MAGIL
INTERIM REPORT AND ACCOUNTS
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2018

Manchester Airport Group Investments Limited ('MAGIL') is a wholly owned subsidiary of Manchester Airports Holdings Limited ('MAHL'). It owns and operates three major UK airports and a successful airport property business.

- Manchester
- London Stansted
- East Midlands
- MAG Property

280+
destinations by 70 airlines

745k
tonnes of cargo shipped per annum

CONTENTS

Financial highlights (Six months ended 30 September 2018)

35.7m
passengers
(six months ended 30 Sept 2018)

Passenger numbers
35.7m

2018	35.7
2017	34.4
2016	31.6

+1.3m
+3.8%

Revenue[1]
£504.0m

2018	504.0
2017	467.7
2016	430.5

+£36.3m
+7.8%

Cash generated from operations
£97.7m

2018	97.7
2017	95.1
2016	75.4

+£2.6m
+2.7%

Profit from operations
£165.6m

2018	165.6
2017	159.9
2016	147.4

+£5.7m
+3.6%

Operating highlights

- Summer season demonstrates strength of demand for flights from MAG 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, now under construction
- London Stansted secures permission to grow up to 43 million passengers per annum
- Major new employment programme, MAG Connect, now established in response to expected growth in the coming years

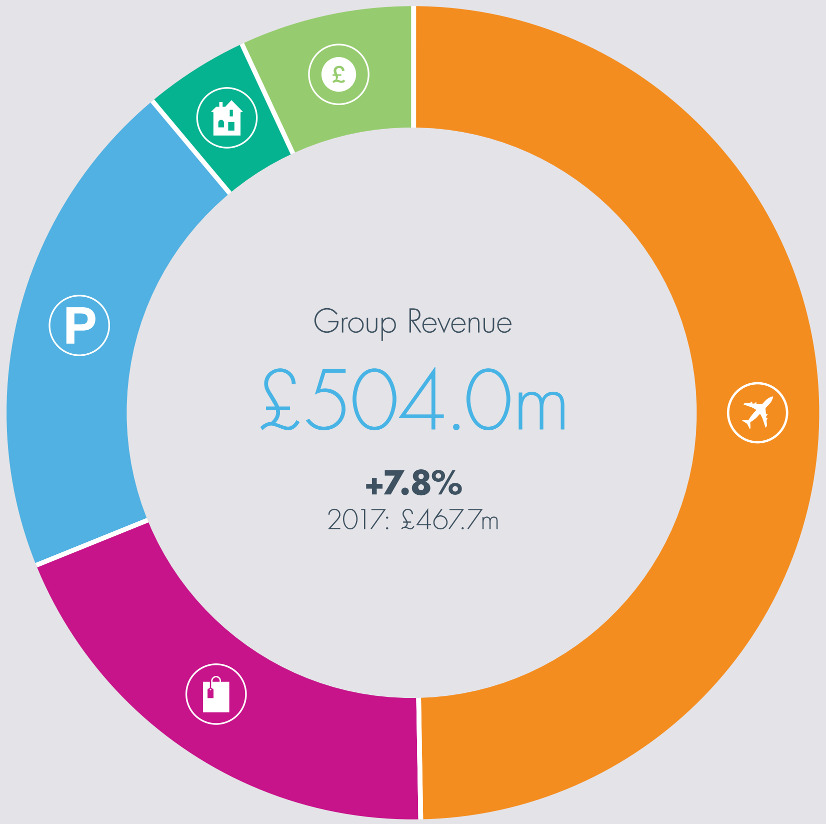
Our vision

To be the premier airport management and services company.

Notes
All numbers relate to continuing operations unless stated.
1 Numbers for the six months ended 30 September 2017 and for the six months ended 30 September 2016 have been restated to reflect the disposal of Bournemouth Airport and the adoption of IFRS 15.

At a glance

The Group serves 60m passengers annually flying through its airports, which together employ over 5,000 MAGIL personnel and support over 40,000 jobs on–site.



7.8%

GROWTH IN REVENUE

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.

Aviation	£203.1m
Retail	£108.2m
Car parking	£128.5m
Property	£24.4m
Other	£39.8m

Our strategic values

INVESTING

- Deliver great service at every touch point
- Provide modern and customer focused infrastructure

CONNECTING

- Enhance the reputation and profile of MAGIL
- Achieve profitable growth in all our businesses

TRANSFORMING

- Focus on operational excellence
- Energise and unlock the potential of our people

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 owns and operates three of the top four cargo airports in the UK, which handle over £27.5bn and 745,000 tonnes of air cargo to and from the UK every year.

Aviation revenue
£203.1m
2017: £193.5m

280+
More than 70 airlines serving 280+ destinations

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 60m customers each year.

