INVESTING TRANSFORMING CONNECTING

MAGIL

Interim Report and Accounts

For the six months ended
30 September 2019

MAG

Manchester Airport Group Investments Limited 'MAGIL' is a wholly owned subsidiary of Manchester Airport Holdings Ltd, a leading UK airport group which owns and operates three major UK airports and a successful airport property business.

- Manchester
- London Stansted
- East Midlands
- MAG Property

260 passenger destinations

733k tonnes of cargo shipped per annum

36.4m passengers (six months ended 30 Sept 2019)

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Financial highlights for continuing operations
(Six months ended 30 September 2019)

Passenger numbers
36.4m

2019	36.4
2018	35.7
2017	34.4

+0.7m
+2.0%

Revenue[1]
£524.9m

2019	524.9
2018	490.3
2017	452.9

+£34.6m
+7.1%

Cash generated from operations[1]
£267.6m

2019	267.6
2018	230.8
2017	167.4

+£36.8m
+15.9%

Like-for-like movement[*] +£23.1m +10.0%

Profit from operations[1]
£172.2m

2019	172.2
2018	154.7
2017	154.6

+£17.5m
+11.3%

Like-for-like movement[*] +£7.8m +5.0%

Operating highlights

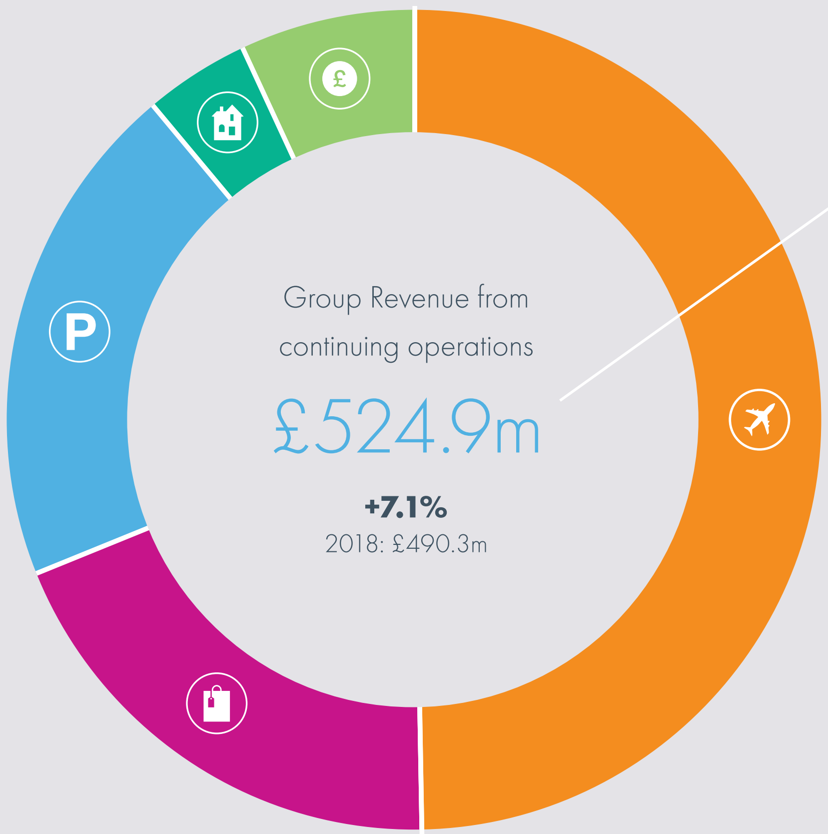
- Our busiest summer season helped drive a 2% increase in our passenger numbers to 36.4m
- Investment in staff and development to enhance customer experience
- On time and on cost delivery of first phase of Manchester Transformation Programme (MAN-TP)
- London Stansted Transformation (STN-TP) delivery of new check-in and car parking facilities
- All our airport operations maintained carbon neutral status

Our vision
To be the premier airport management and services company.

Notes
1 All numbers relate to continuing operations unless stated, and 2018 & 2017 numbers have been restated to exclude the results of discontinued operations as detailed in note 6 to the financial statements.
* Like-for-like year on year movement, after removing the accounting impact of IFRS 16. The Group has chosen the modified retrospective adoption methodology which does not permit restatement of comparative figures.

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.



7.1%

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	£218.4m
Retail	£114.0m
Car parking	£142.7m
Property	£8.1m
Other	£41.7m

Our strategic values

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

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

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

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 733,000 tonnes of air cargo to and from the UK every year.

Aviation revenue
£218.4m
2018: £203.1m

260
passenger destinations served by over 50 airlines

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
£114.0m
2018: £108.2m

200+
shops, bars and restaurants across our airports

Car Parking

We use a combination of market leading analytical, e-commerce, 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
£142.7m
2018: £128.5m

84,000+
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.

