MAGIL

INTERIM REPORT AND ACCOUNTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

magairports.com

Manchester Airport Group Investments Limited ('MAGIL') is a wholly owned subsidiary of Manchester Airports Holdings Limited ('MAHL'):

- Manchester
- London Stansted
- East Midlands
- Bournemouth

and operates a successful airport property business

- MAG Property

55.9m passengers per year

270 destinations by 70 airlines

680k tonnes of cargo shipped

CONTENTS

Financial highlights

Passenger numbers

34.9m

2017	**34.9**
2016	32.0
2015	29.7

+2.9m
+9.1%

Revenue

£543.0m

2017	**543.0**
2016	482.0
2015	445.5

+£61.0m
+12.7%

Result from operations

£160.1m

2017	**160.1**
2016	147.4
2015	138.2

+£12.7m
+8.6%

Cash generated from operations

£95.1m

2017	**95.1**
2016	75.4
2015	100.5

+£19.7m
+26.1%

Operating highlights

- Summer season demonstrates strength of demand for flights from MAGIL airports
- Jet2.com establishes major new base at London Stansted, its first in the South East
- Investment in passenger facilities: transformation programmes with a combined value of more than £1.5bn now underway
- Manchester Airport Transformation Programme ('MAN-TP'), the largest ever private investment in the North West, launched by the Rt Hon Chris Grayling
- Planning permission for new arrivals building at London Stansted secured
- Major new employment programme, MAG Connect, launched in response to expected growth in the coming years

"MAGIL's vision is to be the premier airport management and services company."

Our Company at a glance

The Group saw over 55 million passengers flying through its airports last year, which together employ over 5,000 MAGIL personnel and support 40,000 jobs on our sites.

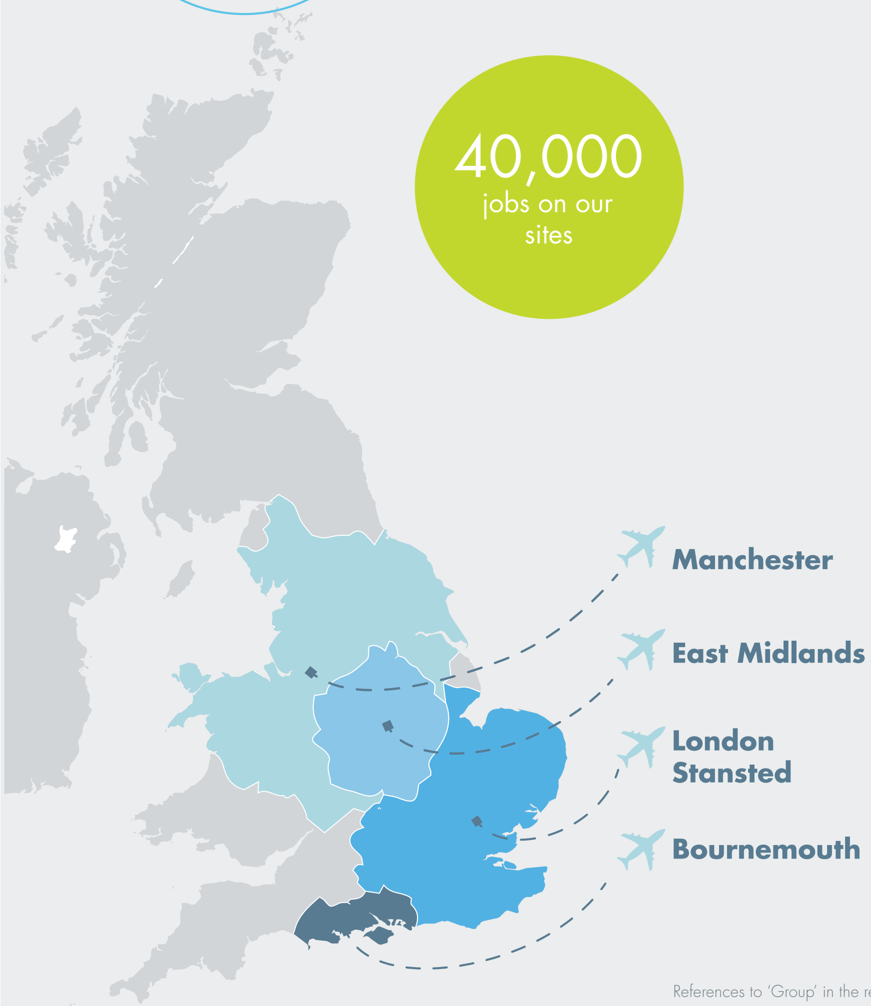
£7.1bn
contributed to the UK economy from MAGIL airports

MAGIL is a leading UK airport group and owns and operates four UK airports – Manchester, London Stansted, East Midlands and Bournemouth. The Group serves over 55 million passengers flying through its airports each year, which together employ over 5,000 MAGIL personnel and support 40,000 jobs on our sites.