Retail revenue
£108.2m
2017: £102.3m

200+
shops, bars and restaurants across our airports

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.

Car Parking revenue
£128.5m
2017: £110.8m

75,000+
parking spaces across all our sites

Property

MAG Property manages almost 6m sq ft of high–quality space in offices, terminals, hangars, warehouses and hotels across our airport portfolio at Manchester, London Stansted and East Midlands.

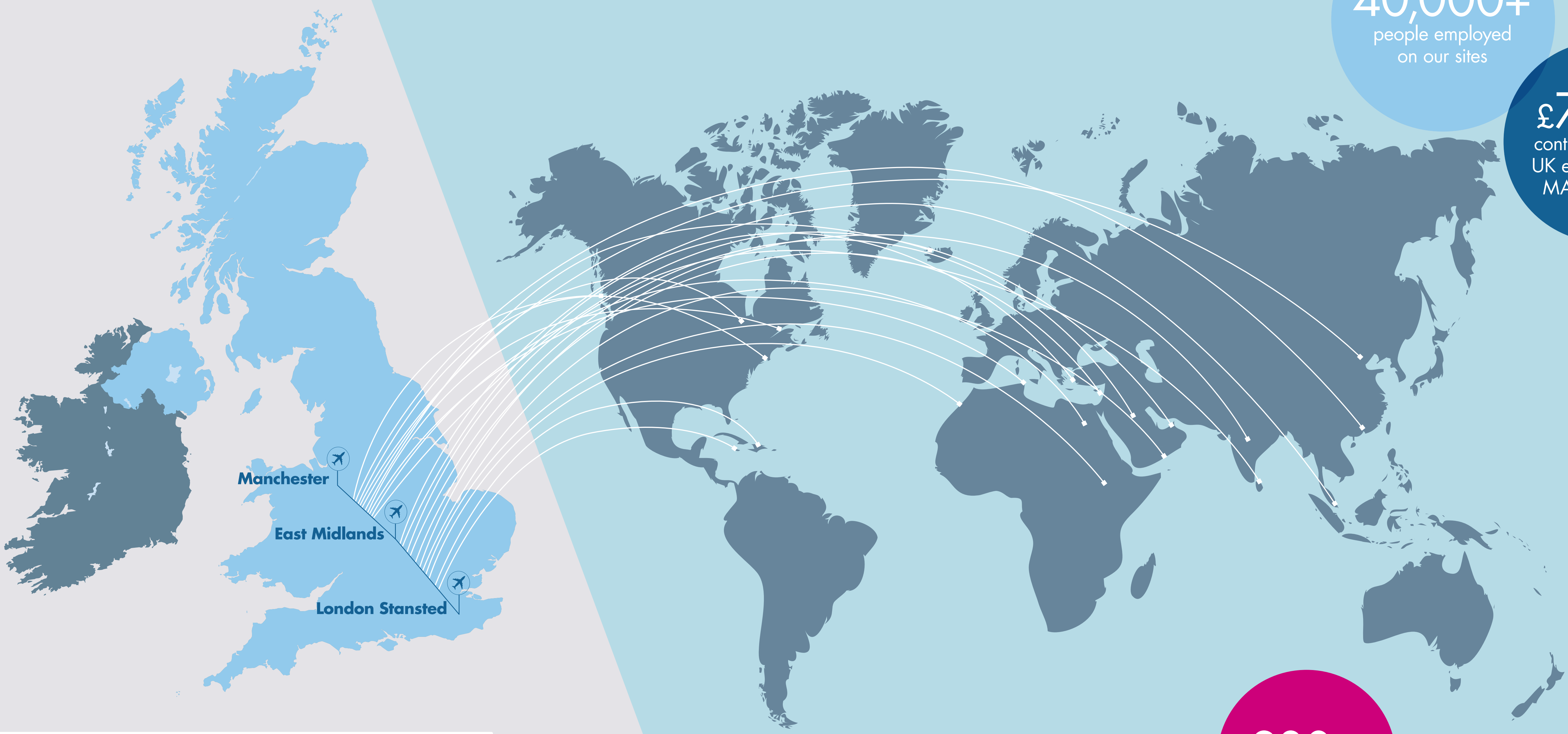
We do much more than simply let the space: we understand the complexities of the infrastructure and services that make airports work, so we know how to help businesses based there take full advantage of them.

Property revenue
£24.4m
2017: £23.1m

£522m
of investment property assets across all airports

Notes:
All numbers relate to continuing operations unless stated. Numbers for the six months ended 30 September 2017 have been restated to reflect the disposal of Bournemouth Airport and the adoption of IFRS 15.

