.7	89.3	89.4
Other borrowings	10	802.8	802.1	802.4
		946.5	893.1	892.6
Borrowings are repayable as follows:				
In one year or less, or on demand				
Bank overdraft		-	1.7	0.8
Bank loans	9	143.7	-	-
		143.7	1.7	0.8
In more than one year				
Bank loans	9	-	89.3	89.4
Bonds	10	802.8	802.1	802.4
		802.8	891.4	891.8

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 million revolving credit facility and £60 million 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.

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

9. 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, 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, Revolving Credit Facility and Liquidity Facility is linked to LIBOR plus a margin (dependent on facility).

10. 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	450.0	360.0	360.0
MAG bond 4.75% £450.0m due 2034	360.0	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

11. 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)	(73.4)	(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	5.3	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 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".

12. 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)

13. RELATED PARTY TRANSACTIONS

Transactions involving The Council of the City of Manchester, IFM, Manchester Airport Holdings Limited, Manchester Airport Finance Holdings Limited and MAHL Group companies.

The Council of the City of Manchester 'MCC' is a related party to Manchester Airports Group Investments Limited as MCC owns 35.5% of the share capital of the Manchester Airport Holdings Limited (MAHL), the ultimate parent company. During the period the MAGIL Group was party to the following transactions with MCC:

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.

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 MAGIL Group did not enter into any transactions with IFM.

Manchester Airport Holdings Limited (MAHL) is the ultimate parent of Manchester Airport Group Investments Limited. During the period the MAGIL Group entered into the following transactions with MAHL:

As at 30 September 2016 the amount of loans outstanding owed by MAHL was £334.3m (30 September 2015: £211.0m), relating to cash transferred by the MAGIL Group to MAHL for dividend payments made by MAHL to shareholders and interest on the unpaid balance. Included within finance income is interest on loans outstanding owed by MAHL of £7.5m (30 September 2015: £6.7m).

Manchester Airport Finance Holdings Limited (MAFHL) is the parent company of Manchester Airport Group Investments Limited. During the period the MAGIL Group entered into the following transactions with MAFHL:

As at 30 September 2016 the amount of loans outstanding owed by MAFHL was £98.4m (30 September 2015: £75.7m), relating to interest payments on shareholder loans held outside of the MAGIL Group.

Airport City (Manchester) Limited is a fellow Group company of the MAHL Group. During the period the MAGIL Group entered into the following transactions with Airport City (Manchester) Limited:

As at 30 September 2016 the balance outstanding owed by Airport City (Manchester) Limited was £53.7m (30 September 2015: £42.0m), relating to the transfer of assets and funding. During the period the MAGIL Group provided funds/transferred assets with a carrying value of £3.6m (30 September 2015: £1.7m).

MAG US Investments Limited and its subsidiaries (MAG US) are fellow group companies of the MAHL Group. During the period the MAGIL Group entered into the following transactions with MAG US:

As at 30 September 2016 the amount of loans outstanding owed by MAG US was £9.9m (30 September 2015: £1.3m), relating to funding provided by the MAGIL Group. During the period the MAGIL Group provided funding of £4.7m (30 September 2015: £1.3m).

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

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

	At 1 April 2016	Cash flow	Other non-cash movements	30 September 2016
	£m	£m	£m	£m
Cash at bank and in hand	(0.8)	20.6	-	19.8
Total cash and cash equivalents (including overdrafts)	(0.8)	20.6	-	19.8
Current debt	-	(143.7)	-	(143.7)
Non-current debt	(891.8)	90.2	(1.2)	(802.8)
Net debt	(892.6)	(32.9)	(1.2)	(926.7)

15. 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).





MAG is committed to helping the environment.
Please recycle this document after use.
This report is printed on DigiGreen, 50% recycled paper.

