

# INVESTING TRANSFORMING CONNECTING

**Interim Report and Accounts**

For the six months ended  
30 September 2019





MAG is 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

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

Revenue<sup>1</sup>

£535.9m

2019	535.9
2018	494.8
2017	454.6

+£41.1m  
+8.3%

Adjusted EBITDA<sup>\*1</sup>

£270.7m

2019	270.7
2018	233.6
2017	224.9

+£37.1m  
+15.9%

Like-for-like  
movement\*\*  
+£23.2m  
+9.9%

Adjusted operating profit<sup>\*1</sup>

£187.3m

2019	187.3
2018	156.9
2017	154.4

+£30.4m  
+19.4%

Like-for-like  
movement\*\*  
+£21.0m  
+13.4%

Passenger  
numbers<sup>1</sup>

36.4m

2019	36.4
2018	35.7
2017	34.4

+0.7m  
+2.0%

Cash generated  
from operations<sup>1</sup>

£261.9m

2019	261.9
2018	242.7
2017	185.3

+£19.2m  
+7.9%

Like-for-like  
movement\*\*  
+£5.3m  
+2.2%

Profit from  
operations<sup>1</sup>

£172.7m

2019	172.7
2018	154.0
2017	149.7

+£18.7m  
+12.1%

Like-for-like  
movement\*\*  
+£9.3m  
+6.0%

36.4m  
passengers  
(six months ended  
30 Sept 2019)

## 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

<sup>1</sup> All numbers relate to continuing operations unless stated, and 2018 & 2017 numbers have been restated as explained on page 15.

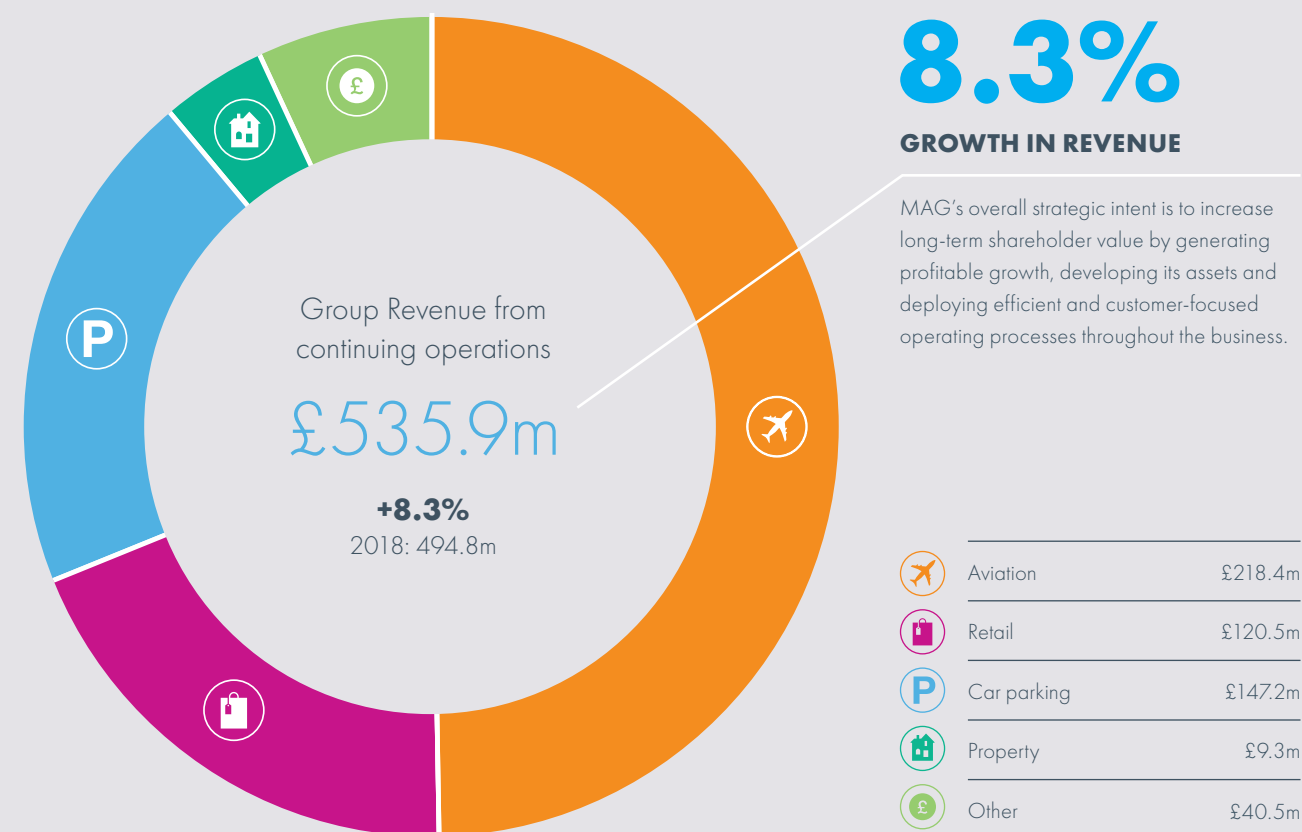
<sup>\*</sup> Before significant items as explained in the financial review on page 15.

<sup>\*\*</sup> 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 over 60m passengers annually flying through its airports, which together employ over 5,000 MAG personnel and support over 40,000 jobs on-site.



### 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 MAG
- Achieve profitable growth in all our businesses



### Aviation

MAG 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.

MAG 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 MAG 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 MAG gives retailers access to potentially more than 60m customers each year.

Retail revenue

£120.5m

2018: £111.9m

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

£147.2m

2018: £129.4m

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

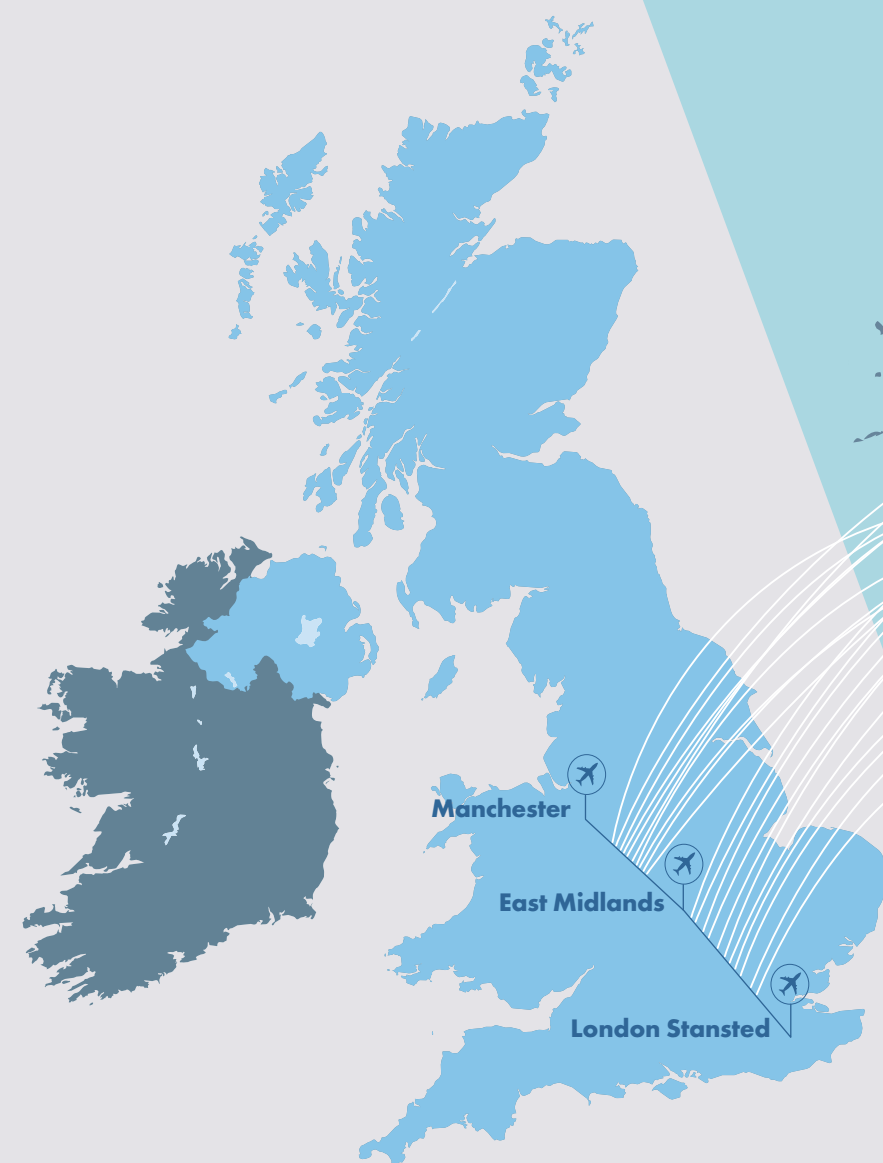
£9.3m

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

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





## Chief Executive's operating review

Investing in  
the future of  
UK aviation.

Revenue<sup>1</sup>  
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“Taken together, our investments not only offer passengers new facilities to enjoy today, they also boost our capacity for future growth.”

**CHARLIE CORNISH,**  
GROUP CHIEF EXECUTIVE, MAG

**I am pleased to be reflecting on a strong six months for MAG, to September 2019, a period in which our dynamic and innovative approach to airport management continued to deliver real benefits.**

In the first half of the year, a period including our busiest summer holiday season, 36.4m passengers travelled through our airports. This represents 700,000 more passengers than in the same period last year, equivalent to growth of 2% year on year. This has been achieved at a time of economic uncertainty, with many of our airline customers reporting a softening of overall demand across their networks.

Aviation growth, coupled with an ever more popular retail and food offering in our terminals, meant we were able to grow adjusted EBITDA\* to £270.7m (+15.9%\*).

EBITDA growth was driven by all three of our airports as well as MAG-O, our successful digital business. This shows the value of a company which is geographically balanced, and has the right in-house skills and expertise.

These results were posted at a time of ongoing political uncertainty. With the date of the UK's exit from the European Union still not confirmed, our focus is on our own business; pressing on with route development and growing our European and global connections.

Following the General Election in December, it will be important for the new Government to find a political solution to Brexit at the earliest opportunity, enabling the country to move forward and rebuild business and consumer confidence. However, we welcome the recently renewed commitment from both the UK and EU to maintaining vital air connectivity between the UK and Europe even in the event of a 'no deal' Brexit. This means that passengers can continue to book and travel in the knowledge that services will not be disrupted whatever the outcome.