Global connectivity



40,000+
people employed on our sites

£7.75bn
contributed to the UK economy from MAGIL airports

280+
destinations

70+
airlines

Investing in the future of UK aviation

MAGIL serves 60m passengers per annum, flying to over 280 destinations through over 70 different airlines

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

CHARLIE CORNISH
GROUP CHIEF EXECUTIVE, MAG
18 DECEMBER 2018

NEIL THOMPSON
CHIEF FINANCIAL OFFICER, MAG
18 DECEMBER 2018

Accounting policies

Basis of accounting

This condensed consolidated interim financial information for the six months ended 30 September 2018 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 2018, 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 2018, except for the following standards and interpretations, which are effective for the Group from 1 April 2018.

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 has replaced IAS 39 'Financial Instruments: Recognition and Measurement', and introduces new guidance for classification and measurement, impairment of financial instruments, and hedge accounting.

The impact of the revised standard has not had a material impact upon the Group's financial statements.

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 2018 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 2018 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 2018. Unless stated otherwise, these have been applied on a consistent basis.

Accounting policies continued

Going concern

The current economic conditions create uncertainty, particularly over passenger numbers, which has a direct impact on revenue. 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 2018, the Group had £1,595m (31 March 2018: £1,595m) of committed facilities and a net debt position of £1,135.5m (31 March 2018: £1,084.7m).

The Group had financial headroom in excess of £455m at 30 September 2018 (31 March 2018: £506m), and based on the Board approved five-year business plan, MAG 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[1] and EBITDA[1] less tax paid/net finance charges.The covenants are tested half yearly on 31 March and 30 September. As at 30 September 2018 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,are aligned to those of Manchester Airports Holdings Ltd ('MAHL'). These are set out on pages 40 to 43 in the MAHL 2018 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
- Brexit
- 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.

[1] Earnings before interest, tax, depreciation and amortisation.

Condensed consolidated income statement

for the six months ended 30 September 2018

		Six months ended 30 September 2018 £m			Restated[1] Six months ended 30 September 2017 £m			Year ended 31 March 2018 £m
	Note	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	504.0	–	504.0	467.7	–	467.7	814.3
Profit from operations before significant items	4	168.5	–	168.5	164.6	–	164.6	217.1
Significant items								
Exceptional costs	3	–	(2.9)	(2.9)	–	(4.7)	(4.7)	(8.6)
Profit from operations		168.5	(2.9)	165.6	164.6	(4.7)	159.9	208.5
Gains and losses on sales and valuation of investment properties	8	(0.8)	–	(0.8)	0.8	–	0.8	14.5
Finance income		6.2	–	6.2	3.8	–	3.8	8.8
Finance costs		(14.0)	–	(14.0)	(17.5)	–	(17.5)	(37.2)
Profit before taxation		159.9	(2.9)	157.0	151.7	(4.7)	147.0	194.6
Taxation	5	(38.4)	0.6	(37.8)	(37.7)	0.9	(36.8)	(38.7)
Profit from continuing operations		121.5	(2.3)	119.2	114.0	(3.8)	110.2	155.9
Discontinued operations								
Profit from discontinued operation (net of tax)	6	–	–	–	0.2	–	0.2	(12.8)
Profit for the period		121.5	(2.3)	119.2	114.2	(3.8)	110.4	143.1

Notes:
All numbers relate to continuing operations unless stated.
[1] Numbers for the six months ended 30 September 2017 have been restated to reflect the disposal of Bournemouth Airport and the adoption of IFRS 15.

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

Condensed consolidated statement of comprehensive income
for the six months ended 30 September 2018

	Note	**Six months ended 30 September 2018 £m**	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Profit for the period		**119.2**	110.4	143.1
Other comprehensive income/(expense)				
Items that will not be reclassified to profit or loss:				
Remeasurement of retirement benefit liabilities	12	**52.5**	30.2	21.8
Deferred tax on remeasurement of retirement benefit liabilities	5	**(9.0)**	(5.0)	(3.7)
Other comprehensive income for the period		**43.5**	25.2	18.1
Total comprehensive income for the period		**162.7**	135.6	161.2

Condensed consolidated statement of changes in equity (restated)
for the six months ended 30 September 2018

		Attributable to equity holders of the Company				
	Note	**Share capital £m**	**Share premium £m**	**Other reserve £m**	**Retained earnings £m**	**Total £m**
Balance at 1 April 2018		**0.3**	**2,493.9**	**(1,249.6)**	**582.1**	**1,826.7**
Total comprehensive income for the period						
Issue of ordinary shares	14	175.0	–	–	–	**175.0**
Profit for the period	–	–	–	–	**119.2**	**119.2**
Remeasurement of retirement benefit liabilities, net of tax	14, 18	–	–	–	**43.5**	**43.5**
		175.0	–	–	**162.7**	**337.7**
Balance at 30 September 2018		**175.3**	**2,493.9**	**(1,249.6)**	**744.8**	**2,164.4**