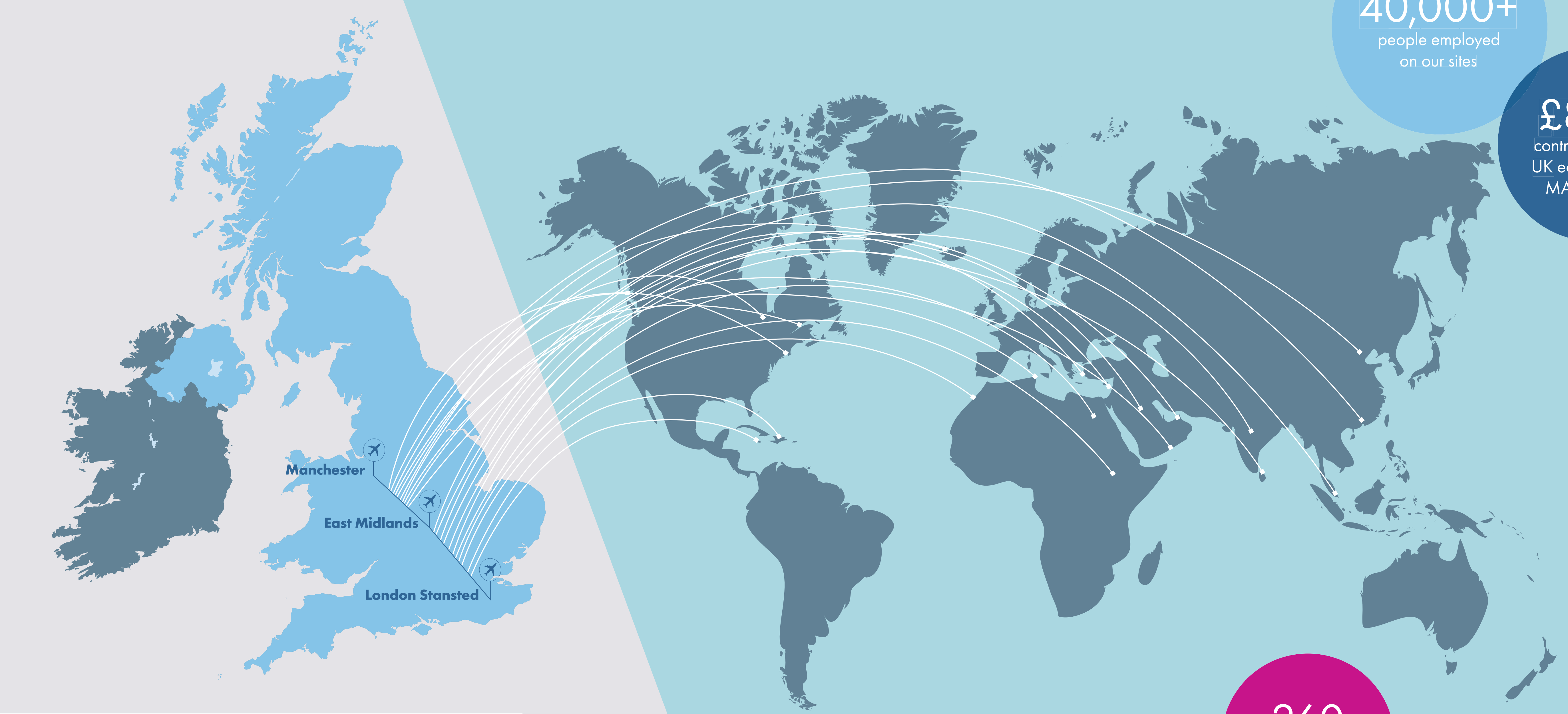
We do much more than simply let the space: we understand the complexities of the infrastructure and services that make airports work, so we know how to help businesses based there take full advantage of them.

As part of MAG's long term growth strategy the Group is currently in the process of marketing its non-core property portfolio for sale.

Property revenue
£8.1m
2018: £10.7m

£579m
of investment property assets across all airports

Global connectivity



40,000+
people employed on our sites

£8.2bn
contributed to the UK economy from MAG airports

260
passenger destinations

700k
passenger growth

Investing in the future of UK aviation

MAGIL serves over 60m passengers per annum flying through its airports, travelling to 260 passenger destinations

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
10 DECEMBER 2019

NEIL THOMPSON
CHIEF FINANCIAL OFFICER, MAG
10 DECEMBER 2019

Accounting Policies

Basis of accounting

This condensed consolidated interim financial information for the six months ended 30 September 2019 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 2019, 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 2019, except for the following standards and interpretations, which are effective for the Group from 1 April 2019:

Effective for the year ending 31 March 2020

IFRS 16 'Leases'

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

The Group has adopted IFRS 16 using the modified retrospective approach. The use of the modified retrospective approach does not permit restatement of prior year comparative figures. Note 20 to these accounts provides reconciliations of the primary financial statements for the six months ended 30 September 2019 as reported to the accounts that would have been prepared if the previous standard (IAS 17) was still in force.

Additionally management have ensured that the impact of IFRS 16 on the movement in the financial results is highlighted by disclosing the underlying like-for-like movement.

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

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

In the Annual Report for the year ended 31 March 2019, the Group advised that it was preparing for the implementation of the new accounting standard and provided an indication of the quantum of right of use asset and finance lease liability it expected to recognise as a consequence. Further preparatory work ahead of the the production of the Interim Report has refined the quantification of the impact upon the Group's lease portfolio. Note 20 provides a reconciliation of the operating lease and IFRS 16 disclosures in the Annual Report for the year ended 31 March 2019 to the IFRS 16 impact recognised in this Interim Report.

Review opinion

The results for the six months to 30 September 2019 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 2019 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 have 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 2019. 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 2019, the Group had £1,945.0m (31 March 2019: £1,595.0m) of committed facilities and a net debt position, excluding finance lease liabilities, of £1,453.9m (31 March 2019: £1,207.3m).

The Group has negotiated banking covenants on the basis of Frozen GAAP. Consequently the implementation of new accounting standards, such as IFRS 16, are not reflected in the banking covenant calculations.

The Group had financial headroom in excess of £469m at 30 September 2019 (31 March 2019: £387m), 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.

Accounting Policies continued

Going concern continued

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, including Brexit scenarios, 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.As mentioned above, these covenants are on a 'Frozen GAAP' basis and consequently the calculation of the covenants excludes the impact of new accounting standards such as IFRS 16 'leases'.

The covenants are tested half yearly on 31 March and 30 September.
As at 30 September 2019 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 42 and 43 of the MAHL 2019 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
- Major Health and Safety incident affecting our customers or colleagues
- Regulatory risk
- Brexit
- Delivering major programmes
- Recruitment, development and retention of talented people
- Cyber security

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 2019

		Six months ended 30 September 2019 £m	**Six months ended 30 September 2019 £m**	**Six months ended 30 September 2019 £m**	Six months ended 30 September 2018 £m	Six months ended 30 September 2018 £m	Six months ended 30 September 2018 £m	Year ended 31 March 2019 £m
	Note	**Continuing operations**	**Discontinued operations**	**Total Business**	Continuing operations*	Discontinued operations*	Total Business*	Total Business*[1]
Revenue	1	**524.9**	**15.7**	**540.6**	490.3	13.7	504.0	879.1
Result from operations before significant items	4	**186.1**	**13.5**	**199.6**	157.6	10.9	168.5	229.4
Significant items	3	**(13.9)**	**-**	**(13.9)**	(2.9)	-	(2.9)	(15.2)
Result from operations		**172.2**	**13.5**	**185.7**	154.7	10.9	165.6	214.2
Gains and losses on sales and valuation of investment properties	9	**0.8**	**25.2**	**26.0**	(0.8)	-	(0.8)	45.8
Finance income		**8.9**	**-**	**8.9**	6.2	-	6.2	14.0
Finance costs		**(26.5)**	**(7.4)**	**(33.9)**	(6.7)	(7.3)	(14.0)	(33.6)
Result before taxation		**155.4**	**31.3**	**186.7**	153.4	3.6	157.0	240.4
Taxation - results from operations	5	**(40.0)**	**(5.4)**	**(45.4)**	(38.2)	(0.2)	(38.4)	(51.3)
Taxation - significant items	5	**2.6**	**-**	**2.6**	0.6	-	0.6	2.1
Result for the period		**118.0**	**25.9**	**143.9**	115.8	3.4	119.2	191.2
Earnings per share expressed in pence per share**		**67.3**	**14.8**	**82.1**	138.6	4.1	142.7	147.9

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

*The comparative figures have not been restated to account for the adoption of IFRS 16. The Group has taken the modified retrospective approach to adopting the new lease accounting standard, which does not permit the restatement of comparative figures. Note 20 analyses the impact of the adoption of IFRS 16 on the consolidated income statement and key reporting metrics.