60m+  
passengers per annum  
passing through our  
three airports

### Notes

\* As explained in finance review on page 15



## Chief Executive’s operating review continued

External events notwithstanding, we have again focused on investing in our business for the future over the last six months.

At Manchester Airport, we opened the first phase of our £1bn transformation programme – a brand new pier – on time in April. The reaction from passengers to the new pier has been very positive. By opening phases of the project in a staged approach, we are enabling passengers to benefit from new facilities earlier. We are also making good progress towards the completion of the extension to Terminal 2 which will open next year. I know that our passengers will enjoy using the new facilities – the opening is a big moment that we have been working towards for a long time.

At London Stansted, our transformation programme delivered new check in desks and a new multi-storey car park, providing an enhanced experience for passengers at Stansted. Stansted also – in common with our other airports – saw an improvement in passenger experience metrics this summer, with one of the strongest ‘on time performance’ measures of any major European airport, and over 90% of passengers clearing security in less than 15 minutes – a figure which continues to improve.

At East Midlands, we have now started the work required to double the size of East Midlands Airport’s immigration hall. The expanded facility will be ready ahead of next year’s busy summer season and will improve the arrivals experience for returning travellers and visitors, as well as future-proofing this part of the terminal to help cater for growth in years to come.



Taken together, our investments not only offer passengers new facilities to enjoy today, they also boost our terminal capacity for the future. This will enable us to make best use of our existing runway capacity and meet a bigger share of the UK’s future aviation demand, across the country, as well as in the increasingly constrained London system. In so doing, our airports’ sustainable growth will play a critical role in rebalancing the UK’s economy, something which will benefit generations to come.

We have matched our investment in new infrastructure with an important and renewed focus on staff training and development, with the aim of ensuring the customer experience we deliver across our airports is as welcoming and efficient as possible.

As we focus on our sustainable growth, MAG is leading the airport industry in its efforts to decarbonise and set out a way in which the economic and social benefits of global connectivity can continue to be enjoyed by British people and businesses.

All our airports are certified carbon neutral and we have pioneered initiatives demonstrating how innovative electric technologies can be used on our airfields. The Committee on Climate Change in its recent advice to Government recognised that, with planes departing UK airports for all points of the world, it is important to see aviation emissions as a global issue requiring a global response. That is why we believe it is right for governments and industry to work closely together, and for emissions to be managed within an international framework. We continue to work with the entire UK aviation industry on a plan that will enable it to reach ‘net zero’ carbon emissions by 2050.

In June, MAG responded to the Government’s consultation on a new Aviation Strategy, which will provide a long-term framework for the sustainable growth of the industry. We believe that it will be important for the Government to set out an ambitious strategy for the whole of the UK – that commits to deliver improved transport links to key strategic hubs, as part of a plan to grow

international connectivity from every part of the country. Our response to the consultation made clear that for our airports to maximise their contribution to meeting growing aviation demand and economic growth over coming decades, the Government must now match its commitment to delivering new capacity at Heathrow, with an equal commitment to supporting the future growth of airports like Manchester, London Stansted and East Midlands.

We were pleased to see the Government’s renewed strong focus on regional connectivity when the Prime Minister announced in July 2019 a commitment to building the first stage of ‘Northern Powerhouse Rail’ between Manchester and Leeds. NPR is a once in a generation transformational infrastructure project with the potential to drive stronger economic growth right across the North. We believe there is a strong case for the first phase to connect Leeds to a new station at Manchester Airport, via Manchester Piccadilly, linking it to the North’s key international gateway.

The same attention should also be given to speeding up the rail link between Stansted Airport and central London, and improving road and rail links to East Midlands Airport. Boosting links to nationally significant airports like Manchester, Stansted and East Midlands will enable them to fulfil their strategic potential and further enhance the role they can play in building global connections.

In September, Thomas Cook, one of our longest standing airlines, ceased trading and entered liquidation. Our immediate focus was to work with Government and the CAA on repatriating Thomas Cook passengers to the UK. I am pleased to say that our airports played a successful role in the repatriation programme, handling over 370 repatriation flights and over 70,000 passengers over a two-week period.



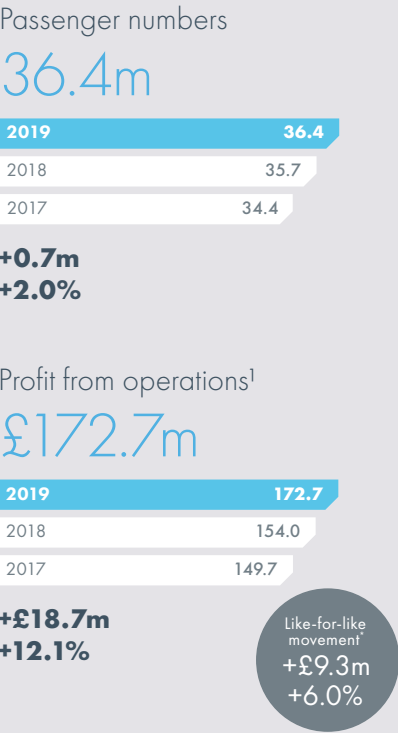
We have also been focused on doing everything we can to help former Thomas Cook employees find employment elsewhere in the industry. In early October, we held a major job fair at Manchester Airport which brought many industry partners together, and our teams at London Stansted and East Midlands have also been helping former employees to find new opportunities.

Meanwhile, our aviation development teams are working hard to ensure that the slots previously used by Thomas Cook are picked up as quickly as possible by other airlines. This will ensure that passengers can continue to benefit from the widest possible choice, and enable our airports to continue to provide strong employment opportunities. This work is already bearing fruit, as Jet2.com, Tui and Virgin Atlantic have all committed to extend their operations at Manchester since Thomas Cook’s collapse, and additional flights are also committed to at London Stansted and East Midlands.

MAG’s results continue to demonstrate resilience against various challenges. Our approach – to be innovative, customer-focused and commercial in our mind set – continues to be successful. Additionally, our expanding in-house digital business gives us opportunities to introduce industry-leading products. And our additional day-to-day focus this year on customer service and staff training has led to passengers telling us that their experience at our airports has been smoother and friendlier.

At a time when political uncertainty has contributed to a softening of demand for aviation across the UK, our continued growth allows us to press ahead with investment in Britain’s national infrastructure, in our people and in digital innovation. That being said, the lasting political uncertainty and the possibility of ‘no-deal’ Brexit has meant we have probably grown at a slower rate than would otherwise have been expected.

To continue growing successfully, we must offer passengers more of the services and connections they want, at the right price and give them an airport experience that is easy and friendly. That is our focus. Successful airports are ‘economic goods’ that can build regional and national economies up around them and I am proud of the ongoing role our sustainable growth plays in this respect.



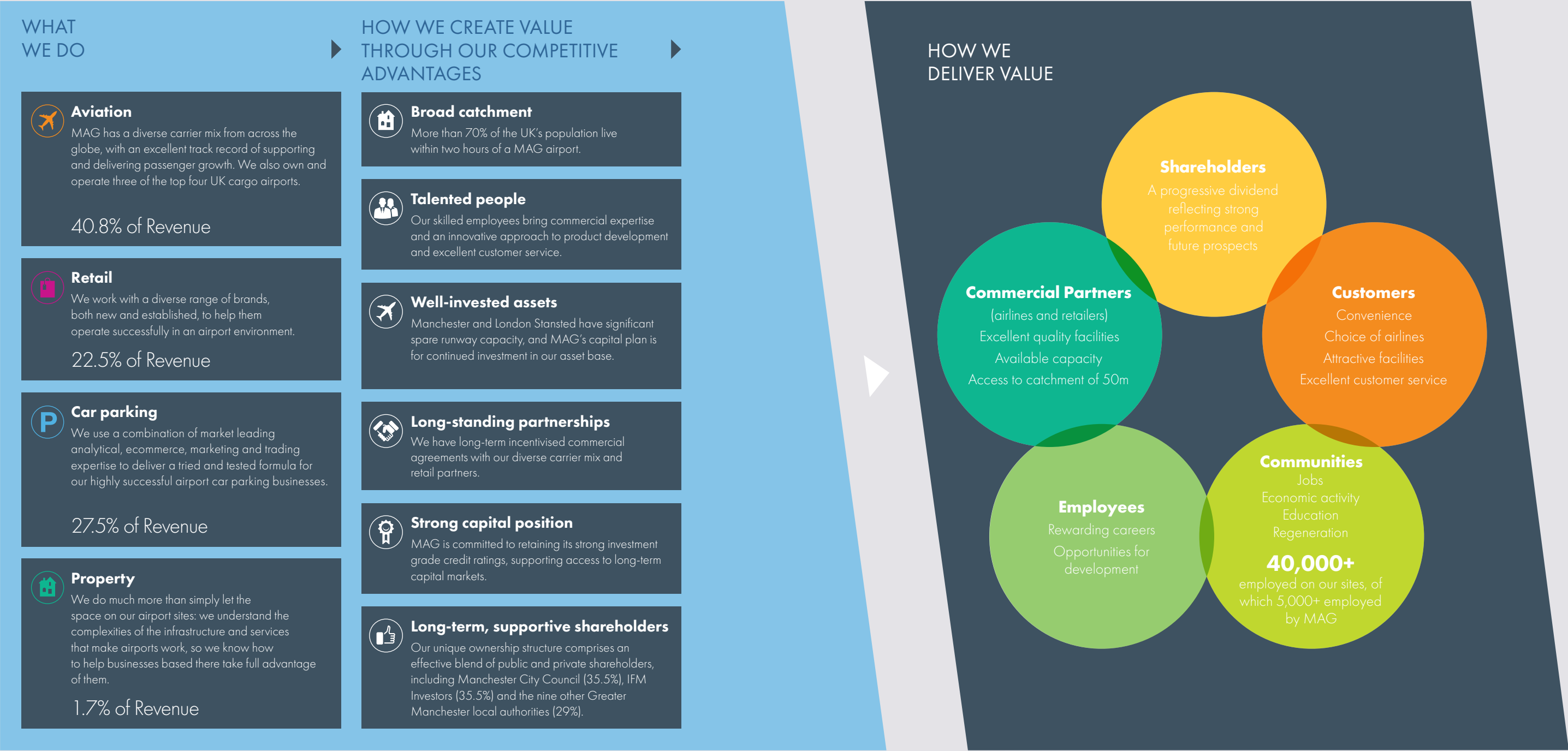
Notes

\* 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.