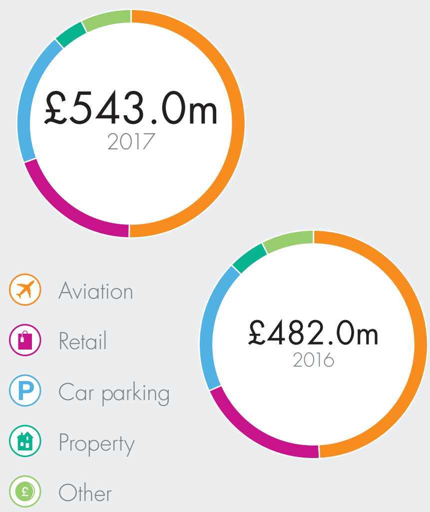
MAGIL's overall strategic intent is to increase long-term shareholder value by generating profitable growth, developing its assets and deploying efficient and customer-focused operating processes throughout the business.

For further details of the wider MAHL Group for the six months ended 30 September 2017, please refer to the MAG Interim Report and Accounts

40,000
jobs on our sites



Group revenue



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

Aviation

MAGIL has a diverse carrier mix from across the globe, with an excellent track record of supporting and delivering passenger growth.

By forging strong commercial partnerships with airlines, our airports have been able to increase choice and convenience for our passengers, and make a stronger contribution to economic growth in their regions.

MAGIL also owns and operates three of the top four cargo airports in the UK, which handle over £27.5bn and 700,000 tonnes of air cargo to and from the UK every year.

270
More than 70 airlines serving more than 270 destinations direct

Revenue
£274.5m
2016: £238.2m

Retail

Across our airports, retail space at MAGIL extends to in excess of 400,000 sq ft with over 50 operators, and we work with a diverse range of brands, both new and established, to help them operate successfully in an airport environment.

Partnering with MAGIL gives retailers access to potentially more than 55 million customers each year.

200+
shops, bars and restaurants across our airports

Revenue
£102.9m
2016: £92.2m

Car parking

We use a combination of market-leading analytical, ecommerce, marketing and trading expertise to deliver a tried and tested formula for our highly successful airport car parking businesses. Our car parks cater for all tastes and budgets ranging from our competitively priced JetParks brand through to Meet & Greet and Valet services.

36,000+
parking spaces across all our sites

Revenue
£103.1m
2016: £91.0m

Property

MAG Property manages almost six million sq ft of high-quality space in offices, terminals, hangars, warehouses and hotels across our airport portfolio at Manchester, London Stansted, East Midlands and Bournemouth.

We do much more than simply let the space: we understand the complexities of the infrastructure and services that make airports work, so we know how to help businesses based there take full advantage of them.

£603m
of investment property assets across all airports

Revenue
£23.6m
2016: £24.8m

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU; and
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

By order of the Board

Charles T. Cornish

Charlie Cornish
Chief Executive
MAG
6 December 2017

Neil Thompson
Chief Financial Officer
MAG
6 December 2017

Accounting policies

Basis of accounting

This condensed consolidated interim financial information for the six months ended 30 September 2017 has been prepared on a going concern basis, and in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and 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 2017, 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 judgements as were applied by the Group in its published consolidated financial statements as at 31 March 2017, except for the following standards and interpretations, which are effective for the Group from 1 April 2017:

Effective for the year ending 31 March 2018 (not yet EU endorsed)

- IAS 7 'Statement of Cash Flows' – Amendments relating to the Disclosure Initiative
- IAS 12 'Income Taxes' – Amendments relating to the recognition of deferred tax assets for unrealised losses

The directors do not anticipate that the adoption of these standards will have a material impact on the Group's financial statements.