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

Condensed consolidated statement of changes in equity
for the six months ended 30 September 2017

		Attributable to equity holders of the Company				
	Note	Share capital £m	Share premium £m	Other reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2017		0.3	2,493.9	(1,249.6)	1,040.0	2,284.6
Total comprehensive income for the period						
Profit for the period		–	–	–	110.4	110.4
Remeasurement of retirement benefit liabilities, net of tax	5, 12	–	–	–	25.2	25.2
		–	–	–	135.6	135.6
Balance at 30 September 2017		**0.3**	**2,493.9**	**(1,249.6)**	**1,175.6**	**2,420.2**

Condensed consolidated statement of changes in equity
for the year ended 31 March 2018

		Attributable to equity holders of the Company				
	Note	Share capital £m	Share premium £m	Other reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2017		0.3	2,493.9	(1,249.6)	1040.0	2,284.6
Total comprehensive income for the year						
Result for the year		–	–		143.1	143.1
Remeasurement of retirement benefit liabilities, net of tax	5, 12	–	–		18.1	18.1
		–	–		161.2	161.2
Transactions with owners recorded directly in equity						
Dividends paid to equity holders		–	–		(619.1)	(619.1)
Balance at 31 March 2018		**0.3**	**2,493.9**	**(1,249.6)**	**582.1**	**1,826.7**

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

Condensed consolidated statement of financial position

as at 30 September 2018

	Note	Restated Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
ASSETS				
Non–current assets				
Goodwill		**166.3**	166.3	166.3
Property, plant and equipment	7	**2,718.5**	2,388.4	2,517.6
Investment properties	8	**521.6**	602.7	526.1
Intangible assets		**39.6**	43.1	42.0
Deferred tax assets	13	**5.8**	14.0	14.8
		3,451.8	3,214.5	3,266.8
CURRENT ASSETS				
Inventories		**2.9**	2.4	2.5
Trade and other receivables		**203.8**	176.7	147.6
Cash and cash equivalents		**20.1**	26.1	10.6
Amounts owed by group undertakings		**737.2**	649.5	745.8
		964.0	854.7	906.5
LIABILITIES				
Current liabilities				
Borrowings	9,10	**(57.0)**	(203.9)	–
Trade and other payables		**(241.4)**	(220.9)	(218.7)
Deferred income		**(38.3)**	(29.3)	(24.8)
Current tax liabilities		**(74.9)**	(68.8)	(69.3)
Amounts owed to group undertakings		**(475.2)**	–	(619.1)
		(886.8)	(522.9)	(931.9)
NET CURRENT ASSETS/(LIABILITIES)		**(77.2)**	331.8	(25.4)
Non–current liabilities				
Borrowings	9–11	**(1,098.6)**	(803.3)	(1,095.3)
Retirement benefit liabilities	12	**(34.4)**	(77.2)	(87.3)
Deferred tax liabilities	13	**(220.0)**	(233.2)	(220.2)
Other non–current liabilities		**(11.6)**	(12.4)	(11.9)
		(1,364.6)	(1,126.1)	(1,414.7)
NET ASSETS		**2,164.4**	2,420.2	1,826.7
Shareholders' equity				
Share capital	14,18	**175.3**	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		**744.6**	1,175.4	581.9
TOTAL EQUITY		**2,164.4**	2,420.2	1,826.7

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

The condensed financial statements on pages 9 to 28 were approved by the Board of Directors on 18 December 2018 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 2018