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Business model

Our business model is based on long-term relationships with our owners and partners, and well invested assets, creating value for all of our stakeholders.





## Corporate social responsibility

As we transform our business we are also transforming our approach to corporate social responsibility. We're opening up new opportunities, giving local people a greater voice and will lead the way on the environment.

**We are committed to being a responsible business, minimising the impacts of airport operations and ensuring that our airports play an active role delivering a wide range of value to the regions they serve.**

In October we published our annual Corporate Social Responsibility (CSR) Report for 2018-19, revealing that last financial year our airports contributed £8.2bn GVA to the UK economy, directly benefitting the regions we serve.

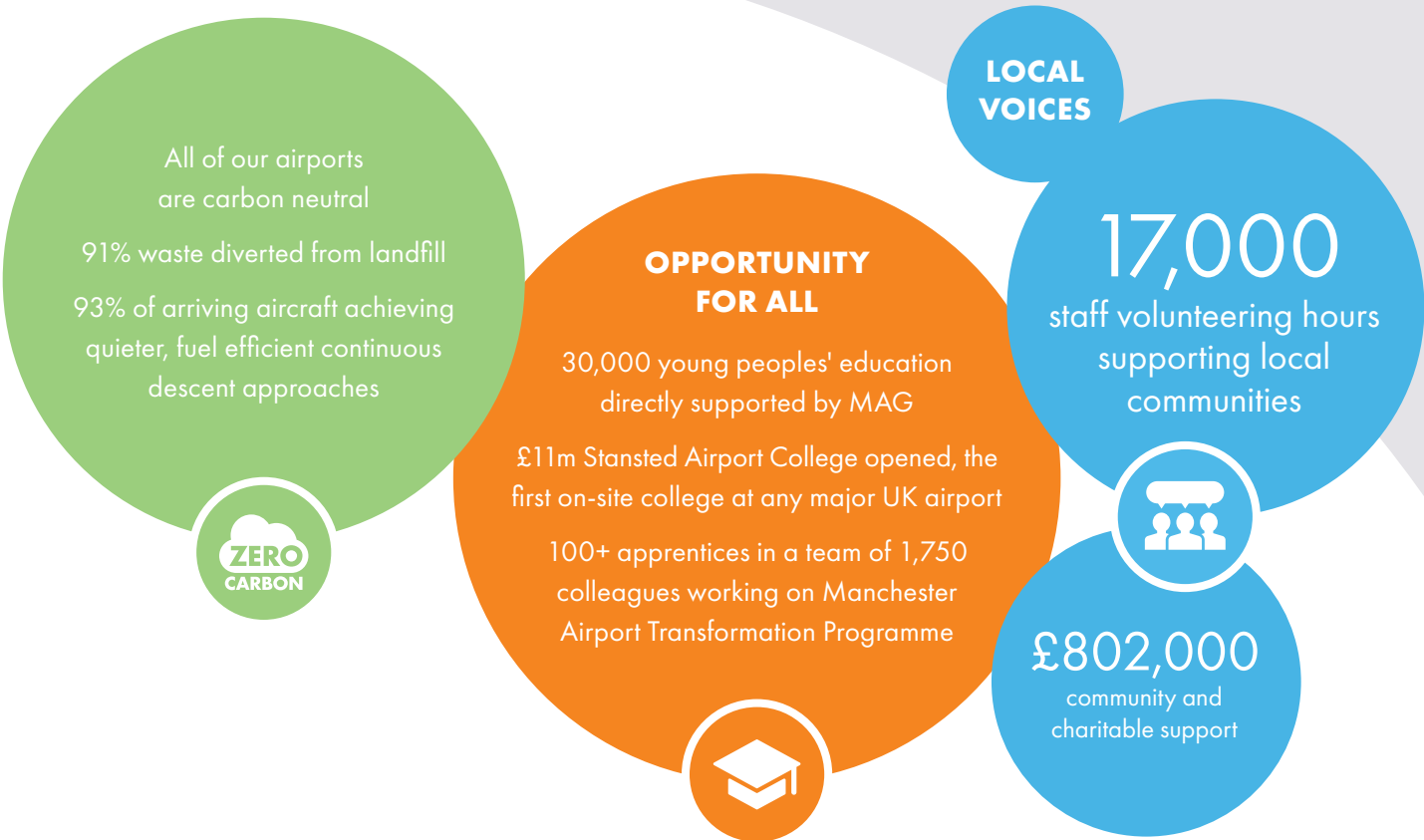
The report sets out how our environmental programmes continue to minimise the impacts

of airport operations and reaffirms our commitment to ensuring our airports are carbon neutral and hold ISO14001 certification for environmental management.

Over the summer we celebrated the graduation of the first students from the MAG Connect Stansted Airport College which, as the first on-site college at any major UK airport, is

providing specialist training for over 500 students each year.

Our airports have also continued to work closely with their neighbouring communities, including the facilitation of more than 80 sessions to listen to local voices.



**The MAG Connect programme is one of our stand-out successes. Developed to build a future pipeline of talent for our airports and to support local people – regardless of age, experience, or skillset – MAG Connect is providing access to employment opportunities at MAG airports with the support needed to ensure jobseekers and existing airport workers thrive in the workplace. Last year MAG Connect made 10,430 job referrals and directly supported the education of 30,462 young people.**

We continue to build on the success of our MAG Connect programme. In October we announced plans to open a new Aerozone at Manchester Airport. This new on-site education centre will be developed as part of Manchester Airport's £1bn Transformation Programme. Opening in 2020, the Aerozone

will enable us to support the education of 5,000 school children each year. The Aerozone will feature an aviation-inspired design with aeroplane seats for classroom seating and windows like those found onboard an aircraft. It will also include a dedicated "careers wall" to showcase the wide range of

careers available in aviation and information and offer advice on how to access these opportunities. By engaging with children in their formative years not only can we boost and build their confidence, we can also highlight a range of roles and careers available on their doorstep.

### WORKING TOGETHER FOR A BRIGHTER FUTURE

We want people to share the benefits of our growth, locally and regionally.

**Our airport provides opportunities to travel, employs thousands of people and makes an important economic contribution regionally and nationally.**

We will ensure that both our customers and the communities and regions around our airport benefit from this growth, in a way that means nobody gets left behind. We will create quality opportunities for work and break down barriers for everyone in our community. By listening and responding to local voices, and reducing all waste and carbon emissions, we will build a sustainable, successful and inclusive business of which we can all be proud.

ZERO CARBON AIRPORTS	OPPORTUNITY FOR ALL	LOCAL VOICES
Building on our platform of carbon neutrality, we are committed to cutting any remaining reliance on fossil fuels, whilst working alongside our partners to reduce the waste and emissions of activities related to our operation. Our influence extends beyond our own business, and we commit to working in partnership with the wider aviation industry to build a more sustainable future of transport.	We commit to creating quality employment. We believe in providing opportunity for all, in a safe, inclusive and diverse environment where colleagues are able to fulfil their potential and better meet the needs of our customers. Our influence extends beyond our own business, and we commit to working with all of our partners on our airport site to ensure high standards are upheld by all.	We are dedicated to addressing the local issues which matter most to the people living near us. We commit to engaging local voices, addressing noise and other local priorities, and providing opportunities for local people and businesses. We will build trust with our communities and aim to improve their quality of life.

**As we look to the years ahead, we are more determined than ever to ensure that the benefits of our success are shared and to deliver our approach to CSR: 'working together for a brighter future'.**

CSR is an issue of growing importance for businesses and wider society. We understand that all businesses need to play their part in their local communities and in tackling regional, national and international

challenges. Being a socially responsible business has been part of MAG's approach and operations since the beginning. Over the last year we have been working hard to develop our approach to CSR with the aim of building long lasting, collaborative relationships with community members, and creating trust and understanding. That is why the development of our new CSR Strategy is being guided by an independent 'materiality assessment' which represents the views of

employees, local community partners and the wider public. We are now putting the finishing touches to our new, exciting and wide-ranging CSR Strategy and look forward to publishing full details in early 2020.



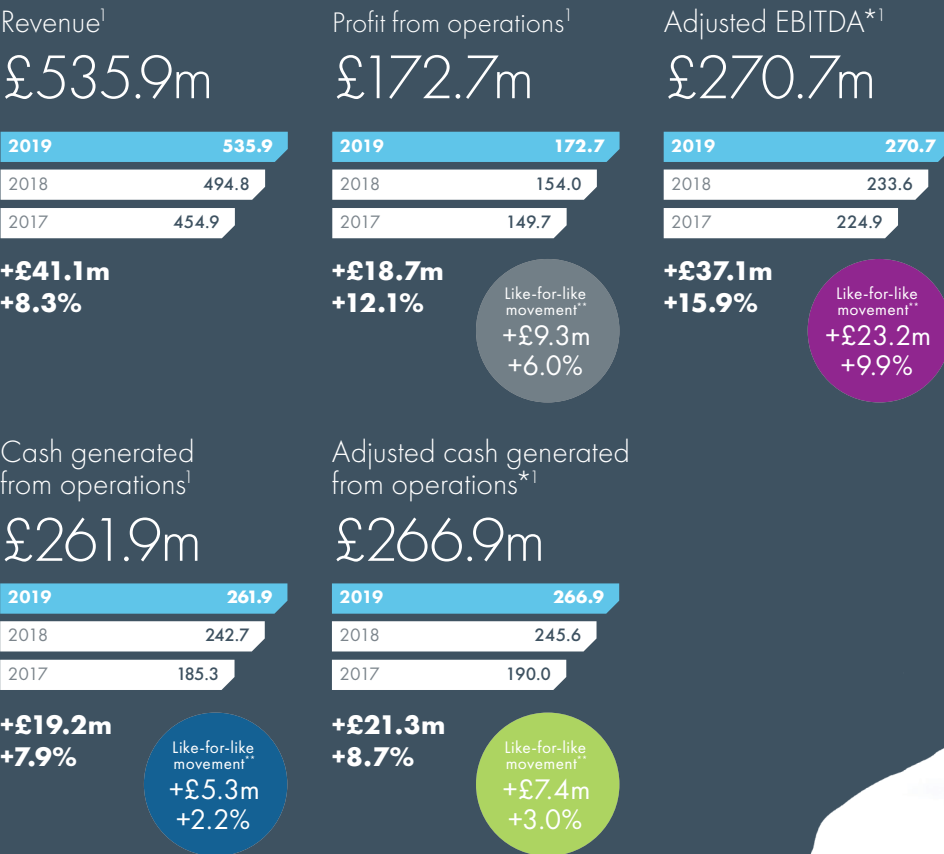
Financial review

MAG has continued to deliver strong year on year growth in the first half of the year against an uncertain economic backdrop.