** During FY19, 350.0m £1 ordinary shares were issued, leading to a reduction in the earnings per share.

[1] The discontinued operations element of the 31 March 2019 total business income statement is disclosed in note 6.

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2019

	Note	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Result for the period		**143.9**	119.2	191.2
Other comprehensive income/(expense)				
Items that will not be reclassified to profit or loss:				
Remeasurement of retirement benefit liabilities	14	**(47.6)**	52.5	3.5
Deferred tax on remeasurement of retirement benefit liabilities	5	8.1	(9.0)	(0.6)
Other comprehensive income for the period		**(39.5)**	43.5	2.9
Total comprehensive income for the period		**104.4**	162.7	194.1

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2019

	Note	Attributable to equity holders of the Company				
		Share capital £m	Share premium £m	Other reserve £m	Retained earnings £m	Total £m
Balance at 1 April 2019		**175.3**	**2,668.9**	**(1,249.6)**	**776.2**	**2,370.8**
Total comprehensive income for the period						
Result for the period		-	-	-	**143.9**	**143.9**
Remeasurement of retirement benefit liabilities, net of tax	5, 14	-	-	-	**(39.5)**	**(39.5)**
		-	-	-	**104.4**	**104.4**
Balance at 30 September 2019		**175.3**	**2,668.9**	**(1,249.6)**	**880.6**	**2,475.2**

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 2018

	Note	Attributable to equity holders of the Company				
		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		175.0	-	-	-	175.0
Result for the period		-	-	-	119.2	119.2
Remeasurement of retirement benefit liabilities, net of tax	5, 14	-	-	-	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 year ended 31 March 2019

	Note	Attributable to equity holders of the Company				
		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 year						
Issue of shares		175.0	175.0	-	-	350.0
Result for the year		-	-	-	191.2	191.2
Remeasurement of retirement benefit liabilities, net of tax	5, 14	-	-	-	2.9	2.9
		175.0	175.0	-	194.1	544.1
Transactions with owners recorded directly in equity						
Dividends paid to equity holders		-	-	-	-	-
Balance at 31 March 2019		**175.3**	**2,668.9**	**(1,249.6)**	**776.2**	**2,370.8**

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

Condensed consolidated statement of financial position

as at 30 September 2019

	Note	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m	Year ended 31 March 2019 £m
ASSETS				
Non-current assets				
Goodwill		**166.3**	166.3	166.3
Property, plant and equipment	7	**3,136.3**	2,718.5	2,950.3
Right-of-use assets	8	**420.1**	-	-
Investment properties	9	**138.1**	521.6	552.6
Intangible assets		**39.2**	39.6	39.5
Deferred tax assets	15	**21.1**	5.8	14.2
		3,921.1	3,451.8	3,722.9
CURRENT ASSETS				
Assets held for sale	19	**455.8**	-	2.6
Inventories		**3.8**	2.9	3.5
Trade and other receivables		**146.3**	203.8	128.0
Cash and cash equivalents		**14.6**	20.1	23.4
Amounts owed by group undertakings		**1,174.1**	737.2	1,352.2
		1,794.6	964.0	1,509.7
LIABILITIES				
Current liabilities				
Liabilities held for sale	19	**(25.8)**	-	-
Borrowings	10-12	**-**	-	-
Trade and other payables		**(254.5)**	(241.4)	(239.5)
Deferred income		**(32.4)**	(38.3)	(25.8)
Current lease liabilities	13	**(7.2)**	-	-
Current tax liabilities		**(60.0)**	(74.9)	(64.7)
Amounts owed to group undertakings		**(618.5)**	(475.2)	(975.0)
		(998.4)	(829.8)	(1,305.0)
NET CURRENT ASSETS		**796.2**	134.2	204.7
Non-current liabilities				
Borrowings	10-12	**(1,468.5)**	(1,155.6)	(1,230.7)
Retirement benefit liabilities	14	**(124.6)**	(34.4)	(83.9)
Non-current lease liabilites	13	**(413.6)**	-	-
Deferred tax liabilities	15	**(216.6)**	(220.0)	(223.1)
Other non-current liabilities		**(18.8)**	(11.6)	(19.1)
		(2,242.1)	(1,421.6)	(1,556.8)
NET ASSETS		**2,475.2**	2,164.4	2,370.8
Shareholders' equity				
Share capital		**175.3**	175.3	175.3
Share premium		**2,668.9**	2,493.9	2,668.9
Other reserve		**(1,249.6)**	(1,249.6)	(1,249.6)
Retained earnings		**880.6**	744.8	776.2
TOTAL EQUITY		**2,475.2**	2,164.4	2,370.8

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

*The comparative figures have not been restated to account for the adoption of IFRS 16. The Group took the modified retrospective approach to adopting the new lease accounting standard which does not permit the restatement of comparative figures. Note 20 analyses the impact of the adoption of IFRS 16 on the Income Statement and key reporting metrics.

