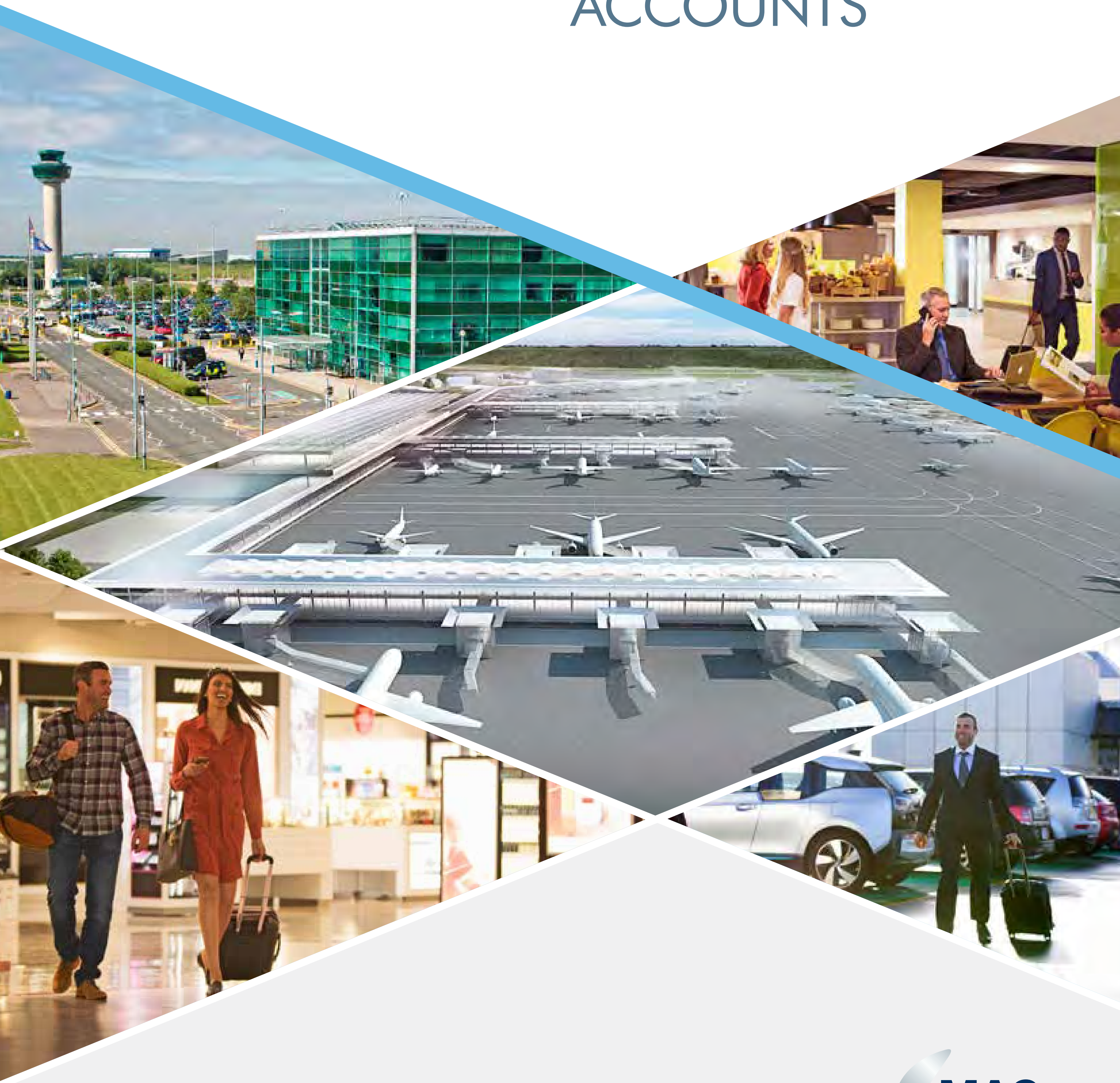
2015-16 MAGIL ANNUAL REPORT AND ACCOUNTS



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Contents

Strategic Report

The directors present their strategic report for Manchester Airport Group Investments Limited for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

Manchester Airport Group Investments Limited ('the Group') comprises the Company and its subsidiaries. The principal activities of the Group during the year were the ownership, operation and development of airport facilities in the UK. The Group's revenues were derived from aircraft and passenger handling charges, together with income from airport's commercial and retail activities and property.

RESULTS, REVIEW OF BUSINESS AND FUTURE OUTLOOK

The consolidated results for the year are set out on page 16.

The Company intends to continue its development of the Group as an operator of high quality airports and airport facilities, meeting the demand for air travel arising in the regions served, with a reputation for quality, customer service, value for money and a sustainable approach to development.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks faced by the Company are aligned to that of Manchester Airports Holdings Limited. For more details of these risks and how they are managed please refer to the strategic report in the annual report and accounts for Manchester Airports Holdings Limited. The directors have not identified any other significant risks for the Company.