The strong half year results are driven by continued implementation of MAG’s growth strategy, with increased passenger volumes, strong commercial performance and cash generation, together with continued focus on the management of our operating cost base.

We have also continued to invest significantly across all our airports to set the foundations for customer focused infrastructure in support of our continuing long-term growth strategy.

The second half of the year will be impacted by the recent collapse of Thomas Cook, however the first half performance, together with strong long-term prospects for the Group, supports sustainable and growing dividends for our shareholders.



Note  
<sup>1</sup> All numbers relate to continuing operations unless stated, and 2018 & 2017 numbers have been restated as explained on page 15.  
\* As explained on page 15.  
\*\* 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. IFRS 16 explained on page 20.



Review of continuing operations

Summary of the period’s results (£m)

	Six months ended 30 September 2019 <sup>4</sup>	Six months ended 30 September 2018 <sup>4</sup>	2019/2018 Change £m	2019/18 Change %
Passenger numbers	36.4	35.7	0.7	2.0%
Revenue	535.9	494.8	41.1	8.3%
Adjusted EBITDA <sup>1</sup>	270.7	233.6	37.1	15.9%
Adjusted operating profit <sup>2</sup>	187.3	156.9	30.4	19.4%
Profit from operations	172.7	154.0	18.7	12.1%
Profit before taxation	120.5	126.9	(6.4)	(5.0%)
Adjusted cash generated from operations <sup>3</sup>	266.9	245.6	21.3	8.7%
Cash generated from operations	261.9	242.7	19.2	7.9%
Capital investment	279.8	277.5	2.3	0.8%
Dividends paid in the period	128.0	110.7	17.3	15.6%
Net debt excluding IFRS 16	(2,042.5)	(1,559.4)	(483.1)	31.0%
Net debt including IFRS 16 <sup>5</sup>	(2,468.3)	(1,559.4)	(908.9)	58.3%
Equity shareholders' funds	1,434.5	1,547.9	(113.4)	(7.3%)

1 Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, and before significant items.  
2 Adjusted operating profit is operating profit before significant items.  
3 Adjusted cash generated from operations is cash generated from operations before significant items.  
4 Current year and comparative figures relate to restated continuing operations (excluding non-core property disposal).  
5 MAG have applied the modified retrospective approach when applying IFRS 16, which does not permit the restatement of comparative figures. Note 22 to the accounts provides a reconciliation of the impact of the adoption of the statement to the income statement and statement of financial position. Note 22 to the accounts provides a reconciliation of the impact of the adoption of the standard to the income statement and the statement of financial position.

Reconciliation of adjusted EBITDA to adjusted operating profit and profit from operations (£m)

	Six months ended 30 September 2019			Six months ended 30 September 2018		
	Before significant items	Significant items	After significant items	Before significant items	Significant items	After significant items
Adjusted EBITDA	270.7	(14.6)	256.1	233.6	(2.9)	230.7
Depreciation and amortisation	(83.4)	–	(83.4)	(76.7)	–	(76.7)
Adjusted operating profit / profit from operations	187.3	(14.6)	172.7	156.9	(2.9)	154.0

Measures used to assess performance

The Group uses a number of measures to assess financial performance that are not defined within IFRS and are widely referred to as ‘Alternative Performance Measures’ (APMs). The directors use these measures to review the performance of the Group, as evidenced by performance targets being significantly based on Adjusted EBITDA\*. As such, these measures are important and should be considered alongside the IFRS performance measures. The adjustments from IFRS measures are separately disclosed and are items that are significant in size or non-recurring in nature, and where, in the directors’ view, their separate disclosure gives a more accurate indication of the Group’s underlying financial performance. For example, costs incurred on Groupwide restructuring programs, certain costs associated with significant new systems implementations or costs associated with the new terminal, and M&A activity, are considered one-off and are presented within significant items as adjustments to the IFRS measures of financial performance. Alternative performance measures used within these statements are accompanied by a reference to the relevant IFRS measure and the adjustments made.

Summary trading performance

The Group has delivered further growth in the first half of the financial year, with all our Airport divisions exceeding the prior period performance at both a revenue and adjusted EBITDA\* level. This has been driven predominantly by an increase in passenger numbers of 2.0% to 36.4m. MAG PAX growth is at the upper end of the UK market and this coupled with our commercial strategy has enabled the Group to deliver an adjusted EBITDA\* up £37.1m (15.9%) at £270.7m. EBITDA and EBIT for the first half has been positively impacted by £13.9m and £9.4m respectively due to the required implementation of IFRS 16\*. Underlying EBITDA\* growth remains strong at £23.2m and 9.9% year on year. The increase in passengers is driven by Manchester (growth of 4.8% on prior period), due to improved yields and successful completion of the backfilling of the Monarch slots which had adversely impacted on the passenger volumes for the six months ending 30 September 2018. Increased passenger numbers were particularly driven by a rise in the number of passengers flying with Jet2.com and easyJet who increased capacity across our airports.

Additionally the growth was supported by the long-haul routes to North America and the Middle East. Transatlantic routes benefited from the introduction of Virgin’s service from Manchester to Los Angeles and increased frequency to four other US destinations. Our service to the Middle East was supported by additional frequency of Qatar from Manchester to Doha and the Emirates service to Dubai from Stansted. The collapse of Thomas Cook in September 2019 has had limited impact upon the trading results of the Group in the six months to 30 September. Active management of our financial position means that the Group has recovered all our outstanding receivables. The Group is actively working to mitigate the impact of the collapse on the Group’s performance in the second half of the year. Improved yields across our airports delivering improved income per customer in the aviation, retail and car parking revenue streams coupled with the Group’s passenger growth have led to an 8.3% increase in total revenues to £535.9m.

## Financial review continued

### Income analysis

#### Six months ended 30 September 2019



#### Six months ended 30 September 2018



#### Passenger traffic

	Six months ended 30 September 2019 (m)	Six months ended 30 September 2018 (m)	Change (m)	Change %
Manchester Airport	17.4	16.6	0.8	4.8
London Stansted Airport	15.9	15.9	0.0	0.0
East Midlands Airport	3.1	3.2	(0.1)	(3.1)
Total business	36.4	35.7	0.7	2.0

Aviation income of £218.4m represents growth of 7.5% on the equivalent period in the prior year. This reflects the additional passenger growth of 2.0% mainly from Manchester and also improved yields across all airports. Stansted PAX growth has remained flat, due to the reduction in traffic from Eurowings and Primera air, and some limited reduction from Ryanair, offset by continued growth from Jet2.com and the new Emirates services. East Midlands has seen a decline in PAX growth due to softer load factors across their carriers generally, partially offset by growth from Jet2.com. Cargo income, increased to 7.0% of aviation income, has seen growth of 14.4% driven by greater volumes of traffic at Stansted and East Midlands.

Retail income of £120.5m for the first six months of the year has grown by 7.7%, driven by increased passenger volumes, and improved yields. This has been supported by increases in MAG US lounge income and a strong retail performance at London Stansted.

Car parking has seen increased revenue growth over the first six months of the year, with revenues 13.8% higher than the prior period with the newly acquired Looking4Parking and SkyParkSecure fully contributing to this year. Additionally, the revenue increases were driven by additional capacity to serve the increased passenger volumes, and effective management of the customer trend of moving to pre-book channels.

\* As explained on page 15.

Property income across the Group has reduced by £1.4m to £9.3m. Other income, which includes utilities recharges and fees for airline services and aviation fuel sales, has increased by £0.8m (2.0%) on the prior period.

Operating costs before depreciation have increased by £4.0m, largely driven by £11.8m of additional employee costs. This was largely resulting from MAG's investment to support higher passenger volumes and customer service.

However this increase was offset by the re-categorisation of operating lease charges following the adoption of IFRS 16\*. The re-categorisation contributed £13.9m to the reported £37.1m adjusted EBITDA\* growth (£23.2m 9.9% growth on a like-for-like basis).

Depreciation and amortisation costs of £83.4m are £6.7m higher than the prior period, reflecting the accelerated investment in infrastructure across the Group.

During the first half of the year the Group incurred expenditure of £1.6m relating to the potential sale of its non-core property portfolio and one-off pension costs of £9.6m including the transfer of Group defined benefit pension scheme members to the Group's defined contribution scheme. These are the main components in the £14.6m being recognised as a significant item within the consolidated income statement.

After deducting depreciation, amortisation and significant items from adjusted EBITDA\*, the profit from continuing operations for the period is £172.7m, an increase of £18.7m (12.1%) on the prior period.

## Financial review continued

### Property

The MAG Property division manages the investment property portfolio comprising offices, hotels and cargo properties on an overall investment property portfolio of £579.3m. MAG also holds a 70% interest in the Airport City development at Manchester Airport.

In April 2019, as part of MAG's long term growth strategy, it commenced marketing for the sale of its non-core property portfolio. The proceeds will be used to further invest in new infrastructure and other growth opportunities. The results of the portfolio have been treated as discontinued operations and assets held for sale in the Interim Financial Report and condensed consolidated financial statements

for the half year ended 30 September 2019.

The property team continue to create opportunities to maximise value across its core property portfolio held across the Group.