The financial statements on pages 9 to 30 were approved by the Board of Directors on 10 December 2019 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 2019

	Note	Six months ended 30 September 2019 £m Before significant items	Six months ended 30 September 2019 £m Significant items	Six months ended 30 September 2019 £m After significant items	Six months ended 30 September 2018 £m After significant items*	Year ended 31 March 2019 £m After significant items*
Cash flows from operating activities						
Result before taxation - continuing operations		**169.3**	**(13.9)**	**155.4**	153.4	214.1
Gains and losses on sales and valuations of investment properties		**(0.8)**	**-**	**(0.8)**	0.8	(16.9)
Net finance income and expense		**33.9**	**-**	**33.9**	7.8	19.6
Depreciation and amortisation		**82.1**	**-**	**82.1**	76.3	152.4
Profit on sale of property, plant and equipment		**-**	**-**	**-**	1.0	(1.8)
(Increase)/decrease in trade and other receivables and inventories		**(23.4)**	**-**	**(23.4)**	(54.0)	15.3
(Increase)/decrease in amounts owed by group companies		**(0.6)**	**-**	**(0.6)**	1.4	0.7
Increase in trade and other payables		**11.4**	**-**	**11.4**	44.7	15.5
Release of grants		**0.4**	**-**	**0.4**	(0.2)	6.4
Increase in retirement benefits provision		**(0.4)**	**9.6**	**9.2**	(0.4)	0.1
Cash generated from continuing operations		**271.9**	**(4.3)**	**267.6**	230.8	405.4
Result before taxation - discontinued operations				**31.3**	3.6	30.6
Depreciation and amortisation - discontinued operations				**(25.2)**	-	(28.9)
Movement in working capital from discontinued operations				**-**	2.4	-
Interest paid				**(46.4)**	(14.3)	(49.8)
Interest received				**-**	6.2	-
Tax paid				**(41.7)**	(27.5)	(50.4)
Net cash from operating activities				**185.6**	201.2	306.9
Cash flows from investing activities						
Purchase of property, plant and equipment				**(261.3)**	(296.1)	(557.3)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				**0.7**	5.8	15.3
Proceeds from the sale of assets held for sale				**1.8**	-	-
Contributions to other group companies				**(8.4)**	(6.7)	(13.9)
Net cash used in investing activities				**(267.2)**	(297.0)	(555.9)
Cash flows from financing activities						
(Decrease)/increase in bank loan borrowings, net of debt issue costs				**(105.0)**	60.3	135.1
Proceeds from issue of ordinary shares				**-**	175.0	350.0
Bond issued in the year, net of issue costs				**341.8**	-	-
Payment of principal on lease liabilities				**(3.3)**	-	-
Dividends paid to shareholders of the parent				**(128.0)**	(110.7)	(174.7)
Shareholder loan interest paid on behalf of the parent				**(32.7)**	(19.3)	(48.6)
Net cash from financing activities				**72.8**	105.3	261.8
Net decrease in cash and cash equivalents	17			**(8.8)**	9.5	12.8
Cash and cash equivalents at beginning of the period				**23.4**	10.6	10.6
Cash and cash equivalents at end of the period				**14.6**	20.1	23.4

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

*The comparative figures have not been restated to account for the adoption of IFRS 16. The Group took the modified retrospective approach to adopting the new lease accounting standard which does not permit the restatement of comparative figures. Note 20 analyses the impact of the adoption of IFRS 16 on the Income Statement and key reporting metrics.

Notes to the financial statements

for the six months ended 30 September 2019

1. Revenue

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

	Six months ended 30 September 2019 Continuing operations £m	Six months ended 30 September 2018 Continuing operations £m	Year ended 31 March 2019 Continuing operations £m
Aviation income	**218.4**	203.1	354.5
Commercial income			
Retail concessions	**114.0**	108.2	191.1
Car parking	**142.7**	128.5	217.9
Property and property related income	**8.1**	10.7	18.5
Other	**41.7**	39.8	69.4
Total commercial income	**306.5**	287.2	496.9
Total continuing income	**524.9**	490.3	851.4
Income - discontinued operations[1]	**15.7**	13.7	27.7
Total income	**540.6**	504.0	879.1

Notes:

[1] All income from discontinued operations relates to property and property related income disclosed in note 6.

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

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

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

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

As at 30 September 2019 there were no performance obligations that were unsatisfied, (30 September 2018: nil, 31 March 2019: nil).

Notes to the financial statements continued

for the six months ended 30 September 2019

2. Business and geographical segments

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

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

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 2019

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Group, consolidation and other[3] £m	**Consolidated – continuing operations £m**	**Discontinued operations[1] £m**
Revenue							
External revenue	266.4	215.8	44.4	0.5	1.2	**528.3**	**15.7**
Inter-segment revenue[4]	(1.7)	-	-	-	(1.7)	**(3.4)**	**-**
Total revenue	**264.7**	**215.8**	**44.4**	**0.5**	**(0.5)**	**524.9**	**15.7**
Result							
Segment operating profit/(loss) before significant items	99.7	82.0	13.0	(2.6)	(6.0)	**186.1**	**13.5**
Significant items	(3.3)	(3.8)	(2.3)	-	(4.5)	**(13.9)**	**-**
Segment operating profit/(loss) after significant items	**96.4**	**78.2**	**10.7**	**(2.6)**	**(10.5)**	**172.2**	**13.5**
Gains and losses on sales and valuation of investment properties						**0.8**	**25.2**
Finance income						**8.9**	**-**
Finance costs						**(26.5)**	**(7.4)**
Result before taxation						**155.4**	**31.3**
Other information							
Segment assets	2,456.3	1,183.5	239.8	(Note 1)	1,420.3	**5,299.9**	**455.8**
Segment liabilities	(970.1)	(426.8)	(75.0)	(Note 1)	(1,782.8)	**(3,254.7)**	**(25.8)**
Capital expenditure	200.3	47.7	3.9	(Note 1)	12.8	**264.7**	**2.0**
Depreciation	42.1	32.2	6.3	(Note 1)	0.3	**80.9**	**0.1**
Amortisation	1.2	-	-	(Note 1)	-	**1.2**	**-**
Taxation	21.6	15.4	2.2	(Note 1)	(1.8)	**37.4**	**5.4**
Result - geographical location[2]							
Segment operating profit/(loss) before significant items	97.2	82.0	13.0	(Note 2)	(6.1)	**186.1**	**13.5**

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 2018

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Group, consolidation and other[3] £m	Restated consolidated operations £m	Discontinued operations[1] £m
Revenue							
External revenue	243.4	203.5	42.0	-	1.4	**490.3**	**13.7**
Inter-segment revenue[4]	(1.8)	-	-	-	1.8	**-**	**-**
Total revenue	**241.6**	**203.5**	**42.0**	**-**	**3.2**	**490.3**	**13.7**
Result							
Segment operating profit/(loss) before significant items	82.2	71.6	12.5	(1.8)	(6.9)	**157.6**	**10.9**
Significant items	(0.3)	-	-	-	(2.6)	**(2.9)**	**-**
Segment operating profit/(loss) after significant items	**81.9**	**71.6**	**12.5**	**(1.8)**	**(9.5)**	**154.7**	**10.9**
Gains and losses on sales and valuation of investment properties						**(0.8)**	**-**
Finance income						**6.2**	**-**
Finance costs						**(6.7)**	**(7.3)**
Result before taxation						**153.4**	**3.6**
Other information							
Segment assets	1,861.3	883.3	248.9	(Note 1)	1,024.1	**4,017.6**	**398.2**
Segment liabilities	(98.8)	(153.1)	(65.4)	(Note 1)	(1,918.8)	**(2,236.1)**	**(15.3)**
Capital expenditure	198.4	67.0	7.1	(Note 1)	4.3	**276.8**	**0.3**
Depreciation	37.0	31.9	5.5	(Note 1)	-	**74.4**	**-**
Amortisation	1.9	-	-	(Note 1)	-	**1.9**	**-**
Taxation	19.6	14.5	2.4	(Note 1)	1.1	**37.6**	**0.2**
Result - geographical location[2]							
Segment operating profit/(loss) before significant items	80.4	71.6	12.5	(Note 2)	(6.9)	**157.6**	**10.9**