Effective for the year ending 31 March 2019 (EU endorsed)

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

  The revised standard will replace IAS 39 'Financial Instruments: Recognition and Measurement', and introduces new guidance for classification and measurement, impairment of financial instruments, and hedge accounting. The directors do not anticipate that the adoption of this standard will have a material impact on the Group's financial statements.

- IFRS 15 'Revenue from Contracts with Customers'

  The standard will replace IAS 18 'Revenue' and IFRIC 13 'Customer Loyalty Programmes'. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. We are assessing the impact of IFRS 15 and will conduct a systematic review to ensure that the impact of the new standard is fully understood in advance of the effective date. It is not currently practicable to quantify the impact of this standard.

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

- IFRS 16 'Leases'

  The new standard fundamentally changes the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases, and instead introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. In preparation for the adoption of IFRS 16 in the financial statements for the year ending 31 March 2020, the directors are in the process of assessing the potential impact, which is expected to be material.

The results for the six months to 30 September 2017 have not been audited, but at the Group's request have been reviewed by the auditors, KPMG LLP, and a private review opinion has been issued to the Group.

The financial information for the full year ended 31 March 2017 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 auditor 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 for the year ended 31 March 2017. Unless stated otherwise, these have been applied on a consistent basis.

Going concern

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 programme according to affordability and business performance. At the interim period ended 30 September 2017, the Group had £1,295.0m (31 March 2017: £1,295.0m) of committed facilities and a net debt position of £981.1m (31 March 2017: £935.5m).

Accounting policies continued

The Group had financial headroom in excess of £280m at 30 September 2017 (31 March 2017: £359m), and based on the Board approved five-year business plan, MAGIL is forecast to have available spare facilities throughout the next 12 months that are 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 facilities.

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 2017 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 Accounts.

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 33 to 37 in the MAG 2017 Annual Report and Accounts, which is available on the Group's website (www.magairports.com).

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

- 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
- 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.

Condensed consolidated income statement

for the six months ended 30 September 2017

	Note	**Six months ended 30 September 2017 £m**	**Six months ended 30 September 2017 £m**	**Six months ended 30 September 2017 £m**	Six months ended 30 September 2016 £m	Six months ended 30 September 2016 £m	Six months ended 30 September 2016 £m	Year ended 31 March 2017 £m
		Total before significant items	**Significant items**	**Total after significant items**	Total before significant items	Significant items	Total after significant items	Total after significant items
Continuing operations								
Revenue	1	**543.0**	**–**	**543.0**	482.0	–	482.0	838.4
Result from operations before significant items	4	**164.8**	**–**	**164.8**	150.3	–	150.3	210.2
Significant items								
Exceptional costs	3	**–**	**(4.7)**	**(4.7)**	–	(2.9)	(2.9)	(7.1)
Result from operations		**164.8**	**(4.7)**	**160.1**	150.3	(2.9)	147.4	203.1
Gains and losses on sales and valuation of investment properties	7	**0.8**	**–**	**0.8**	–	–	–	4.1
Finance income		**3.8**	**–**	**3.8**	0.1	–	0.1	5.7
Finance costs		**(17.5)**	**–**	**(17.5)**	(21.3)	–	(21.3)	(43.4)
Result before taxation		**151.9**	**(4.7)**	**147.2**	129.1	(2.9)	126.2	169.5
Taxation	5	**(37.7)**	**0.9**	**(36.8)**	(18.7)	0.6	(18.1)	(19.4)
Result from continuing operations		**114.2**	**(3.8)**	**110.4**	110.4	(2.3)	108.1	150.1

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

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2017

	Note	**Six months ended 30 September 2017 £m**	Six months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Result for the period		**110.4**	108.1	150.1
Other comprehensive income/(expense)				
Items that will not be reclassified to profit or loss:				
Remeasurement of retirement benefit liabilities	11	**30.2**	(81.7)	(49.4)
Deferred tax on remeasurement of retirement benefit liabilities	5	**(5.0)**	13.9	8.4
Effect of change in rate of corporation tax on deferred tax	5	**–**	(0.2)	(0.7)
Other comprehensive income/(expense) for the period		**25.2**	(68.0)	(41.7)
Total comprehensive income for the period		**135.6**	40.1	108.4

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2017

	Note	Attributable to equity holders of the Company			
		Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2017		0.3	2,493.9	(209.6)	2,284.6
Total comprehensive income for the period					
Result for the period		–	–	110.4	110.4
Remeasurement of retirement benefit liabilities, net of tax	5,11	–	–	25.2	25.2
		–	–	135.6	135.6
Balance at 30 September 2017		**0.3**	**2,493.9**	**(74.0)**	**2,420.2**