### Adjusted EBITDA\* by division (£m)

	Six months ended 30 September 2019 (m)	Six months ended 30 September 2018 (m)	2019/2018 Change £m	2019/18 Change %
Manchester Airport	143.3	121.1	22.2	18.3%
London Stansted Airport	114.2	103.5	10.7	10.3%
East Midlands Airport	19.3	18.0	1.3	7.2%
MAG Property (retained property)	(2.6)	(1.8)	(0.8)	(44.4%)
Group, consolidation and other	(3.5)	(7.2)	3.7	51.4%
Continuing business	270.7	233.6	37.1	15.9%
MAG Property - held for sale	13.6	10.9	2.7	24.8%
Total business	284.3	244.5	39.8	16.3%

### Profit from operations by division (£m)

	Six months ended 30 September 2019 (m)	Six months ended 30 September 2018 (m)	2019/18 Change £m	2019/19 Change %
Manchester Airport	96.4	82.0	14.4	17.6%
London Stansted Airport	78.2	71.6	6.6	9.2%
East Midlands Airport	10.7	12.5	(1.8)	(14.4%)
MAG Property (retained property)	(2.6)	(1.8)	(0.8)	(44.4%)
Group, consolidation and other	(10.0)	(10.3)	0.3	2.9%
Continuing business	172.7	154.0	18.7	12.1%
MAG Property - held for sale	13.5	10.9	2.6	23.9%
Total business	186.2	164.9	21.3	12.9%

### Cash flow

Adjusted cash generated from operations during the first six months of the year has increased on the prior year by £21.3m (8.7%) reflecting good translation of profits into cash and working capital management. Strong cashflow is a key part of supporting our long-term financing position and allows the Group to continue to invest in infrastructure and development opportunities.

### Financing and interest

Group net interest payable for the period, at £60.2m (of which £52.8m relates to the continuing business), has increased in line with borrowings. This was built up from: the underlying finance charge of £60.9m; interest of £1.1m relating to the defined benefit pension; and

£10.5m of interest charge relating to leases following the adoption of IFRS 16. This is partially offset by £12.1m of interest costs being capitalised in the period.

Net debt has increased from 31 March 2019 to £2,468.3m. This net debt position reflects the adoption of IFRS 16 'Leases' during the period with the associated recognition of £425.8m of finance lease liability. MAG's banking covenants are on a frozen GAAP basis and consequently are not impacted by the adoption of the new standard.

During the period, the Group received £350m from a 2.875% bond issue with a maturity date of 2044. This will support the funding of our transformation projects whilst maintaining a healthy and balanced funding position.

The Group continues to retain two strong investment grade credit ratings which support ongoing access to long-term capital markets to facilitate growth.

### Capital investment

The Group increased its rate of investment in infrastructure across all its airports, with expenditure totalling £279.8m during the first half of the year. The Manchester Transformation Programme continues to be the largest individual project in the period with spend of £144.7m. Other significant expenditure in the period related to the Stansted Transformation Programme in excess of £30m, additional investment in Manchester car parking of £27m and upgrading hold screen baggage screening of £15m.



Financial review continued

Pensions

The accounting deficit for all Group schemes is calculated by independent scheme actuaries PricewaterhouseCoopers, who incorporate data taken from a number of markets in calculating the closing deficit position at the balance sheet date. During the six-month period the IAS 19 accounting deficit of the aggregate of the Group’s defined benefit schemes increased from £83.9m to £124.6m. The increase in the deficit reflects a reduction in corporate bond yields partially offset by improved asset returns.

In addition to the revision of financial assumptions the pension liability was also impacted by two non-recurring transactions: the McCloud judgement; and a curtailment of the defined benefit scheme.

Following the McCloud judgement in December 2018 it was expected that this ruling would have an impact upon public service pension schemes. The ruling determined age discriminatory changes were made to LGPS schemes in 2015, of which the GMPF pension scheme is a fund. The actuarial assessment has estimated an impact of £1.8m to the Group and this has been reflected as a significant item for the period.

As part of MAG's pension risk management strategy, during the period MAG offered the opportunity for members in the MAG defined benefit pension schemes to cease the accrual of benefits in those schemes in return for building up benefits in an enhanced defined contribution scheme.

The payments due to the scheme members taking up the offer have been reflected in the Group accounts for the six months ended 30 September 2019. This additional charge of £17.2m has been partially offset by the resulting curtailment benefit of £9.4m arising in the defined benefit schemes. A net charge of £7.8m has been reflected as a charge to the income statement and has been reflected in significant items in the financial statements for the six months ended 30 September 2019.

Tax

The tax charge for the six months ended 30 September 2019 is £42.1m (2018: £36.0m). 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 tax payment for the six months ended 30 September 2019 increased to £41.7m (2018: £27.2m) following HMRC’s acceleration of corporation tax payments so that tax is paid within the year that it is earned.

Equity shareholders’ funds and dividends

Equity shareholders’ funds are £1,434.5m (31 March 2019: £1,492.7m). The movement comprises £109.7m profit after tax, a remeasurement loss on pension liabilities (net of tax) of £39.5m recorded in reserves, and the payment of a dividend of £128.0m during the first half of the year, reflecting the final dividend for the year ended 31 March 2019.

In line with our dividend policy, in light of the growth achieved during the first six months of the financial year, and consistent with the strong long-term growth prospects, the directors have declared an interim dividend of £71.3m, which will be paid to the shareholders upon the signing of these financial statements.

Post balance sheet events

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.

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

We confirm that to the best of our knowledge:

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

By order of the Board

Charles T. Cornish

CHARLIE CORNISH  
GROUP CHIEF EXECUTIVE, MAG  
10 DECEMBER 2019

Neil Thompson

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 22 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 APMs 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 22 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.

## Accounting policies continued

### 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 £2,546.5m (31 March 2019: £2,196.9m) of committed facilities (including £601.5m of shareholder loans) and a net debt position, excluding finance lease liabilities, of £2,042.5m (31 March 2019: £1,799.7m).

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 £480m at 30 September 2019 (31 March 2019: £400m), 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, 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 in the 2019 Annual Report and Accounts, which is available on the Group's website ([www.magairports.com](http://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 operation	Total business	Continuing operations*	Discontinued operation*	Total business*	Total business* <sup>1</sup>
Revenue	1	535.9	15.7	551.6	494.8	13.7	508.5	889.4
Result from operations before significant items	4	187.3	13.5	200.8	156.9	10.9	167.8	226.0
Significant items	3	(14.6)	-	(14.6)	(2.9)	-	(2.9)	(15.2)
Result from operations		172.7	13.5	186.2	154.0	10.9	164.9	210.8
Share of result of associate	11	(0.2)	-	(0.2)	(0.1)	-	(0.1)	3.5
Gains and losses on sales and valuation of investment properties	10	0.8	25.2	26.0	(0.8)	-	(0.8)	45.8
Finance costs		(52.8)	(7.4)	(60.2)	(26.2)	(7.3)	(33.5)	(74.5)
Result before taxation		120.5	31.3	151.8	126.9	3.6	130.5	185.6
Taxation - result from operations	5	(39.5)	(5.4)	(44.9)	(36.4)	(0.2)	(36.6)	(44.3)
Taxation - significant items	5	2.8	-	2.8	0.6	-	0.6	2.1
Result for the period		83.8	25.9	109.7	91.1	3.4	94.5	143.4
Earnings per share expressed in pence per share		26.5	8.2	34.7	28.8	1.1	29.8	45.3

\*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 22 analyses the impact of the adoption of IFRS 16 on the consolidated income statement and key reporting metrics.

<sup>1</sup> The discontinued operations element of the 31 March 2019 total business is disclosed in note 6.

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 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		109.7	94.5	143.4
Other comprehensive (expense)/income				
Items that will not be reclassified to profit or loss:				
Remeasurement of retirement benefit liabilities	16	(47.6)	52.5	3.5
Deferred tax on remeasurement of retirement benefit liabilities	5	8.1	(9.0)	(0.6)
Other comprehensive (expense)/income for the period		(39.5)	43.5	2.9
Total comprehensive income for the period		70.2	138.0	146.3

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2019

		Attributable to equity holders of the Company			
	Note	Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2019		316.7	687.2	488.8	1,492.7
Total comprehensive income for the period					
Result for the period		-	-	109.7	109.7
Foreign exchange movement				(0.4)	(0.4)
Remeasurement of retirement benefit liabilities, net of tax	5, 16	-	-	(39.5)	(39.5)
Transactions with owners recorded directly in equity					
Dividends paid to equity holders	7	-	-	(128.0)	(128.0)
Balance at 30 September 2019		316.7	687.2	430.6	1,434.5

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	Reserves £m	Total £m
Balance at 1 April 2018		316.7	687.2	516.7	1,520.6
<b>Total comprehensive income for the period</b>					
Result for the period		–	–	94.5	94.5
Remeasurement of retirement benefit liabilities, net of tax	5, 16	–	–	43.5	43.5
		–	–	138.0	138.0
<b>Transactions with owners recorded directly in equity</b>					
Dividends paid to equity holders	7	–	–	(110.7)	(110.7)
<b>Balance at 30 September 2018</b>		<b>316.7</b>	<b>687.2</b>	<b>544.0</b>	<b>1,547.9</b>

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	Reserves £m	Total £m
Balance at 1 April 2018		316.7	687.2	516.7	1,520.6
<b>Total comprehensive income for the year</b>					
Result for the year		–	–	143.4	143.4
Foreign exchange movement				0.5	0.5
Remeasurement of retirement benefit liabilities, net of tax	5, 16		–	2.9	2.9
		–	–	146.8	146.8
<b>Transactions with owners recorded directly in equity</b>					
Dividends paid to equity holders		–	–	(174.7)	(174.7)
<b>Balance at 31 March 2019</b>		<b>316.7</b>	<b>687.2</b>	<b>488.8</b>	<b>1,492.7</b>

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
<b>ASSETS</b>				
<b>Non – current assets</b>				
Goodwill		170.8	169.3	170.8
Intangible assets		46.3	44.1	47.0
Property, plant and equipment	8	3,177.7	2,736.6	2,978.8
Right-of-use assets	9	424.9	–	–
Investment properties	10	138.1	521.6	552.6
Investment in associate	11	6.9	17.0	23.7
Deferred tax assets	17	21.1	5.8	14.2
		3,985.8	3,494.4	3,787.1
<b>CURRENT ASSETS</b>				
Assets held for sale	21	472.9	–	2.6
Inventories		3.9	2.7	3.5
Trade and other receivables		153.0	206.5	129.7
Cash and cash equivalents		27.5	22.7	32.5
		657.3	231.9	168.3
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Liabilities held for sale	21	(25.8)	–	–
Trade and other payables		(271.3)	(250.0)	(252.6)
Deferred income		(32.7)	(38.3)	(25.7)
Current lease liabilities	15	(7.8)	–	–
Current tax liabilities		(18.1)	(41.5)	(24.4)
		(355.7)	(329.8)	(302.7)
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		<b>301.6</b>	<b>(97.9)</b>	<b>(134.4)</b>
<b>Non – current liabilities</b>				
Borrowings	12–14	(2,070.0)	(1,582.1)	(1,832.2)
Retirement benefit liabilities	16	(124.6)	(34.4)	(83.9)
Non-current lease liabilities	15	(418.0)	–	–
Deferred tax liabilities	17	(219.7)	(220.0)	(225.1)
Other non-current liabilities		(20.6)	(12.1)	(18.8)
		(2,852.9)	(1,848.6)	(2,160.0)
<b>NET ASSETS</b>		<b>1,434.5</b>	<b>1,547.9</b>	<b>1,492.7</b>
<b>Shareholders' equity</b>				
Share capital		316.7	316.7	316.7
Share premium		687.2	687.2	687.2
Retained earnings		430.6	544.0	488.8
<b>TOTAL EQUITY</b>		<b>1,434.5</b>	<b>1,547.9</b>	<b>1,492.7</b>

\*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 22 analyses the impact of the adoption of IFRS 16 on the consolidated income statement and key reporting metrics.