Notes:

1 MAG's non-core property has been disclosed separately as discontinued operations. The Group's reporting structure is such that the assets and liabilities of MAG's Core 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 10 Borrowings.

4 Sales between segments are at arm's length.

Notes to the financial statements continued

for the six months ended 30 September 2019

3. Significant items

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Recorded in result from operations			
Exceptional costs[1]	**13.9**	2.9	9.4
Total significant items recorded in result from continuing operations	**13.9**	2.9	9.4
Recorded in result from discontinued operations			
Exceptional costs incurred by discontinued operations	**-**	-	1.5
Loss on sale of discontinued operations[2]	**-**	-	4.3
Total significant items recorded in result from discontinued operations	**-**	-	5.8
Total significant items	**13.9**	2.9	15.2

Notes:

1 **Exceptional costs**
Exceptional costs of £13.9m (2018: £2.9m) include costs of a number of restructuring programmes across the Group of £3.8m, one-off pension costs of £9.6m, and additional operating costs that have been incurred as a result of the ongoing Manchester Transformation Programme works. of £0.5m.

2 **Loss on sale**
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. A loss of £4.3m was recognised in accounts for the year ended 31 March 2019.

4. Profit from continuing operations before significant items

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Turnover	**524.9**	490.3	851.4
Wages and salaries	**(109.1)**	(103.0)	(204.2)
Social security costs	**(10.6)**	(9.3)	(19.6)
Pension costs	**(11.9)**	(9.4)	(19.1)
Employee benefit costs	**(131.6)**	(121.7)	(242.9)
Depreciation and amortisation	**(82.1)**	(76.3)	(152.4)
Loss on disposal of property, plant and equipment	**-**	(0.4)	1.8
Other operating charges[1]	**(125.1)**	(134.3)	(250.6)
Result from continuing operations before significant items	**186.1**	157.6	207.3
Results from discontinuing operations before significant items	**13.5**	10.9	22.1
Results from operations before significant items- total business	**199.6**	168.5	229.4

Notes:

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

Notes to the financial statements continued
for the six months ended 30 September 2019

5. Taxation

Analysis of charge in the year

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Current taxation			
UK corporation tax on profits for the period	**38.2**	38.0	49.8
Adjustment in respect of prior period	**-**	-	(3.5)
Total current taxation	**38.2**	38.0	46.3
Deferred taxation			
Temporary differences arising in the period	**4.6**	(0.2)	5.0
Adjustment in respect of prior period	**-**	-	(2.1)
Effect of change in rate of corporation tax	**-**	-	-
Total ordinary deferred taxation	**4.6**	(0.2)	2.9
Total taxation charge	**42.8**	37.8	49.2

Taxation on items (credited)/charged to equity:

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Deferred taxation on remeasurement of retirement benefit liabilities	**(8.1)**	9.0	0.6
Total taxation (credit)/charge	**(8.1)**	9.0	0.6

The current taxation charge for the period has been calculated based on the forecast underlying effective tax rate for the full year of 23.8% (2018: 23.0%). The effective tax rate for the period is higher than the actual corporation tax rate of 20%, predominantly due to the level of disallowable depreciation in excess of capital allowances, as has been the case since the abolition of industrial buildings allowances.

The March 2016 Budget included a reduction in the rate of Corporation tax from 1 April 2020 of 2% to 17%. Deferred tax balances have therefore been calculated at 17%.

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

6. Discontinued operations

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

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m	Year ended 31 March 2019 £m
Revenue	**15.7**	13.7	27.7
Operating costs	**(2.2)**	(2.8)	(5.6)
Operating profit	**13.5**	10.9	22.1
Significant items	**-**	-	(5.8)
Gains and losses on sales and valuation of investment properties	**25.2**	-	28.9
Finance costs	**(7.4)**	(7.3)	(14.6)
Attributable tax expense	**(5.4)**	(0.2)	(1.0)
Profit of discontinued operations	**25.9**	3.4	29.6
Net profit of discontinued operations (attributable to owners of the Company)	**25.9**	3.4	29.6

The Group has commenced the sales process of its non-core property portfolio during the six months ended 30 September 2019 with the sale anticipated to complete within 12 months. Non-core property represents a major line of business for the Group. Consequently the trading performance of the portfolio has been classified as discontinued operations. The assets held for sale in relation to the discontinued operations are disclosed in note 19. Included within 31 March 2019 discontinued operations is an additional charge of £4.3m in relation to the disposal of Bournemouth International Airport Limited.

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 2019	187.4	481.4	2,173.1	730.7	758.0	4,330.6
Additions	-	-	-	-	266.7	266.7
Reclassification from assets in the course of construction	-	119.8	55.9	63.9	(239.6)	-
Reclassification to investment properties (note 9)	-	(0.1)	(0.2)	(0.2)	(2.1)	(2.6)
Reclassification to intangible assets	-	-	-	-	(1.1)	(1.1)
At 30 September 2019	**187.4**	**601.1**	**2,228.8**	**794.4**	**781.9**	**4,593.6**
Depreciation						
At 1 April 2019	53.7	198.1	587.2	541.3	-	1,380.3
Charge for the period	-	8.3	38.1	30.6	-	77.0
At 30 September 2019	**53.7**	**206.4**	**625.3**	**571.9**	**-**	**1,457.3**
Carrying amount						
At 30 September 2019	**133.7**	**394.7**	**1,603.5**	**222.5**	**781.9**	**3,136.3**
Carrying amount						
At 30 September 2018	129.8	275.0	1,610.7	188.3	514.7	2,718.5
Carrying amount						
At 31 March 2019	133.7	283.3	1,585.9	189.4	758.0	2,950.3

The carrying amount of land not depreciated as at 30 September 2019 is £224.1m (31 March 2019: £224.1m).