	Note	Restated Six months ended 30 September 2018 £m Before significant items	Restated Six months ended 30 September 2018 £m Significant items	Restated Six months ended 30 September 2018 £m After significant items	Six months ended 30 September 2017 £m After significant items	Year ended 31 March 2018 £m After significant items
Cash flows from operating activities						
Profit before taxation – continuing operations		**159.9**	**(2.9)**	**157.0**	147.2	194.6
Gains and losses on sales and valuations of investment properties		**0.8**	**–**	**0.8**	(0.8)	(14.5)
Net finance income and expense		**7.8**	**–**	**7.8**	13.7	28.4
Depreciation and amortisation		**76.3**	**–**	**76.3**	71.8	142.9
Profit on sale of property, plant and equipment		**1.0**	**–**	**1.0**	–	–
Increase in trade and other receivables and inventories		**(54.0)**	**–**	**(54.0)**	(81.4)	(37.0)
Decrease/(increase) in amounts owed by group companies		**(135.3)**	**–**	**(135.3)**	(76.9)	(177.0)
Increase/(decrease) in trade and other payables		**44.7**	**–**	**44.7**	18.9	56.2
Release of grants		**(0.2)**	**–**	**(0.2)**	(0.2)	0.4
Increase in retirement benefits provision		**(0.4)**	**–**	**(0.4)**	2.8	4.5
Cash generated from continuing operations		**100.6**	**(2.9)**	**97.7**	95.1	198.5
Result before taxation – discontinued operation				**–**	–	1.9
Depreciation and amortisation – discontinued operation				**–**	–	1.0
Movement in working capital from discontinued operation				**2.4**	–	(0.2)
Interest paid				**(14.3)**	(16.7)	(46.4)
Interest received				**6.2**	–	8.8
Tax paid				**(27.5)**	(19.1)	(36.7)
Net cash from operating activities				**64.5**	59.3	126.9
Cash flows from investing activities						
Purchase of property, plant and equipment				**(296.1)**	(114.8)	(364.7)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				**5.8**	10.2	43.8
Proceeds from sale of discontinued operation				**–**	–	44.9
Cash outflow from discontinued operation				**–**	–	(0.1)
Net cash used in investing activities				**(290.3)**	(104.6)	(276.1)
Cash flows from financing activities						
Decrease/(increase) in bank loan borrowings, net of debt issue costs				**60.3**	69.8	(136.9)
Proceeds from the issue of ordinary shares	14,18			**175.0**	–	–
Bond issued in the year, net of issue costs				**–**	–	295.1
Repayments of loans and borrowings				**–**	–	–
Dividends paid to shareholders				**–**	–	–
Net cash from financing activities				**235.3**	69.8	158.2
Net increase in cash and cash equivalents	16			**9.5**	24.5	9.0
Cash and cash equivalents at beginning of the period				**10.6**	1.6	1.6
Cash and cash equivalents at end of the period				**20.1**	26.1	10.6

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

Notes to the financial statements
for the six months ended 30 September 2018

1. Revenue

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

	Six months ended 30 September 2018	Six months ended 30 September 2018	Restated[1] Six months ended 30 September 2017	Restated[1] Six months ended 30 September 2017	Year ended 31 March 2018	Year ended 31 March 2018
	Continuing operations £m	Discontinued operation £m	Continuing operations £m	Discontinued operation £m	Continuing operations £m	Discontinued operation £m
Aviation income[2]	**203.1**	–	193.5	1.9	332.7	2.3
Commercial income						
Retail concessions	**108.2**	–	102.3	0.6	177.7	0.7
Car parking	**128.5**	–	110.8	1.6	187.1	2.0
Property and property related income	**24.4**	–	23.1	0.5	44.4	3.0
Other[3]	**39.8**	–	38.0	0.9	72.4	2.3
Total commercial income	**300.9**	–	274.2	3.6	481.6	8.0
Total income	**504.0**	–	467.7	5.5	814.3	10.3

Notes:
1 Numbers for the six months ended 30 September 2017 have been restated to reflect the disposal of Bournemouth Airport and the adoption of IFRS 15.
2 Aviation income includes passenger charges, aircraft arrival and departure charges and aircraft parking charges, all of which are recognised at point of departure.
3 Other income includes utility cost recharges, fees for airline services and aviation fuel sales.
Revenue from the remaining income streams is recognised over time on a straight line basis.
As at 30 September 2018 there were no performance obligations that were unsatisfied.

2. Business and geographical segments

For management purposes, the Group is organised into four main operating divisions: Manchester Airport, London Stansted Airport, East Midlands Airport and MAG Property[1].

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 2018

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Group, consolidation and other[3] £m	Consolidated – continuing operations £m
Revenue						
External revenue	243.4	203.5	42.0	13.7	1.4	**504.0**
Inter–segment revenue[4]	(1.8)	–	–	1.8	–	**–**
Total revenue	241.6	203.5	42.0	15.5	1.4	**504.0**
Result						
Segment operating profit/(loss) before significant items	82.2	71.6	12.5	9.1	(6.9)	**168.5**
Significant items	(0.3)	–	–	–	(2.6)	**(2.9)**
Segment operating profit/(loss) after significant items	81.9	71.6	12.5	9.1	(9.5)	**165.6**
Share of result of associate						**(0.8)**
Gains and losses on sales and valuation of investment properties						**6.2**
Finance costs						**(14.0)**
Profit before taxation						**157.1**
Other information						
Segment assets	2,259.5	883.3	248.9	(Note 1)	1,024.1	**4,415.8**
Segment liabilities	(114.1)	(153.1)	(65.4)	(Note 1)	(1,918.8)	**(2,251.4)**
Capital expenditure	198.7	67.0	7.1	(Note 1)	4.3	**277.1**
Depreciation	37.0	31.9	5.5	(Note 1)	–	**74.4**
Amortisation	1.9	–	–	(Note 1)	–	**1.9**
Taxation	19.8	14.5	2.4	(Note 1)	1.1	**37.8**
Result – geographical location[2]						
Segment operating profit/(loss) before significant items	91.4	71.6	12.5	(Note 2)	(6.9)	**168.6**