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

The financial statements on pages 22 to 45 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

		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	Year ended 31 March 2019 £m
	Note	Before significant items	Significant items	After significant items	After significant items*	After significant items*
<b>Cash flows from operating activities</b>						
Result before taxation - continuing operations		135.1	(14.6)	120.5	126.9	185.6
Gains and losses on sales and valuations of investment properties		(0.8)	-	(0.8)	-	(45.8)
Share of result of associate		0.2	-	0.2	0.1	(3.5)
Net finance income and expense		60.2	-	60.2	44.6	74.5
Depreciation and amortisation		83.4	-	83.4	76.7	153.6
Profit on sale of property, plant and equipment		-	-	-	0.4	(1.8)
Increase in trade and other receivables and inventories		(28.6)	-	(28.6)	(54.9)	13.3
(Increase) in assets and liabilities held for sale		(0.2)	-	(0.2)	-	-
Increase in trade and other payables		17.3	-	17.3	49.5	15.8
Increase/(release) of grants		0.7	-	0.7	(0.2)	6.6
Increase in retirement benefits provision		(0.4)	9.6	9.2	(0.4)	0.1
<b>Cash generated from continuing operations</b>		<b>266.9</b>	<b>(5.0)</b>	<b>261.9</b>	<b>242.7</b>	<b>398.4</b>
Result before taxation – discontinued operation				31.3	3.6	30.6
Gain on valuations of investment properties – discontinued operation				(25.2)	-	(28.9)
Movement in working capital – discontinued operation				-	2.4	1.3
Interest paid				(70.5)	(44.7)	(98.1)
Tax paid				(41.7)	(27.2)	(41.1)
<b>Net cash from operating activities</b>				<b>155.8</b>	<b>176.8</b>	<b>262.2</b>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment				(267.8)	(303.9)	(566.5)
(Investment in associate)				(0.8)	(1.4)	(4.5)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				0.7	6.6	(4.5)
Proceeds from sale of assets held for sale				1.8	-	-
Proceeds from sale of discontinued operation				-	-	15.4
<b>Net cash used in investing activities</b>				<b>(266.1)</b>	<b>(298.7)</b>	<b>(560.1)</b>
<b>Cash flows from financing activities</b>						
(Decrease)/increase in bank loan borrowings, net of debt issue costs				(105.0)	60.3	135.1
Issue of shareholder loans				-	175.0	350.0
Bond issued in the year, net of issue costs				341.8	-	-
Payment of principal on lease liabilities				(3.5)	-	-
Dividends paid to shareholders				(128.0)	(110.7)	(174.7)
<b>Net cash from financing activities</b>				<b>105.3</b>	<b>124.6</b>	<b>310.4</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	19			<b>(5.0)</b>	<b>2.7</b>	<b>12.5</b>
Cash and cash equivalents at beginning of the period				32.5	20.0	20.0
<b>Cash and cash equivalents at end of the period</b>				<b>27.5</b>	<b>22.7</b>	<b>32.5</b>

\*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 22 analyses the impact of the adoption of IFRS 16 on the consolidated income statement and key reporting metrics.

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 2019

### 1. Revenue

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

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m	Year ended 31 March 2019 £m
	Continuing operations	Continuing operations	Continuing operations
	£m	£m	£m
<b>Aviation income</b>	<b>218.4</b>	203.1	354.5
<b>Commercial income</b>			
Retail concessions	<b>120.5</b>	111.9	198.1
Car parking	<b>147.2</b>	129.4	221.4
Property and property related income	<b>9.3</b>	10.7	18.5
Other	<b>40.5</b>	39.7	69.2
<b>Total commercial income</b>	<b>317.5</b>	291.7	507.2
<b>Total income – continuing operations</b>	<b>535.9</b>	494.8	861.7
Income – discontinued operations <sup>1</sup>	<b>15.7</b>	13.7	27.7
<b>Total income</b>	<b>551.6</b>	508.5	889.4

<sup>1</sup> All income from discontinued operation relates to property and property related income.

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 <sup>3</sup> £m	Consolidated – continuing operations £m	Discontinued operations £m
<b>Revenue</b>							
External sales	266.4	215.8	44.4	0.5	14.5	<b>541.6</b>	<b>15.7</b>
Inter-segment sales <sup>4</sup>	(1.7)	-	-	-	(4.0)	<b>(5.7)</b>	<b>-</b>
Total revenue	264.7	215.8	44.4	0.5	10.5	<b>535.9</b>	<b>15.7</b>
<b>Result</b>							
Segment operating profit/(loss) before significant items	99.7	82.0	13.0	(2.6)	(4.8)	<b>187.3</b>	<b>13.5</b>
Significant items	(3.3)	(3.8)	(2.3)	-	(5.2)	<b>(14.6)</b>	<b>-</b>
Segment operating profit/(loss) after significant items	96.4	78.2	10.7	(2.6)	(10.0)	<b>172.7</b>	<b>13.5</b>
Share of result of associate						<b>(0.2)</b>	<b>-</b>
Gains and losses on sales and valuation of investment properties						<b>0.8</b>	<b>25.2</b>
Finance costs						<b>(52.8)</b>	<b>(7.4)</b>
<b>Result before taxation</b>						<b>120.5</b>	<b>31.3</b>
<b>Other information</b>							
Segment assets	1,949.6	1,183.7	239.8	(Note 1)	797.1	<b>4,170.2</b>	<b>472.9</b>
Segment liabilities	(443.1)	(426.4)	(75.0)	(Note 1)	(2,238.3)	<b>(3,182.8)</b>	<b>(25.8)</b>
Capital expenditure	206.9	48.3	3.9	(Note 1)	18.7	<b>277.8</b>	<b>2.0</b>
Depreciation	42.1	32.2	6.3	(Note 1)	1.0	<b>81.6</b>	<b>0.1</b>
Amortisation	1.3	-	-	(Note 1)	0.5	<b>1.8</b>	<b>-</b>
Taxation	21.6	15.4	2.2	(Note 1)	(2.5)	<b>36.7</b>	<b>5.4</b>
<b>Result – geographical location<sup>2</sup></b>							
Segment operating profit/(loss) before significant items	97.1	82.0	13.0	(Note 2)	(4.8)	<b>187.3</b>	<b>13.5</b>

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 <sup>3</sup> £m	Restated consolidated operations £m	Discontinued operations £m
<b>Revenue</b>							
External sales	243.4	203.5	42.0	-	5.9	<b>494.8</b>	<b>13.7</b>
Inter-segment sales <sup>4</sup>	(1.8)	-	-	-	1.8	<b>-</b>	<b>-</b>
Total revenue	241.6	203.5	42.0	-	7.7	<b>494.8</b>	<b>13.7</b>
<b>Result</b>							
Segment operating profit/(loss) before significant items	82.3	71.6	12.5	(1.8)	(7.7)	<b>156.9</b>	<b>10.9</b>
Significant items	(0.3)	-	-	-	(2.6)	<b>(2.9)</b>	<b>-</b>
Segment operating profit/(loss) after significant items	82.0	71.6	12.5	(1.8)	(10.3)	<b>154.0</b>	<b>10.9</b>
Share of result of associate						<b>(0.1)</b>	<b>-</b>
Gains and losses on sales and valuation of investment properties						<b>(0.8)</b>	<b>-</b>
Finance costs						<b>(26.2)</b>	<b>(7.3)</b>
<b>Result before taxation</b>						<b>126.9</b>	<b>3.6</b>
<b>Other information</b>							
Segment assets	1,484.5	883.1	249.1	Note 1	711.4	<b>3,328.1</b>	<b>398.2</b>
Segment liabilities	(197.1)	(153.1)	(65.4)	Note 1	(1,747.5)	<b>(2,163.1)</b>	<b>(15.3)</b>
Capital expenditure	198.4	67.0	7.1	Note 1	4.7	<b>277.2</b>	<b>0.3</b>
Depreciation	37.0	31.9	5.5	Note 1	0.4	<b>74.8</b>	<b>-</b>
Amortisation	1.9	-	-	Note 1	-	<b>1.9</b>	<b>-</b>
Taxation	17.8	14.5	2.4	Note 1	1.1	<b>35.8</b>	<b>0.2</b>
<b>Result – geographical location<sup>2</sup></b>							
Segment operating profit/(loss) before significant items	80.5	71.6	12.5	Note 2	(7.7)	<b>156.9</b>	<b>10.9</b>

Notes:

- <sup>1</sup> MAG's non-core property has been disclosed separately as a discontinued operation, see note 6. 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.
- <sup>2</sup> 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.
- <sup>3</sup> 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 22 Borrowings.
- <sup>4</sup> 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
<b>Recorded in result from operations</b>			
Significant items <sup>1</sup>	14.6	2.9	9.4
<b>Total significant items recorded in result from continuing operations</b>	<b>14.6</b>	2.9	9.4
<b>Recorded in result from discontinued operations</b>			
Significant items incurred by discontinued operations	-	-	1.5
Loss on sale of discontinued operation <sup>2</sup>	-	-	4.3
<b>Total significant items recorded in result from discontinued operations</b>	<b>-</b>	-	5.8
<b>Total significant items</b>	<b>14.6</b>	2.9	15.2