Capitalised borrowing costs

During the period ended 30 September 2019, borrowing costs of £5.6m were capitalised (30 September 2018 recalculated: £6.5m), relating to borrowing costs incurred in FY20. Capitalised borrowing costs were calculated on a monthly basis, by applying the average monthly rate of interest to the cumulative expenditure incurred on qualifying assets which had not been brought in to use. The average rate of interest applied in the six months to 30 September 2019 is 3.97% (30 September 2018 recalculated: 4.26%).

Notes to the financial statements continued

for the six months ended 30 September 2019

8. Right-of-use Assets

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Cost				
At 1 April 2019	212.0	209.6	0.7	422.3
Additions	-	-	6.8	6.8
Transfers to assets held for sale	(5.0)	-	-	(5.0)
At 30 September 2019	**207.0**	**209.6**	**7.5**	**424.1**
Depreciation				
At 1 April 2019	-	-	-	-
Charge for the period	1.9	1.6	0.5	4.0
At 30 September 2019	**1.9**	**1.6**	**0.5**	**4.0**
Carrying amount				
At 30 September 2019	**205.1**	**208.0**	**7.0**	**420.1**

Key lease arrangements

Key lease arrangements are detailed at note 13.

Income from subleasing right-of-use assets

During the 6 month period to 30th September 2019, the income generated from subleasing right-of-use assets was £0.9m, generated solely from sublets of land and buildings.

Gains or losses from sale and leaseback transactions

During the 6 month period to 30th September 2019, no gains or losses were generated from sale and leaseback transactions.

Notes to the financial statements continued

for the six months ended 30 September 2019

9. Investment properties

	Investment properties £m
Valuation	
At 1 April 2019	552.6
Reclassification from assets in the course of construction (note 7)	2.6
Disposals	(0.7)
Revaluation	24.8
Transfers to assets held for sale	(441.2)
At 30 September 2019	**138.1**
Carrying amount	
At 30 September 2018	**521.6**
At 31 March 2019	**552.6**

Investment properties

The fair value of the Group's commercial investment property at 30 September 2019 has been arrived at on the basis of a valuation carried out at that date by Savills. A valuation exercise was not carried out for the residential property portfolio at 30 September 2019, as the Directors do not believe the movement would have been material as at 30 September 2019. Therefore the residential property is valued based on the valuation as at 31 March 2019. Savills 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 2019 was updated by Savills plc as at the statement of financial position date.

Gains and losses on sales and valuation of investment properties reported in the consolidated income statement of £26.0m in the period (30 September 2018: £0.8m) comprise valuation gains of £24.8m, comprised of a £0.4m loss for continuing operations and a £25.2m gain for discontinued operations (30 September 2018: nil) and a gain on sale of £1.2m, all attributable to continuing operations (30 September 2018: £0.8m loss, all attributable to continuing operations).

Notes to the financial statements continued

for the six months ended 30 September 2019

10. Borrowings

	Note	30 September 2019 £m	30 September 2018 £m	31 March 2019 £m
Bank loans	10	**27.6**	57.0	132.3
Bonds	11	**1,440.9**	1,098.6	1,098.4
		1,468.5	1,155.6	1,230.7
Borrowings are repayable as follows:				
In one year or less, or on demand				
Bank loans	10	**-**	-	-
		-	-	-
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	**27.6**	57.0	132.3
In more than five years - due other than by instalments				
Bonds	11	**1,440.9**	1,098.6	1,098.4
		1,440.9	1,098.6	1,098.4
Non current borrowings		**1,468.5**	1,098.6	1,230.7
Total borrowings		**1,468.5**	1,155.6	1,230.7

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

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

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

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

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

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

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

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

Notes to the financial statements continued

for the six months ended 30 September 2019

11. Bank loans

	30 September 2019 £m	30 September 2018 £m	31 March 2019 £m
Secured Revolving Credit Facility	**30.0**	60.0	135.0
Less: unamortised debt issue costs[1]	**(2.4)**	(3.0)	(2.7)
	27.6	57.0	132.3

Note:

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

At 30 September 2019 the Group had £455.0m (31 March 2019: £350.0m) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £500.0m Secured Revolving Credit Facility (£30.0m drawn at 30 September 2019), 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 10 for further information on financial liabilities, including maturity analysis.

12. Bonds

	30 September 2019 £m	30 September 2018 £m	31 March 2019 £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	300.0
MAG bond 2.875% £350.0m due 2044	**350.0**	-	-
Less: discount on issue	**(8.2)**	(6.2)	(5.3)
Less: unamortised debt issue costs	**(10.9)**	(5.2)	(6.3)
	1,440.9	1,098.6	1,098.4

See Note 10 for further information on financial liabilities, including maturity analysis.

13. Lease liabilities

Cost	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
At 1 April 2019	212.0	209.6	0.7	422.3
New leases undertaken in the period	-	-	6.8	6.8
Interest charge for the period	5.3	5.0	0.1	10.4
Payments of liabilities	(8.0)	(5.3)	(0.4)	(13.7)
Transfer to liabilities held for sale	(5.0)	-	-	(5.0)
At 30 September 2019	**204.3**	**209.3**	**7.2**	**420.8**

Maturity analysis of lease liabilities

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Within 1 year	5.5	0.5	1.2	7.2
Within 2 to 5 years	16.6	2.3	6.0	24.9
Over 5 years	182.2	206.5	-	388.7
Total	**204.3**	**209.3**	**7.2**	**420.8**

The expense relating to variable lease payments not included in the measurement of lease liabilities is £0.8m.

Notes to the financial statements continued
for the six months ended 30 September 2019

13. Lease liabilities continued

Maturity analysis of lease liabilities

The table below shows the gross undiscounted contractual cash outflows in relation to the Group's lease liabilities as at 30 September 2019 to the contract maturity date.

	Land and Buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
In one year or less, or on demand	15.6	10.6	1.6	27.8
In more than one year, but not more than two years	14.9	10.6	1.8	27.4
In more than two years but not more than five years	40.5	31.7	4.6	76.8
In more than five years	537.0	618.0	-	1,155.0
Total	**608.0**	**670.9**	**8.1**	**1,287.0**

Key lease arrangements

Manchester City Council (held within land and buildings):
The Group has a commitment in respect of a land lease with The Council of the City of Manchester (MCC), a related party as described in note 16. Ground rent leases are a base fee of £2.8m (30 September 2018: £1.0m), included in the measurement of the lease liability in the table above, and increases with inflation linked to CPI.