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2016

	Note	Attributable to equity holders of the Company Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2016		0.3	2,493.9	(318.0)	2,176.2
Total comprehensive income for the period					
Result for the period		–	–	108.1	108.1
Remeasurement of retirement benefit liabilities, net of tax	5,11	–	–	(67.8)	(67.8)
Effect of change in rate of corporation tax on deferred tax	5	–	–	(0.2)	(0.2)
Balance at 30 September 2016		**0.3**	**2,493.9**	**(277.9)**	**2,216.3**

Condensed consolidated statement of changes in equity

for the year ended 31 March 2017

	Note	Attributable to equity holders of the Company Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2016		0.3	2,493.9	(318.0)	2,176.2
Total comprehensive income for the year					
Result for the year		–	–	150.1	150.1
Remeasurement of retirement benefit liabilities net of tax	5,11	–	–	(41.0)	(41.0)
Effect of change in rate of corporation tax on deferred tax	5	–	–	(0.7)	(0.7)
Balance at 31 March 2017		**0.3**	**2,493.9**	**(209.6)**	**2,284.6**

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

Condensed consolidated statement of financial position

as at 30 September 2017

	Note	**Six months ended 30 September 2017 £m**	Six months ended 30 September 2016 £m	Year ended 31 March 2017 £m
ASSETS				
Non-current assets				
Goodwill		**166.3**	166.3	166.3
Property, plant and equipment	6	**2,388.4**	2,301.8	2,340.8
Investment properties	7	**602.7**	640.3	603.3
Intangible assets		**43.1**	45.7	44.5
Deferred tax assets	12	**14.0**	23.6	18.5
		3,214.5	3,177.7	3,173.4
CURRENT ASSETS				
Inventories		**2.4**	2.3	2.1
Trade and other receivables		**176.7**	105.1	96.1
Cash and cash equivalents		**26.1**	19.8	1.6
Amounts owed to group undertakings		**649.5**	496.3	568.8
		854.7	623.5	668.6
LIABILITIES				
Current liabilities				
Borrowings	8,9	**(203.9)**	(143.7)	(134.1)
Trade and other payables		**(220.9)**	(183.6)	(194.3)
Deferred income		**(29.3)**	(11.1)	(24.8)
Current tax liabilities		**(68.8)**	(51.7)	(48.7)
		(522.9)	(390.1)	(401.9)
NET CURRENT ASSETS		**331.8**	233.4	266.7
Non-current liabilities				
Borrowings	8-10	**(803.3)**	(802.8)	(803.0)
Retirement benefit liabilities	11	**(77.2)**	(136.1)	(104.6)
Deferred tax liabilities	12	**(233.2)**	(243.2)	(235.7)
Other non-current liabilities		**(12.4)**	(12.7)	(12.2)
		(1,126.1)	(1,194.8)	(1,155.5)
NET ASSETS		**2,420.2**	2,216.3	2,284.6
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		**1,175.4**	971.5	1,039.8
TOTAL EQUITY		**2,420.2**	2,216.3	2,284.6

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

The financial statements on pages 7 to 24 were approved by the Board of Directors on 6 December 2017 and signed on its behalf by:

Charles T. Cornish

Charlie Cornish
Group Chief Executive
MAG

Condensed consolidated statement of cash flows

for the six months ended 30 September 2017

	Note	Six months ended 30 September 2017 £m Before significant items	Six months ended 30 September 2017 £m Significant items	Six months ended 30 September 2017 £m After significant items	Six months ended 30 September 2016 £m After significant items	Year ended 31 March 2017 £m After significant items
Cash flows from operating activities						
Result before taxation – continuing operations		**151.9**	**(4.7)**	**147.2**	126.2	169.5
Gains and losses on sales and valuation of investment properties		**(0.8)**	**–**	**(0.8)**	–	(4.1)
Net finance income and expense		**13.7**	**–**	**13.7**	21.2	43.4
Depreciation and amortisation		**71.8**	**–**	**71.8**	67.5	137.4
Profit on sale of property, plant and equipment		**–**	**–**	**–**	(1.9)	(7.0)
Increase in trade and other receivables and inventories		**(81.4)**	**–**	**(81.4)**	(34.6)	(25.4)
Increase in amounts owed by group companies		**(76.9)**	**–**	**(76.9)**	(102.0)	(174.5)
Increase/(Decrease) in trade and other payables		**18.9**	**–**	**18.9**	(2.1)	12.0
Release of grants		**(0.2)**	**–**	**(0.2)**	(0.4)	(0.5)
Increase in retirement benefits provision		**2.8**	**–**	**2.8**	1.5	2.3
Cash generated from operations		**99.8**	**(4.7)**	**95.1**	75.4	153.1
Interest paid				**(16.7)**	(20.3)	(41.8)
Interest received				**–**	0.1	–
Tax paid				**(19.1)**	(16.6)	(35.2)
Net cash from operating activities				**59.3**	38.6	76.1
Cash flows from investing activities						
Purchase of property, plant and equipment				**(114.8)**	(79.1)	(174.0)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				**10.2**	7.6	56.2
Net cash used in investing activities				**(104.6)**	(71.5)	(117.8)
Cash flows from financing activities						
Increase in bank loan borrowings, net of debt issue costs				**69.8**	143.7	134.1
Repayment of loans and borrowings				**–**	(90.2)	(90.0)
Net cash used in financing activities				**69.8**	53.5	44.1
Net increase in cash and cash equivalents	14			**24.5**	20.6	2.4
Cash and cash equivalents at beginning of the period				**1.6**	(0.8)	(0.8)
Cash and cash equivalents at end of the period				**26.1**	19.8	1.6

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

Notes to the financial statements
for the period ended 30 September 2017

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

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Aviation income	**274.5**	238.2	407.0
Commercial income			
Retail concessions	**102.9**	92.2	163.2
Car parking	**103.1**	91.0	152.1
Property and property-related income	**23.6**	24.8	49.1
Other	**38.9**	35.8	67.0
Total commercial income	**268.5**	243.8	431.4
Total income	**543.0**	482.0	838.4

Other income includes utility cost recharges, 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 and allocation of resources.

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.

Six months ended 30 September 2017

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Bournemouth Airport £m	Group, consolidation and other[3] £m	**Consolidated £m**
Revenue							
External sales	296.8	184.6	41.6	15.3	5.5	(0.8)	**543.0**
Inter-segment sales[4]	(1.0)	–	–	(0.7)	–	1.7	**–**
Total revenue	295.8	184.6	41.6	14.6	5.5	0.9	**543.0**
Result							
Segment operating profit/(loss) before significant items	82.9	61.9	11.9	10.9	0.2	(3.0)	**164.8**
Significant items	(2.3)	–	–	(0.4)	–	(2.0)	**(4.7)**
Segment operating profit/(loss) after significant items	80.6	61.9	11.9	10.5	0.2	(5.0)	**160.1**
Gains and losses on sales and valuation of investment properties							**0.8**
Finance income							**3.8**
Finance costs							**(17.5)**
Result before taxation							**147.2**
Other information							
Segment assets	1,983.9	983.1	247.3	Note 1	18.8	836.3	**4,069.4**
Segment liabilities	(504.1)	(120.2)	10.2	Note 1	(9.5)	(1,025.6)	**(1,649.2)**
Capital expenditure	99.2	24.6	3.8	Note 1	–	0.1	**127.7**
Depreciation	33.8	30.2	5.8	Note 1	0.7	–	**70.5**
Amortisation	1.3	–	–	Note 1	–	–	**1.3**
Taxation	26.4	18.4	2.7	Note 1	0.1	(10.8)	**36.8**
Result – geographical location[2]							
Segment operating profit/(loss) before significant items	93.8	61.9	11.9	Note 2	0.2	(3.0)	**164.8**

Notes to the financial statements continued

for the period ended 30 September 2017

2. Business and geographical segments continued

Six months ended 30 September 2016

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Bournemouth Airport £m	Group, consolidation and other[3] £m	Consolidated £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**
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	31.0	29.2	4.4	0.9	0.7	–	**66.2**
Amortisation	1.3	–	–	–	–	–	**1.3**
Taxation	14.0	6.8	(0.9)	Note 1	(0.2)	(1.6)	**18.1**
Result – geographical location[2]							
Segment operating profit/(loss) before significant items	83.9	53.2	13.9	Note 2	2.3	(3.0)	**150.3**

NOTES
1 The Group's reporting structure is such that the assets and liabilities of MAG Property are included in the Manchester Airport statement of financial position.
2 For management accounting purposes MAG reports property income and profit on sale of property assets (excluding London Stansted) within the MAG Property division. For statutory purposes property income and profit on disposal of 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.
3 Group consolidation and other includes Group, 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 can be found in note 8 Borrowings.
4 Sales between segments are at arm's length.