Notes:  
<sup>1</sup> **Significant items**  
Significant items of £14.6m (2019: £2.9m) include costs of a number of restructuring programmes across the Group of £4.0m, one-off pension costs of £9.6m, M&A activity of £0.5m, and additional operating costs that have been incurred as a result of the ongoing Manchester Transformation Programme works of £0.5m.  
<sup>2</sup> **Loss on sale of discontinued operation**  
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
<b>Turnover</b>	<b>535.9</b>	494.8	861.7
Wages and salaries	(113.6)	(105.0)	(209.2)
Social security costs	(10.6)	(9.9)	(20.5)
Pension costs	(11.9)	(9.4)	(19.1)
<b>Employee benefit costs</b>	<b>(136.1)</b>	(124.3)	(248.8)
Depreciation and amortisation	(83.4)	(76.7)	(153.8)
Profit on disposal of property, plant and equipment	-	(0.4)	1.8
Other operating charges <sup>1</sup>	(129.1)	(136.5)	(257.0)
<b>Result from continuing operations before significant items</b>	<b>187.3</b>	156.9	203.9
Result from discontinued operations before significant items	13.5	10.9	22.1
<b>Result from operations before significant items - total business</b>	<b>200.8</b>	167.8	226.0

Notes:  
<sup>1</sup> 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
<b>Current taxation</b>			
UK corporation tax on profits for the period	50.2	36.2	39.9
Adjustment in respect of prior period	-	-	(2.0)
<b>Total current taxation</b>	<b>50.2</b>	36.2	37.9
<b>Deferred taxation</b>			
Temporary differences arising in the period	(8.1)	(0.2)	6.4
Adjustment in respect of prior period	-	-	(2.1)
<b>Total deferred taxation</b>	<b>(8.1)</b>	(0.2)	4.3
<b>Total taxation charge</b>	<b>42.1</b>	36.0	42.2

Taxation on items charged/(credited) 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
<b>Total taxation (credit)/charge</b>	<b>(8.1)</b>	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 27.6% (2018: 25.2%).  
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 2019

6. Discontinued operation

The results of the discontinued operation, 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 operation	25.9	3.4	29.6
Net profit attributable to discontinued operation (attributable to owners of the Company)	25.9	3.4	29.6

The Group has commenced a sales process for 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 represented a major line of business for the Group. Consequently the trading performance of the portfolio has been classified as a discontinued operation. 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. Dividends

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m
Amounts recognised as distributions to equity holders in the period		
Dividend paid in relation to the year ended 31 March 2019 of 40.42 pence (2018: 34.95 pence) per share	128.0	110.7
Proposed interim dividend for the year ended 31 March 2020 of 22.51 pence (2019: 20.21 pence) per share	71.3	64.0

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

8. 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	209.9	481.6	2,173.1	739.0	768.0	4,371.6
Additions	-	-	-	-	279.8	279.8
Reclassification from assets in the course of construction	-	122.2	93.6	69.9	(285.7)	-
Reclassification to investment properties (note 10)	-	(0.1)	(0.2)	(0.2)	(2.1)	(2.6)
Reclassification to intangible assets	-	-	-	-	(1.1)	(1.1)
At 30 September 2019	209.9	603.7	2,266.5	808.7	758.9	4,647.7
Depreciation						
At 1 April 2019	64.5	198.2	587.2	542.9	-	1,392.8
Charge for the period	-	8.1	38.1	31.0	-	77.2
At 30 September 2019	64.5	206.3	625.3	573.9	-	1,470.0
Carrying amount						
At 30 September 2019	145.4	397.4	1,641.2	234.8	758.9	3,177.7
Carrying amount						
At 31 March 2019	145.4	283.4	1,585.9	196.1	768.0	2,978.8

The carrying amount of land not depreciated as at 30 September 2019 is £235.8m (31 March 2019: £235.8m).

Capitalised borrowing costs

During the six months ended 30 September 2019, borrowing costs of £12.1m were capitalised (30 September 2018: £11.2m), relating to borrowing costs incurred in FY20. Capitalised borrowing costs were calculated on a monthly basis, by applying the rate of interest for the relevant month to expenditure incurred in that month. The average rate of interest applied in the six months to 30 September 2019 iis 6.02% (30 September 2018: 5.88%).



Notes to the financial statements continued

for the six months ended 30 September 2019

9. Right-of-use assets

	Land and buildings	Airport infrastructure	Plant, fixtures and equipment	Total
<b>Cost</b>	£m	£m	£m	£m
At 1 April 2019	215.7	209.6	0.7	426.0
Additions	1.5	-	6.9	8.4
Disposals to assets held for sale	(5.0)	-	-	(5.0)
<b>At 30 September 2019</b>	<b>212.2</b>	<b>209.6</b>	<b>7.6</b>	<b>429.4</b>
<b>Depreciation</b>	£m	£m	£m	£m
At 1 April 2019	-	-	-	-
Charge for the period	2.4	1.6	0.5	4.5
<b>At 30 September 2019</b>	<b>2.4</b>	<b>1.6</b>	<b>0.5</b>	<b>4.5</b>
<b>Carrying amount</b>	£m	£m	£m	£m
<b>At 30 September 2019</b>	<b>209.8</b>	<b>208.0</b>	<b>7.1</b>	<b>424.9</b>

Key lease arrangements

Key lease arrangements are detailed at note 15.

Income from subleasing right-of-use assets

During the six month period to 30 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 six month period to 30 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

10. Investment properties

	Investment properties £m
<b>Valuation</b>	
At 1 April 2019	552.6
Reclassification from assets in the course of construction (note 8)	2.6
Disposals	(0.7)
Revaluation	24.8
Transfers to assets held for sale	(441.2)
<b>At 30 September 2019</b>	<b>138.1</b>
<b>Carrying amount</b>	
<b>At 30 September 2018</b>	<b>521.6</b>
<b>At 31 March 2019</b>	<b>552.6</b>

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 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.

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

11. Investment in associate

	£m
<b>Cost and carrying value</b>	
At 1 April 2019	23.7
Investment in associate	0.5
Group's share of associate's result	(0.2)
Transfer to assets held for sale <sup>1</sup>	(17.1)
<b>At 30 September 2019</b>	<b>6.9</b>

Note:  
1. The Group has commenced the sales process of a 50% shareholding of Airport City during the six months ended 30 September 2019, with the sale anticipated to complete within 12 months. The value of this interest has been calculated proportionate to the original 70% shareholding.

The investment in associate relates to the Group's investment in Airport City.

Included within the investment in associate balance is an amount of £2.5m (31 March 2018: £2.5m) relating to MAG's own costs incurred in the setting up of its share in Airport City. This will be released to the consolidated income statement on a proportional basis on the sale of plots within the Airport City development.

Airport City, a partnership with two other partners to develop part of the land around Manchester Airport for hotels, offices and logistics and advanced manufacturing, was formally constituted on 8 October 2014. The directors have applied IFRS 10 'Consolidated Financial Statements' and IAS 28 Revised 'Investment in Associates' in classifying the Group's 70% share in Airport City as an Associate, determining that MAG has significant influence over Airport City by virtue of its shareholding, but not control given that all key matters require a super-majority of more than 79.9%, such that MAG plus all but one other party must be in agreement to exercise control.

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

	Six months ended 30 September 2019 £m	Six months ended 30 September 2018 £m
Current assets	34.2	31.4
Current liabilities	(3.5)	(3.8)
Net assets	30.7	27.6
<b>Group's share of associate's net assets</b>	<b>21.5</b>	14.5
Revenue	-	-
Result for the period	(0.2)	(0.3)
<b>Group's share of associate's result for the period</b>	<b>(0.2)</b>	(0.1)

As part of its investment in Airport City, the Group has agreed to pay an equity contribution up to a maximum of £42m if required, being 70% of the total agreed equity contribution of £60m across all members of the joint venture. This commitment will reduce to £12m upon sale of the 50% shareholding.

Airport City has no significant contingent liabilities to which the Group is exposed, and there are no restrictions that would prevent the transfer of funds to the Group (2018: none).

Notes to the financial statements continued

for the six months ended 30 September 2019

12. Borrowings

	Note	30 September 2019 £m	30 September 2018 £m	31 March 2019 £m
Bank loans	13	27.6	57.0	132.3
Bonds	14	1,440.9	1,098.6	1,098.4
Other borrowings		601.5	426.5	601.5
		<b>2,070.0</b>	1,582.1	1,832.2
Borrowings are repayable as follows:				
<b>In one year or less, or on demand</b>				
Bank loans	13	-	-	-
		-	-	-
<b>In more than one year, but no more than two years</b>				
Bank loans		-	-	-
		-	-	-
<b>In more than two years, but no more than five years</b>				
Bank loans	13	27.6	57.0	132.3
<b>In more than five years – due other than by instalments</b>				
Bonds	14	1,440.9	1,098.6	1,098.4
Other borrowings		601.5	426.5	601.5
		<b>2,042.4</b>	1,525.1	1,699.9
Non – current borrowings		<b>2,070.0</b>	1,582.1	1,832.2
<b>Total borrowings</b>		<b>2,070.0</b>	1,582.1	1,832.2

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

13. 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 <sup>1</sup>	(2.4)	(3.0)	(2.7)
	27.6	57.0	132.3

Note:  
<sup>1</sup> 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 12 for further information on financial liabilities, including maturity analysis.

14. Bonds

	30 September 2019 £m	30 September 2018 £m	31 March 2019 £m
<b>Repayable other than by instalments</b>			
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 12 for further information on financial liabilities, including maturity analysis.

15. Lease liabilities

	Land and buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
<b>Cost</b>				
At 1 April 2019	215.7	209.6	0.7	426.0
New leases in the period	1.5	-	6.8	8.3
Interest charge for the period	5.3	5.0	0.1	10.4
Payments of liabilities	(8.2)	(5.3)	(0.4)	(13.9)
Transfer to assets held for sale	(5.0)	-	-	(5.0)
<b>At 30 September 2019</b>	<b>209.3</b>	<b>209.3</b>	<b>7.2</b>	<b>425.8</b>

Maturity analysis of lease liabilities (discounted):

	Land and buildings £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Total £m
Within one year	6.1	0.5	1.2	7.8
Within two to five years	19.6	2.3	6.0	27.9
Over five years	183.6	206.5	-	390.1
<b>Total</b>	<b>209.3</b>	<b>209.3</b>	<b>7.2</b>	<b>425.8</b>

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

15. 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	16.6	10.6	1.6	28.8
In more than one year, but not more than two years	15.9	10.6	1.9	28.4
In more than two years but not more than five years	43.2	31.7	4.6	79.5
In more than five years	538.5	618.0	-	1,156.5
<b>Total</b>	<b>614.2</b>	<b>670.9</b>	<b>8.1</b>	<b>1,293.2</b>

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 18. 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.