See next page for footnotes

Notes to the financial statements continued
for the six months ended 30 September 2018

2. Business and geographical segments continued

Six months ended 30 September 2017 (restated[5])

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Bournemouth Airport (Discontinued) £m	Group, consolidation and other[3] £m	**Restated[5] Consolidated operations £m**
Revenue							
External revenue	230.5	183.2	39.5	15.3	5.5	(0.8)	**473.2**
Inter–segment revenue[4]	(1.0)	–	–	(0.7)	–	1.7	**–**
Total revenue	229.5	183.2	39.5	14.6	5.5	0.9	**473.2**
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	(3.3)	**164.8**

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, MAG USA, and other subsidiary companies and balances arising on consolidation, which are not specific to the other main operating divisions. Assets include goodwill and fair value adjustments arising on consolidation. Liabilities include borrowings, further details of which can be found in Note 9 Borrowings.
4 Transactions between segments are at arm's length.
5 Numbers for the six months ended 30 September 2017 have been restated to reflect the disposal of Bournemouth Airport and the adoption of IFRS 15.

3. Significant items

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Recorded in result from operations			
Exceptional costs[1]	**2.9**	4.7	8.6
Total significant items recorded in result from continuing operations	**2.9**	4.7	8.6
Recorded in result from discontinued operations			
Loss on sale of discontinued operation[2]	**–**	–	14.1
Total significant items recorded in result from discontinued operations	**–**	–	14.1
Total significant items	**2.9**	4.7	22.7

Notes:
1 Exceptional costs
Exceptional costs of £2.9m (2017: £4.7m) include costs of a property restructuring programmes, M&A activity, and additional operating costs that have been incurred as a result of the ongoing Manchester Transformation Programme works.
2 Loss on disposal
On 4 December 2017, the Group disposed of 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.

4. Result from continuing operations before significant items

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Turnover	**504.0**	467.7	814.3
Wages and salaries	**(103.6)**	(90.7)	(180.8)
Social security costs	**(9.5)**	(8.6)	(16.9)
Pension costs	**(9.5)**	(9.0)	(17.5)
Employee benefit costs	**(122.6)**	(108.3)	(215.2)
Depreciation and amortisation	**(76.3)**	(71.1)	(142.9)
Profit on disposal of property, plant and equipment	**(0.4)**	–	–
Other operating charges[1]	**(136.2)**	(123.7)	(239.1)
Profit from continuing operations before significant items	**168.5**	164.6	217.1

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

Notes to the financial statements continued
for the six months ended 30 September 2018

5. Taxation

Analysis of charge in the year

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Current taxation			
UK corporation tax on profits for the period	**38.0**	39.8	48.1
Adjustment in respect of prior period	**–**	–	1.6
Total current taxation	**38.0**	39.8	49.7
Deferred taxation			
Temporary differences arising in the period	**(0.2)**	(2.7)	(10.4)
Adjustment in respect of prior period	**–**	(0.3)	(0.6)
Total ordinary deferred taxation	**(0.2)**	(3.0)	(11.0)
Total taxation charge	**37.8**	36.8	38.7

Taxation on items charged to equity:

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Deferred taxation on remeasurement of retirement benefit liabilities	**9.0**	5.0	3.7
Total taxation charge	**9.0**	5.0	3.7

The current taxation charge for the period has been calculated based on the forecast underlying effective tax rate for the full year of 25.5% (2017: 25.2%).

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 2018 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. Discontinued operations

On 4 December 2017, the Group entered into a sale agreement to dispose of its entire shareholding of 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, which carried out all of the Group's Bournemouth Airport operations. The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses.

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

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Revenue	**–**	**5.5**	10.3
Operating costs	**–**	**(5.3)**	(8.4)
Operating profit	**–**	**0.2**	1.9
Significant items	**–**	**–**	(14.1)
Attributable tax expense	**–**	**–**	(0.6)
Profit/(loss) of discontinued operation	**–**	**0.2**	(12.8)
Net profit/(loss) attributable to discontinued operation (attributable to owners of the Company)	**–**	**0.2**	(12.8)

A loss of £14.1m arose on the disposal of Bournemouth International Airport Limited and its subsidiaries, being the difference between the proceeds of disposal and the carrying amount of the subsidiary's net assets and attributable goodwill.