3. Significant items

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Recorded in result from operations			
Exceptional costs[1]	**4.7**	2.9	7.1
Total significant items	**4.7**	2.9	7.1

NOTE
1. Exceptional costs of £4.7m (2016: £2.9m) include the costs of a number of restructuring programmes across the Group, costs incurred on the implementation of new systems that do not meet the criteria for capitalisation, M&A activity, and the loss recognised on writing off the carrying value of the West Pier of Terminal 2 of Manchester Airport, after its demolition as part of the Manchester Transformation Programme.

4. Result from operations

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Turnover	**543.0**	482.0	838.4
Wages and salaries[1]	**(90.7)**	(80.4)	(157.1)
Social security costs	**(8.6)**	(7.3)	(15.0)
Pension costs	**(9.0)**	(7.2)	(13.4)
Employee benefit costs	**(108.3)**	(94.9)	(185.5)
Depreciation and amortisation	**(71.8)**	(67.5)	(137.4)
Profit on disposal of property, plant, equipment and investment property	**–**	1.9	7.0
Other operating charges[2]	**(198.1)**	171.2	(312.3)
Result from operations before significant items	**164.8**	150.3	210.2

NOTES
1 Wages and salary costs are disclosed before exceptional costs amounting to £nil (2016: £0.5m), which are reported separately – see note 3.
2 Other operating charges include maintenance, rent, rates, utility costs and other operating expenses.

Notes to the financial statements continued

for the period ended 30 September 2017

5. Taxation

Analysis of charge in the period

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Current taxation			
UK corporation tax on profits for the period	**39.8**	35.4	45.4
Adjustment in respect of prior period	**–**	(0.6)	(1.3)
Total current taxation	**39.8**	34.8	44.1
Deferred taxation			
Temporary differences arising in the period	**(2.7)**	(1.7)	(6.2)
Adjustment in respect of prior period	**(0.3)**	0.8	(4.2)
Effect of change in rate of corporation tax	**–**	(14.2)	(14.3)
Total ordinary deferred taxation	**(3.0)**	(16.7)	(24.7)
Total taxation charge	**36.8**	18.1	19.4

Taxation on items charged/(credited) to equity

	Six months ended 30 September 2017 £m	Six months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Deferred taxation on remeasurement or retirement benefit liabilities	**5.0**	(13.9)	(8.4)
Effect of change in rate of corporation tax	**–**	0.2	0.7
Total taxation charge/(credit)	**5.0**	(13.7)	(7.7)

The current taxation charge for the period has been calculated based on the forecast underlying effective tax rate for the full year of 25.2% (2016: 25.9%).

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. Deferred tax balances at 30 September 2017 have therefore been calculated at 17%, unless they are expected to unwind earlier than 1 April 2020, in which case the deferred tax balances have been calculated at the prevailing rate at the time the unwind is expected.

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 2017	192.5	478.7	2,078.5	629.3	190.0	3,569.0
Additions	–	–	–	–	127.7	127.7
Reclassification	–	0.9	25.7	24.3	(50.9)	–
Reclassification to investment properties (note 7)	–	–	–	–	(7.3)	(7.3)
Disposals	–	–	(7.2)	–	–	(7.2)
At 30 September 2017	**192.5**	**479.6**	**2,097.0**	**653.6**	**259.5**	**3,682.2**
Depreciation						
At 1 April 2017	59.0	201.5	485.4	482.3	–	1,228.2
Charge for the period	–	7.5	36.4	26.6	–	70.5
Depreciation on disposals	–	–	(4.9)	–	–	(4.9)
At 30 September 2017	**59.0**	**209.0**	**516.9**	**508.9**	**–**	**1,293.8**
Carrying amount						
At 30 September 2017	**133.5**	**270.6**	**1,580.1**	**144.7**	**259.5**	**2,388.4**
Carrying amount						
At 31 March 2017	133.5	277.2	1,593.1	147.0	190.0	2,340.8

The carrying amount of land not depreciated as at 30 September 2017 is £57.4m (31 March 2017: £57.4m).