16. Retirement benefits

	30 September 2019 £m	30 September 2018 £m	31 March 2019 £m
<b>Balance in scheme at start of the period</b>	<b>(83.9)</b>	(87.3)	(87.3)
<b>Movement in period</b>			
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 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*
<b>Balance in scheme at end of the period</b>	<b>(124.6)</b>	(34.4)	(83.9)

\*The movement of £3.3m in additional 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.

## Notes to the financial statements continued

### for the six months ended 30 September 2019

#### 16. Retirement benefits continued

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.

#### 17. Deferred taxation

	Deferred taxation asset £m	Deferred taxation liability £m	Total £m
At 1 April 2019	14.2	(225.1)	(210.9)
(Charge) to income*	(1.2)	(4.5)	(5.7)
Credit to equity	8.1	-	8.1
Transfer to assets held for sale	-	9.9	9.9
<b>At 30 September 2019</b>	<b>21.1</b>	<b>(219.7)</b>	<b>(198.6)</b>

\* Of the £5.7m deferred tax impact on the income statement, £0.9m is attributable to continuing operations and £4.8m is attributable to the discontinuing operation.

#### 18. Related party transactions

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

##### Transactions involving The Council of the City of Manchester and the other council shareholders

The Council of the City of Manchester ('MCC') is a related party to Manchester Airports Holdings Limited as MCC owns 35.5% of the share capital of the Company.

As at 30 September 2019 the amount of loans outstanding owed to MCC by the Group was £145.3m (30 September 2018: £145.3m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2018: £nil) to MCC during the year and paid interest of £6.5m (30 September 2018: £6.5m).

As at 30 September 2019 the amount of loans outstanding owed to the other nine councils (each of which is a related party to Manchester Airports Holdings Limited by virtue of its shareholding) by the Group was £130.1m (30 September 2018: £130.1m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2018: £nil) to the other nine councils during the year and paid interest of £6.0m (30 September 2018: £6.0m).

Included in external charges are charges for rent and rates amounting to £12.8m (30 September 2018: £12.8m) and other sundry charges of £0.3m (30 September 2018: £0.3m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

##### Transactions involving IFM

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

As at 30 September 2019 the amount of loans outstanding owed to IFM by the Group was £151.5m (30 September 2018: £151.5m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2018: £nil) to IFM during the year and paid interest of £6.9m (30 September 2018: £6.9m).

##### Transactions involving associate

As at 30 September 2019 the amounts owing to the Group were £nil (30 September 2018: £nil) and amounts owed by the Group were £nil (30 September 2018: £nil). Net assets of £nil (30 September 2018: £nil), comprising freehold land, were sold to the associate by the Group during the period.

## Notes to the financial statements continued

### for the six months ended 30 September 2019

#### 19. 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	32.5	(5.0)	-	<b>27.5</b>
Cash on short term deposit	-	-	-	-
Cash and cash equivalents disclosed on the statement of financial position	32.5	(5.0)	-	<b>27.5</b>
Overdrafts	-	-	-	-
Total cash and cash equivalents (including overdrafts)	32.5	(5.0)	-	<b>27.5</b>
Current debt	-	-	-	-
Non-current debt	(1,832.2)	(236.8)	(1.0)	<b>(2,070.0)</b>
Net debt	(1,799.7)	(241.8)	(1.0)	<b>(2,042.5)</b>

##### IFRS 16 \*

Non-current debt	(426.0)	3.6	(3.4)	(425.8)
	<b>(426.0)</b>	<b>3.6</b>	<b>(3.4)</b>	<b>(425.8)</b>

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

#### 20. 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	<b>148.4</b>	212.9	155.4

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). As part of its investment in Airport City the Group has agreed to pay an equity contribution up to a maximum of £42m if required.



## Notes to the financial statements continued

### for the six months ended 30 September 2019

#### 21. Assets and liabilities held for sale as at 30th September 2019

	Six months ended 30 September 2019 £m
<b>ASSETS HELD FOR SALE</b>	
<b>Non-current assets</b>	
Right-of-use assets	5.0
Investment properties	443.2
Investment in associate	17.1
	<b>465.3</b>
<b>Current assets</b>	
Trade and other receivables	7.6
	<b>7.6</b>
<b>Total</b>	<b>472.9</b>
	Six months ended 30 September 2019 £m
<b>LIABILITIES HELD FOR SALE</b>	
<b>Current liabilities</b>	
Trade and other payables	(9.9)
Current tax liabilities	(1.0)
	<b>(10.9)</b>
<b>Non-current liabilities</b>	
Non-current lease liabilities	(5.0)
Deferred tax liabilities	(9.9)
	<b>(14.9)</b>
<b>Total</b>	<b>(25.8)</b>

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

#### 22. 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 (including key APMs such as Adjusted EBITDA), 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.

##### Interim 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
<b>Revenue</b>	<b>535.9</b>			<b>535.9</b>
Operating charges excluding depreciation	(265.2)	(13.9)	-	(279.1)
<b>Adjusted EBITDA</b>	<b>270.7</b>	(13.9)	-	<b>256.8</b>
Depreciation	(83.4)	-	4.4	(79.0)
<b>Result from operations before significant items</b>	<b>187.3</b>	(13.9)	4.4	<b>177.8</b>
Significant items	(14.6)	-	-	(14.6)
<b>Result from operations</b>	<b>172.7</b>	(13.9)	4.4	<b>163.2</b>
Share of result of associate	(0.2)	-	-	(0.2)
Gains and losses on sales and valuation of investment properties	0.8	-	-	0.8
Finance costs	(52.8)	10.4		(42.4)
<b>Result before taxation</b>	<b>120.5</b>	<b>(3.5)</b>	<b>4.4</b>	<b>121.4</b>

##### 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
<b>Cash generated from continuing operations</b>	<b>261.9</b>	<b>(13.9)</b>	-	-	<b>248.0</b>
Result before taxation - discontinued operation	31.3	-	-	-	31.3
Gains and losses on sales and valuations of investment properties - discontinued operation	(25.2)	-	-	-	(25.2)
Interest paid	(70.5)	-	10.4	-	(60.1)
Tax paid	(41.7)	-	-	-	(41.7)
<b>Net cash from operating activities</b>	<b>155.8</b>	<b>(13.9)</b>	<b>10.4</b>	-	<b>152.3</b>
<b>Net cash used in investing activities</b>	<b>(266.1)</b>				<b>(266.1)</b>
<b>Net cash from/(used in) financing activities</b>	<b>105.3</b>			<b>3.5</b>	<b>108.8</b>
<b>Net increase in cash and cash equivalents</b>	<b>(5.0)</b>	<b>(13.9)</b>	<b>10.4</b>	<b>3.5</b>	<b>(5.0)</b>

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

22. Impact of IFRS 16 upon primary financial statements continued

Interim Condensed Consolidated Statement of financial position as at 30 September 2019

	Continuing Operations Six months ended 30 September 2019 As reported £m	Rent and finance costs £m	Depreciation £m	Opening balance offset £m	Additions £m	Transfers to assets held for sale £m	Continuing Operations Six months ended 30 September 2019 Per IAS17 £m
<b>ASSETS</b>							
<b>Non-current assets</b>							
Goodwill	170.8	-	-	-	-	-	170.8
Property, plant and equipment	3,177.7	-	-	-	-	-	3,177.7
Right-of-use assets	424.9		4.4	(426.0)	(8.3)	5.0	(0.0)
Investment properties	138.1	-	-	-	-	-	138.1
Intangible assets	46.3	-	-	-	-	-	46.3
Investment in associate	6.9	-	-	-	-	-	6.9
Deferred tax assets	21.1	-	-	-	-	-	21.1
	3,985.8	-	4.4	(426.0)	(8.3)	5.0	3,560.9
<b>CURRENT ASSETS</b>							
Assets held for sale	472.9	-	-	-	-	(5.0)	467.9
Inventories	3.9	-	-	-	-	-	3.9
Trade and other receivables	153.0	-	-	-	-	-	153.0
Cash and cash equivalents	27.5	-	-	-	-	-	27.5
	657.3	-	-	-	-	-	652.3
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Liabilities held for sale	(25.8)	-	-	-	-	5.0	(20.8)
Borrowings	-	-	-	-	-	-	-
Trade and other payables	(271.3)	-	-	-	-	-	(271.3)
Deferred income	(32.7)	-	-	-	-	-	(32.7)
Current lease liabilities	(7.8)	-	-	7.8	-	-	-
Current tax liabilities	(18.1)	-	-	-	-	-	(18.1)
	(355.7)	-	-	7.8	-	-	(342.9)
<b>NET CURRENT LIABILITIES</b>	301.6	-	-	7.8	-	-	309.4
<b>Non-current liabilities</b>							
Borrowings	(2,070.0)	-	-	-	-	-	(2,070.0)
Retirement benefit liabilities	(124.6)	-	-	-	-	-	(124.6)
Non-current lease liabilities	(418.0)	(3.5)	-	418.2	8.3	(5.0)	(0.0)
Deferred tax liabilities	(219.7)	-	-	-	-	-	(219.7)
Other non-current liabilities	(20.6)	-	-	-	-	-	(20.6)
	(2,852.9)	(3.5)	-	418.2	8.3	(5.0)	(2,434.9)
<b>NET ASSETS</b>	1,434.5	(3.5)	4.4	-	-	-	1,435.4

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

22. 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
<b>31 March 2019 - IAS 17 disclosure total</b>	<b>442.9</b>
Application of discount rate to future lease payments <sup>1</sup>	(6.0)
	<b>(6.0)</b>
<b>IFRS 16 opening impact estimate - 31 March 2019</b>	<b>436.9</b>
Inclusion of fixed payments/ exclusion of contingent rent <sup>2</sup>	(24.8)
Impact of rent increases	0.5
Adjustments to timing of payments	8.3
Options to extend <sup>3</sup>	4.9
Other	0.2
	<b>(10.9)</b>
<b>IFRS 16 opening impact - 1 April 2019</b>	<b>426.0</b>

- Notes:
- 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.
  - 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.
  - 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.

23. 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.