Further minimum amounts are payable under the main lease agreement with MCC. Payments have two elements, one element variable based on turnover, and one element based on rental value of a number of properties at Manchester Airport. The minimum amounts due on the turnover element are based on a percentage of the prior rent paid. Whilst variable lease payments are typically excluded from the calculation of lease liability under IFRS 16, management have concluded that these minimum percentage payments qualify as an in-substance fixed lease payment, giving rise to the recognition of a £36m right-of-use asset and finance lease liability. As property element lease payments are variable depending on an index or rate, we have included these in the measurement of a further right-of-use asset and lease liability of £92m.

UK Power Networks (held within airport infrastructure):
A significant portion of the airport infrastructure lease liability relates to an electricity distribution agreement with UK Power Networks. Included in the measurement of the lease liability are minimum amounts payable under the agreement, relating to a base fee of £8.2m, and £2.2m for capital investment in the network, giving rise to the recognition of a right-of-use asset of £210.0m. Remaining amounts due are a volume and recharge element, which are variable in nature with no minimum commitment, and therefore excluded in measurement of the lease liability.

14. Retirement benefits

	30 September 2019 £m	30 September 2018 £m	31 March 2019 £m
Balance in scheme at start of the period	**(83.9)**	(87.3)	(87.1)
Movement in period			
Current service cost recognised in income statement	**(7.5)**	(6.1)	(14.1)
Contributions	**7.9**	7.6	16.1
Past service costs and curtailments recognised in the income statement	**7.6**		
Net interest expense recognised in income statement	**(1.1)**	(1.1)	(2.1)
Total remeasurements in statement of comprehensive income	**(47.6)**	52.5	3.3*
Balance in scheme at end of the period	**(124.6)**	(34.4)	(83.9)

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

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

A past service cost of £1.8m has been recognised in the income statement, reflecting an estimate of the impact of allowing for the McCloud judgement. The impact of the McCloud judgement has been considered and recognised at 30 September 2019, given the uncertainty around the approach used to calculate the impact and limited market practice as at 31 March 2019. A curtailment gain has been recognised of £9.4m reflecting the breaking of the salary link for members who have ceased accruals in the schemes, as part of the Group's exercise to give members the option to cease accrual of benefits in these schemes and instead build up benefits in an enhanced defined contribution scheme.

Notes to the financial statements continued
for the six months ended 30 September 2019

15. Deferred taxation

	Deferred taxation asset £m	Deferred taxation liability £m	Total £m
At 1 April 2019	14.2	(223.1)	(208.9)
Credit to income	(1.2)	(3.4)	(4.6)
Charge to equity	8.1	-	8.1
Transfer to liabilities held for sale	-	9.9	9.9
At 30 September 2019	**21.1**	**(216.6)**	**(195.5)**

16. Related party transactions

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

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 £25.1m (2018: £12.8m) and other sundry charges of £0.3m (2018: £0.4m). The majority 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 2019 the amount of loans outstanding owed by MAHL was £869.7m (2018: £661.1m), 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 £8.8m (2018: £6.2m).

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:
As at 30 September 2019 the amount of loans outstanding owed to MAFHL was £225.1m (2018: £163.2m owed by MAFHL), relating to interest payments on shareholder loans held outside of the MAGIL Group, and dividend distributions to MAFHL.

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 2019 the balance outstanding owed by Airport City (Manchester) Limited was £43.1m (2018: £39.1m), relating to the transfer of assets and funding. During the year Airport City (Manchester) Limited increased funding of £4.0m (2018: repaid funding of £7.0m).

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 30 September 2019 the balance outstanding owed by MAG US was £32.3m (2018: £19.1m), relating to funding provided by the MAGIL Group. During the year the MAGIL Group provided funding of £8.0m (2018: £1.8m).

Notes to the financial statements continued
for the six months ended 30 September 2019

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

	At 1 April 2019 £m	Cash flow £m	Other non-cash movements £m	**At 30 September 2019 £m**
Cash at bank and in hand	23.4	(8.8)	-	**14.6**
Cash on short term deposit	-	-	-	**-**
Cash and cash equivalents disclosed on the statement of financial position	23.4	(8.8)	-	**14.6**
Overdrafts	-	-	-	**-**
Total cash and cash equivalents (including overdrafts)	23.4	(8.8)	-	**14.6**
Current debt	-	-	-	**-**
Non-current debt	(1,230.7)	(236.8)	(1.0)	**(1,468.5)**
Net debt	(1,207.3)	(245.6)	(1.0)	**(1,453.9)**
IFRS 16 *				
Non-current debt	(422.3)	3.3	(1.8)	**(420.8)**
	(422.3)	**3.3**	**(1.8)**	**(420.8)**

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

18. Capital commitments and contingent liabilities

	30 September 2019 £m	30 September 2018 £m	31 March 2019 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**148.3**	212.9	155.3

In addition the Group has performance bonds and other items arising in the normal course of business amounting to £3.3m at 30 September 2019 (30 September 2018: £1.3m).

Notes to the financial statements continued
for the six months ended 30 September 2019

19. Assets and liabilities held for sale

	Six months ended 30 September 2019 £m
ASSETS HELD FOR SALE	
Non-current assets	
Right-of-use assets	**5.0**
Investment properties	**443.2**
	448.2
Current assets	
Trade and other receivables	**7.6**
	7.6
Total	**455.8**

	Six months ended 30 September 2019 £m
LIABILITIES HELD FOR SALE	
Current liabilities	
Trade and other payables	**(9.9)**
Current tax liabilities	**(1.0)**
	(10.9)
Non-current liabilities	
Non-current lease liabilities	**(5.0)**
Deferred tax liabilities	**(9.9)**
	(14.9)
Total	**(25.8)**

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

Notes to the financial statements continued

for the six months ended 30 September 2019

20. Impact of IFRS 16 upon primary financial statements

The purposes of these pages is to provide a reconciliation from the Interim financial results to the pro-forma statements with the previous IAS 17 policies adopted by the Group, thereby giving the reader greater insight into the impact of IFRS 16 on the reporting of Group since the modified retrospective methodology of implementation does not permit restatement of comparative figures.