Capitalised borrowing costs

During the period ended 30 September 2017, borrowing costs of £4.4m were capitalised (30 September 2016: £nil). Capitalised borrowing costs were calculated by applying an average interest rate of the MAHL Group of 6.19% in the current period to expenditure incurred on qualifying assets, pro-rated to give the charge for the period ended 30 September 2017.

Notes to the financial statements continued

for the period ended 30 September 2017

7. Investment properties

	Investment properties £m
Valuation	
At 1 April 2017	603.3
Reclassification from assets in the course of construction (note 6)	7.3
Disposals	(7.9)
At 30 September 2017	**602.7**
Carrying amount	
At 30 September 2017	**602.7**
At 31 March 2017	603.3

Investment properties

The fair value of the Group's commercial property at 31 March 2017 was arrived at on the basis of a valuation carried out at that date by Deloitte LLP. Strutt & Parker carried out the valuation of the London Stansted residential portfolio, and Meller Braggins carried out the valuation of the Manchester residential portfolio at 31 March 2017. The valuers are independent and have appropriate, recognised professional qualifications, and recent experience in the locations and categories of the property being valued. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

The fair value of the Group's commercial property at 30 September 2017 was updated by Deloitte Chartered Surveyors as at the statement of financial position date. No fair value adjustment has been recognised at 30 September 2017 as the difference between the fair value and the carrying value of the commercial investment property at that date was immaterial.

Gains and losses on sales and valuation of investment properties reported in the consolidated income statement of £0.8m in the period (30 September 2016: £nil) comprise a gain on sale of £0.8m (30 September 2016: £nil).

8. Borrowings

	Note	**30 September 2017 £m**	30 September 2016 £m	31 March 2017 £m
Bank loans	9	**203.9**	143.7	134.1
Bonds	10	**803.3**	802.8	803.0
		1,007.2	946.5	937.1
Borrowings are repayable as follows:				
In one year or less, or on demand				
Bank loans	9	**203.9**	143.7	134.1
		203.9	143.7	134.1
In more than one year, but no more than two years				
Bank loans		**–**	–	–
		–	–	–
In more than two years, but no more than five years				
Bank loans		**–**	–	–
In more than five years – due other than by instalments				
Bonds	10	**803.3**	802.8	803.0
		803.3	802.8	803.0
Non-current borrowings		**803.3**	802.8	803.0
Total borrowings		**1,007.2**	946.5	937.1

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

The CTA, together with a Master Definitions Agreement, covers inter alia, The Amended and Restated Initial Authorised Credit Facility Agreement ('ACF'), The Amended and Restated Liquidity Facility Agreement ('LF'), and the Group's issue of publicly listed fixed rate secured bonds in February 2014 and April 2014 respectively.

The ACF Agreement comprises a £500.0m Senior Secured Revolving Credit Facility.

The 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.

Both the ACF Agreement and LF Agreement were extended in June 2017, resulting in a revised maturity of June 2022.

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

The Group issued a £360.0m publicly listed fixed rate secured bond on 16 April 2014 with a scheduled and legal maturity of 2 April 2024.

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

Notes to the financial statements continued

for the period ended 30 September 2017

9. Bank loans

	30 September 2017 £m	30 September 2016 £m	31 March 2017 £m
Secured Revolving Credit Facility	**207.0**	147.0	137.0
Less: unamortised debt issue costs[1]	**(3.1)**	(3.3)	(2.9)
	203.9	143.7	134.1

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

At 30 September 2017 the Group had £278.0m (31 March 2017: £348.0m) 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 (£207.0m drawn at 30 September 2017), 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).

See note 8 for further information on financial liabilities, including maturity analysis.