Notes to the financial statements continued

for the six months ended 30 September 2018

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 2018	184.0	451.7	2,109.8	655.2	358.6	3,759.3
Additions	–	–	11.4	15.4	250.3	277.1
Reclassification from Assets in the course of construction	0.2	16.4	41.0	34.9	(92.5)	–
Reclassification to investment properties (Note 8)	–	–	–	0.9	(1.7)	(0.8)
Disposals	(0.5)	–	(2.6)	–	–	(3.1)
At 30 September 2018	**183.7**	**468.1**	**2,159.6**	**706.4**	**514.7**	**4,032.5**
Depreciation						
At 1 April 2018	53.7	187.1	513.3	487.6	–	1,241.7
Charge for the period	0.2	6.0	38.2	30.5	–	74.9
Depreciation on disposals	–	–	(2.6)	–	–	(2.6)
At 30 September 2018	**53.9**	**193.1**	**548.9**	**518.1**	**–**	**1,314.0**
Carrying amount						
At 30 September 2018	**129.8**	**275.0**	**1,610.7**	**188.3**	**514.7**	**2,718.5**
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 2018	130.3	264.6	1,596.5	167.6	358.6	2,517.6

The carrying amount of land not depreciated as at 30 September 2018 is £57.4m (31 March 2018: £57.4m).

Capitalised borrowing costs

During the period ended 30 September 2018, borrowing costs of £11.2m were capitalised (30 September 2017: £4.4m). Capitalised borrowing costs were calculated by applying an average interest rate of 5.88% in the current period to cumulative expenditure incurred on qualifying assets, pro-rated to give the charge for the period ended 30 September 2018.

8. Investment properties

	Investment properties £m
Valuation	
At 1 April 2018	526.1
Reclassification from assets in the course of construction (Note 7)	0.8
Disposals	(5.3)
At 30 September 2018	**521.6**
Carrying amount	
At 30 September 2017	**602.7**
At 31 March 2018	526.1

Investment properties

The fair value of the Group's commercial investment property at 31 March 2018 has been 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 property portfolio, and Meller Braggins carried out the Manchester residential property portfolio at 31 March 2018. The valuers are independent and have appropriate, recognised professional qualifications, and recent experience in the locations and categories of the locations being valued. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

The fair value of the Group's commercial property at 30 September 2018 was updated by Deloitte Chartered Surveyors as at the statement of financial position date. No fair value adjustment has been recognised at 30 September 2018 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) loss in the period (30 September 2017: £0.8m profit) comprise a loss on disposal of (£0.8m) (30 September 2017: £0.8m profit).

Notes to the financial statements continued
for the six months ended 30 September 2018

9. Borrowings

	Note	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Bank loans	10	**57.0**	203.9	(2.8)
Bonds	11	**1,098.6**	803.3	1,098.1
		1,155.6	1,007.2	1,095.3
Borrowings are repayable as follows:				
In one year or less, or on demand				
Bank loans	10	**57.0**	203.9	–
		57.0	203.9	–
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	10	**–**	–	(2.8)
In more than five years – due other than by instalments				
Bonds	11	**1,098.6**	803.3	1,098.1
		1,098.6	803.3	1,098.1
Non current borrowings		**1,098.6**	803.3	1,095.3
Total borrowings		**1,155.6**	1,007.2	1,095.3

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.

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

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

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

The 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 by a fixed and floating charge over substantially all of the assets of the Group.

10. Bank loans

	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Secured Revolving Credit Facility	**60.0**	207.0	–
Less: unamortised debt issue costs[1]	**(3.0)**	(3.1)	(2.8)
	57.0	203.9	(2.8)

Notes:
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 2018 the Group had £425.0m (31 March 2018: £485.0m) 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 (£60.0m drawn at 30 September 2018), 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 Secured Revolving Credit Facility is linked to LIBOR plus a margin.

See Note 9 for further information on financial liabilities, including maturity analysis.

11. Bonds

	30 September 2018 £m	30 September 2017 £m	31 March 2018 £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
MAG bond 2.875% £300.0m due 2039	**300.0**	–	300.0
Less: discount on issue	**(6.2)**	(1.9)	(5.4)
Less: unamortised debt issue costs	**(5.2)**	(4.8)	(6.5)
	1,098.6	803.3	1,098.1

See Note 9 for further information on financial liabilities, including maturity analysis.

12. Retirement benefits

	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Balance in scheme at start of the period	**(87.3)**	(104.6)	(104.6)
Movement in period			
Current service cost recognised in income statement	**(6.1)**	(6.2)	(12.4)
Contributions	**7.6**	4.8	10.7
Net interest expense recognised in income statement	**(1.1)**	(1.4)	(2.8)
Total remeasurements in statement of comprehensive income	**52.5**	30.2	21.8
Balance in scheme at end of the period	**(34.4)**	(77.2)	(87.3)

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

Notes to the financial statements continued
for the six months ended 30 September 2018

13. Deferred taxation

	Deferred taxation asset £m	Deferred taxation liability £m	Total £m
At 1 April 2018	14.8	(220.2)	(205.4)
Credit to income	-	0.2	0.2
Charge to equity	(9.0)	–	(9.0)
At 30 September 2018	**5.8**	**(220.0)**	**(214.2)**

14. Capital and Reserves

Issue of ordinary shares

On 6 July 2018, the company issued 175,000,001 at a price of £1.00 per share (2017: nil). All shares were issued with a par value of £1.