Condensed consolidated income statement for the six months ended 30 September 2019

	Continuing operations six months ended 30 September 2019 as reported £m	Rent and finance costs £m	Depreciation £m	Continuing operations Six months ended 30 September 2019 Per IAS 17 £m
Revenue	**524.9**	-	-	**524.9**
Operating charges excluding depreciation and amortisation	**(256.7)**	(13.7)	-	**(270.4)**
Depreciation and amortisation	**(82.1)**	-	4.0	**(78.1)**
Result from operations before significant items	**186.1**	(13.7)	4.0	**176.4**
Significant items	**(13.9)**	-	-	**(13.9)**
Result from operations	**172.2**	(13.7)	4.0	**162.5**
Share of result of associate	**-**	-	-	**-**
Gains and losses on sales and valuation of investment properties	**0.8**	-	-	**0.8**
Finance income	**8.9**	-	-	**8.9**
Finance costs	**(26.5)**	10.4		**(16.1)**
Result before taxation	**155.4**	(3.3)	4.0	**156.1**

Interim consolidated statement of cash flows for the six months ended 30 September 2019

	Continuing operations Six months ended 30 September 2019 As reported £m	Payment recognised as operating charge £m	Interest charge £m	Lease repayment £m	Continuing operations Six months ended 30 September 2019 Per IAS 17 £m
Cash generated from continuing operations	**267.6**	**(13.7)**	**-**	**-**	**253.9**
Result before taxation - discontinued operations	31.3	-	-	-	31.3
Gains and losses on sales and valuations of investment properties - discontinued operations	(25.2)	-	-	-	(25.2)
Interest paid	(46.4)	-	10.4	-	(36.0)
Tax paid	(41.7)	-	-	-	(41.7)
Net cash from operating activities	**185.6**	**(13.7)**	**10.4**	**-**	**182.3**
Net cash from investing activities	**(267.2)**	**-**	**-**	**-**	**(267.2)**
Net cash from/(used in) financing activities	**72.8**	**-**	**-**	**3.3**	**76.1**
Net increase in cash and cash equivalents	**(8.8)**	**(13.7)**	**10.4**	**3.3**	**(8.8)**

Notes to the financial statements continued

for the six months ended 30 September 2019

20. Impact of IFRS 16 upon primary financial statements continued

Interim consolidated statement of financial position as at 30 September 2019

	Continuing operations six months ended 30 September 2019 as reported £m	Rent & finance costs £m	Depreciation £m	Opening balance offset £m	Additions £m	Transfer to assets and liabilities held for sale £m	Continuing operations six months ended 30 September 2019 per IAS 17 £m
Assets							
Non-current assets							
Goodwill	**166.3**	-	-	-	-	-	**166.3**
Property, plant and equipment	**3,136.3**	-	-	-	-	-	**3,136.3**
Right-of-use assets	**420.1**	-	4.0	(422.3)	(6.8)	5.0	**-**
Investment properties	**138.1**	-	-	-	-	-	**138.1**
Intangible assets	**39.2**	-	-	-	-	-	**39.2**
Deferred tax assets	**21.1**	-	-	-	-	-	**21.1**
	3,921.1	**-**	**4.0**	**(422.3)**	**(6.8)**	**5.0**	**3,501.0**
Current assets							
Assets held for sale	**455.8**	**-**	**-**	**-**	**-**	(5.0)	**450.8**
Inventories	**3.8**	-	-	-	-	-	**3.8**
Trade and other receivables	**146.3**	-	-	-	-	-	**146.3**
Cash and cash equivalents	**14.6**	-	-	-	-	-	**14.6**
Amounts owed by group undertakings	**1,214.1**	-	-	-	-	-	**1,214.1**
	1,834.6	**-**	**-**	**-**	**-**	**(5.0)**	**1,829.6**
Liabilities							
Current liabilities							
Liabilities held for sale	**(25.8)**	-	-	-	-	5.0	**(20.8)**
Trade and other payables	**(254.5)**	-	-	-	-	-	**(254.5)**
Deferred income	**(32.4)**	-	-	-	-	-	**(32.4)**
Current lease liabilities	**(7.2)**	-	-	7.2	-	-	**-**
Current tax liabilities	**(60.0)**	-	-	-	-	-	**(60.0)**
Amounts owed to group undertakings	**(658.5)**	**-**	**-**	**-**	**-**	**-**	**(658.5)**
	(1,038.4)	**-**	**-**	**7.2**	**-**	**5.0**	**(1,026.2)**
Net current assets	**796.2**	-	-	**7.2**	-	-	**803.4**
Non-current liabilities							
Borrowings	**(1,468.5)**	-	-	-	-	-	**(1,468.5)**
Retirement benefit liabilities	**(124.6)**	-	-	-	-	-	**(124.6)**
Non-current lease liabilities	**(413.6)**	(3.3)	-	415.1	6.8	(5.0)	**-**
Deferred tax liabilities	**(216.6)**	-	-	-	-	-	**(216.6)**
Other non-current liabilities	**(18.8)**	**-**	**-**	**-**	**-**	**-**	**(18.8)**
	(2,242.1)	**(3.3)**	**-**	**415.1**	**6.8**	**(5.0)**	**(1,828.5)**
NET ASSETS	**2,475.2**	**(3.3)**	**4.0**	**-**	**-**	**-**	**2,475.9**

Notes to the financial statements continued

for the six months ended 30 September 2019

Notes

20. Impact of IFRS 16 upon primary financial statements continued

Reconciliation from IAS 17 to IFRS 16 balance

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

	Lease liability £m
31 March 2019 - IAS 17 disclosure total	**439.9**
Application of discount rate to future lease payments[1]	(5.9)
	(5.9)
IFRS 16 opening impact estimate - 31 March 2019	**434.0**
Inclusion of fixed payments/exclusion of contingent rent[2]	(24.8)
Impact of rent increases	0.5
Adjustments to timing of payments	7.5
Options to extend[3]	4.9
Other	0.2
	(11.7)
IFRS 16 opening impact - 1 April 2019	**422.3**

Notes:
1. Under IAS 17, lease payments were undiscounted, except in the case of the MCC and UK Power Networks lease commitments discussed in note 15, where a discount rate of 5% has been historically applied. Under IFRS 16, all future lease payments are discounted with reference to the interest rate implicit in the lease.

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

3 For each lease where there are options to extend available to MAG, we have assessed whether it is probable that we will take this option. For the above options taken, management have indicated that profitable income from sub-letting these properties is highly likely to be sustained beyond the current lease term.

21. Post balance sheet events

Brexit and General Election

The UK will have a general election on 12 December 2019. The impact of the general election upon the UK's approach towards Brexit and the risks associated with the Brexit process will be evaluated by MAG as part of its ongoing risk management process.