10. Bonds

	30 September 2017 £m	30 September 2016 £m	31 March 2017 £m
Repayable 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)**	(1.9)	(1.9)
Less: unamortised debt issue costs	**(4.8)**	(5.3)	(5.1)
	803.3	802.8	803.0

11. Retirement benefits

	30 September 2017 £m	30 September 2016 £m	31 March 2017 £m
Balance in scheme at start of the period	**(104.6)**	(52.9)	(52.9)
Movement in period			
Current service cost recognised in income statement	**(6.2)**	(5.3)	(10.1)
Contributions	**4.8**	4.8	9.6
Net interest expense recognised in income statement	**(1.4)**	(1.0)	(1.8)
Total remeasurements in statement of comprehensive income	**30.2**	(81.7)	(49.4)
Balance in scheme at end of the period	**(77.2)**	(136.1)	(104.6)

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 2017	18.5	(235.7)	(217.2)
Credit to income	0.5	2.5	3.0
(Charge) to equity	(5.0)	–	(5.0)
At 30 September 2017	**14.0**	**(233.2)**	**(219.2)**

13. 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 nine other Greater Manchester local authorities

The Council of the City of Manchester ('MCC') is a related party to Manchester Airport Group Investments Limited as MCC owns 35.5% of the share capital of Manchester Airports Holdings Limited, 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 £14.0m (30 September 2016: £13.8m) and other sundry charges of £0.4m (30 September 2016: £0.2m). The majoity of these amounts are due to MCC. The remainder are collected by MCC and distributed to the other local authorities, each of which is a related party to Manchester Airport Group Investments Limited through its shareholding in Manchester Airports Holdings Limited, the ultimate Parent Company.

Transactions involving IFM

Industry Funds Management ('IFM'), through its subsidiary, is a related party to Manchester Airport Group Investments Limited as IFM owns 35.5% of the share capital of Manchester Airports Holdings Limited, the ultimate Parent Company. During the period the MAGIL Group did not enter into any transactions with IFM.

Transactions involving Manchester Airports Holdings Limited

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

As at 30 September 2017 the amount of loans outstanding owed by MAHL was £483.8m (30 September 2016: £334.3m), relating to cash transferred by the MAGIL Group to MAHL for dividend payments made by MAHL to its shareholders, and interest on the unpaid balance. Included within finance income is interest on loans outstanding owed by MAHL of £3.8m (30 September 2016: £7.5m).

Transactions involving Manchester Airport Finance Holdings Limited

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 2017 the amount of loans outstanding owed by MAFHL was £113.5m (30 September 2016: £98.4m), relating to interest payments on shareholder loans held outside of the MAGIL Group.

Transactions involving Airport City (Manchester) Limited

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 2017 the balance outstanding owed by Airport City (Manchester) Limited was £42.6m (30 September 2017: £53.7m), relating to the transfer of assets and funding. During the period Airport City (Manchester) Limited repaid funding of £11.8m (30 September 2016: received funding of £3.6m).

Notes to the financial statements continued

for the period ended 30 September 2017

13. Related party transactions continued

Transactions involving MAG Investments US Limited and its subsidiaries ('MAG US')

MAG Investments US 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 2017 the balance outstanding owed by MAG US was £14.6m (30 September 2016: £9.9m), relating to funding provided by the MAGIL Group. During the period the MAGIL Group provided funding of £1.6m (30 September 2016: £4.7m).

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

	At 1 April 2017 £m	Cash flow £m	Other non-cash movements £m	**At 30 September 2017 £m**
Cash at bank and in hand	1.6	24.5	–	**26.1**
Cash on short-term deposit	–	–	–	**–**
Cash and cash equivalents disclosed on the statement of financial position	1.6	24.5	–	**26.1**
Overdrafts	–	–	–	**–**
Total cash and cash equivalents (including overdrafts)	1.6	24.5	–	**26.1**
Current debt	(134.1)	(69.8)	–	**(203.9)**
Non-current debt	(803.0)	–	(0.3)	**(803.3)**
Net debt	(935.5)	(45.3)	(0.3)	**(981.1)**

15. Contingent liabilities

A contingent liability exists under Part 1 of the Land Compensation Act 1973 relating to claims that may be made, and have already been made, by individual property owners in respect of alleged diminution in the value of their homes as a result of development works carries out at London Stansted Airport in the 1997–2007 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 and, 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 £1.4m at 30 September 2017 (30 September 2016: £2.8m).

16. Post balance sheet events

On 15 November 2017 the Group issued a £300m, 22-year bond, with an annual coupon of 2.875%. The Group will use the proceeds of the bond to fund the transformational capital investment programmes being undertaken at both Manchester and London Stansted Airports.

On 4 December 2017 the Group disposed of its entire shareholding in Bournemouth International Airport Limited and its subsidiaries, Bournemouth Airport Property Investments (Offices) Limited, Bournemouth Airport Property Investments (Industrial) Limited and Bournemouth Airport Core Property Investments Limited.

Notes

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