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 Airport Group Investments Limited as MCC owns 35.5% of the share capital of Manchester Airports Holdings Limited, the ultimate parent company.

Included in external charges are charges for rent and rates amounting to £12.8m (30 September 2017: £14.0m) and other sundry charges of £0.3m (30 September 2017: £0.4m). 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 Industry Funds Management (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 year the MAGIL Group did not enter into any transactions with IFM.

Transactions involving Manchester Airports Holdings Limited (MAHL)

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

As at 30 September 2018 the amount of loans outstanding owed by MAHL was £661.1m (2017: £483.8m), 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 £6.2m (2017: £3.8m).

Transactions involving Manchester Airport Finance Holdings Limited (MAFHL)

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

On 6 July 2018 MAFHL became the registered holder of 175,000,001 MAGIL ordinary shares.

As at 30 September 2018 the amount of loans outstanding owed by MAFHL was £11.8m (2017: £113.5m owed by MAFHL), relating to interest payments on shareholder loans held outside of the MAGIL Group, and dividend distributions to MAFHL.

15. Related party transactions (continued)

Transactions involving Airport City (Manchester) Limited

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

As at 30 September 2018 the balance outstanding owed by Airport City (Manchester) Limited was £39.1m (2017: £42.6m), relating to the transfer of assets and funding. During the year Airport City (Manchester) Limited repaid funding of £7.0m (2017: repaid funding of £11.8m).

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

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 year the MAGIL Group entered into the following transactions with MAG US.

As at 31 March 2018 the balance outstanding owed by MAG US was £19.1m (2017: £14.6m), relating to funding provided by the MAGIL Group. During the year the MAGIL Group provided funding of £1.8m (2017: £1.6m).

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

	At 1 April 2018 £m	Cash flow £m	Other non–cash movements £m	**At 30 September 2018 £m**
Cash at bank and in hand	10.6	9.5	–	**20.1**
Cash on short term deposit	–	–	–	**–**
Cash and cash equivalents disclosed on the statement of financial position	10.6	9.5	–	**20.1**
Overdrafts	–	–	–	**–**
Total cash and cash equivalents (including overdrafts)	10.6	9.5	–	**20.1**
Current debt	–	(57.0)	–	**(57.0)**
Non–current debt	(1,095.3)	(2.8)	(0.5)	**(1,098.6)**
Net debt	(1,084.7)	(50.3)	(0.5)	**(1,135.5)**

17. Capital commitments and contingent liabilities

	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	212.9	–	225.8

The Group has performance bonds and other items arising in the normal course of business amounting to £1.3m at 30 September 2018 (30 September 2017: £1.4m).

Notes to the financial statements continued

for the six months ended 30 September 2018

18. Accounts Revision

These revised condensed set of financial statements for the six months ended 30 September 2018 replace the original condensed set of financial statements for that period, which had been approved on 6 December 2018.

The revision reflects £175m received as a shareholder loan from a MAHL Group company which was initially recognised as an inter-company loan. The planned subscription for shares was implemented ahead of the original plan which resulted in the money requiring to be categorised as share capital as opposed to an inter-company loan. The Statement of Financial Position has been revised to reflect the resultant increase in Net Assets. There was no change to the MAGIL Income Statement and the narrative in the Cashflows from Financing Activities section of the Cashflow Statement has been updated to reflect the funds inflow as "Proceeds from the issue of ordinary shares" as opposed to "Increase in Inter-Group Funding." A consequential amendment in respect of this change is also reflected in the condensed consolidated statement of changes in equity.

This revision was identified before the MAGIL accounts were formally lodged with trustees. However as the original condensed set of financial statements were briefly available on the company website the decision has been made to restate the accounts to ensure clarity.

19. Post balance sheet events

Primera Air filed for insolvency on 2 October 2018. The business does not anticipate any financial exposure to its net asset position as at the balance sheet date resulting from the insolvency.

On 26 October 2018 the high court ruled against Lloyds Banking Group's in its case regarding equalisation of Guaranteed Minimum Pension (GMP) for men and women. The impact of this ruling upon individual pension schemes will need to be fully assessed. Business expectation would be that the impact on the company schemes would be at the lower end of impacted schemes. The accounting for this increase will be reflected in the annual report.

Notes

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