KEY PERFORMANCE INDICATORS

The key performance indicators for the Company are aligned to that of Manchester Airports Holdings Limited. For more details of these KPIs please refer to the strategic report in the annual report and accounts for Manchester Airports Holdings Limited. The directors have not used any additional KPIs for the Company.

GOING CONCERN

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events, which are inherently uncertain, including the potential impacts of the UK's decision to leave the EU. Nevertheless, at the time of preparation of these accounts and after making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these accounts.

By order of the Board.

Neil Thompson
Director
For and on behalf of the Board of Directors
13 July 2016

Directors' Report for the year ended 31 March 2016

The directors present their annual report on the affairs of Manchester Airport Group Investments Limited (the "Company") together with the audited financial statements for the year ended 31 March 2016.

DIVIDENDS AND TRANSFERS TO RESERVES

The retained profit for the year of £171.5m (2015: profit of £72.7m) will be transferred to reserves.

THE BOARD OF DIRECTORS

At 31 March 2016, the Board comprised;

Charlie Cornish
Neil Thompson

The directors of the Company, who held office during the year, had no interest in the shares of any of the companies comprising the Group at any time during the year.

Indemnity and Insurance

The Company's Articles of Association provide that, to the extent permitted by the Companies Acts, the Company may indemnify any Director or former Director of the Company or any associated company against any liability. Directors' and Officers' insurance has been established to provide cover for all Directors' against their reasonable actions on behalf of the Company.

Statement of Disclosure of Information to the Auditor

Each person who is a Director at the date of approval of this report confirms that:

(a) so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) they have taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

CONTRACTS OF SIGNIFICANCE

Details of contracts of significance with The Council of the City of Manchester are set out in Note 29 to these financial statements.

EMPLOYEES

Employment Policies

The Group's employment policies are regularly reviewed, refreshed where applicable, and updated in agreement with the Board. The Group is committed to treating all employees and job applicants fairly and on merit, regardless of age, disability, gender and gender reassignment, marital and civil partnership status, pregnancy and maternity, race, religion or belief, and sexual orientation. The Group does not tolerate harassment or discrimination of any kind. If an employee becomes disabled, every effort is made to retain them in their current role or provide retraining or redeployment within the Group.

Diversity

The Group understands that diversity in its workforce provides access to a wider range of talents, experience and skills, promoting greater creativity and innovation. By increasingly reflecting the communities and cultures that surround it, the Group believes it can become ever more responsive to the many and varied needs of its customers.

MAG is committed to promoting inclusion and creating a positive and diverse environment where all individuals are valued and respected, but recognises that engendering and maintaining that environment requires constant attention and a strong emphasis on leadership awareness and capability. These will be the cornerstones of the MAG Diversity Programme which is currently being developed for launch later in the year. That Programme will also prompt a detailed assessment of those parts of the Group where a greater diversity of talent may be required, especially in relation to its international strategy.

Apprentices and the National Living Wage

MAG remains fully supportive of apprenticeships. It increased its intake during the financial year and is presently exploring the possibility of widening its apprenticeships offer for the 2017/18 financial year with a view to enhancing talent pool diversity.

The new and compulsory National Living Wage for workers aged 25 and over became effective on 1 April 2016. MAG is committed to paying all of its employees above the prescribed level.

Consultation and Communication

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are being made which may affect their interests. During the year under review, an employee survey was undertaken in which all employees had the opportunity to participate and provide their opinions.

The Group is constantly looking for ways to ensure that employees are able to participate and engage in the business and are kept abreast of its performance and prospects. As part of the Trade Union recognition arrangements, various employee forums exist for each business area, and more information on consultation is provided in the report on corporate social responsibility.

In addition, briefings in relation to key business and operational developments are cascaded throughout the organization, whilst a more informal Group-wide in-house MAGazine is produced on a quarterly basis and distributed to all employees.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code, copies are available from the CBI, Cannon Place, 78 Cannon Street, London, EC4N 6HN. For other suppliers the Group's policy is to:

– settle the terms of payment with those suppliers when agreeing the terms of each transaction;

– ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and

– pay in accordance with its contractual and other legal obligations.

The payment practice applies to all payments to creditors for revenue and capital supplies of goods and services without exception. The period of credit taken by the Group at 31 March 2016 was 21 days (2015: 22 days), which has been calculated in accordance with the average number of days between date of invoice and the payment of the invoice.

MODERN SLAVERY ACT 2015

Our principal reference points for slavery and human trafficking are the definitions set out in the Modern Slavery Act 2015. We recognise that slavery and human trafficking can occur in many forms such as forced labour, child labour, domestic servitude, sex trafficking and workplace abuse. We are also aware that forced labour as a form of slavery includes debt bondage and the restriction of a person's freedom of movement whether that be physical or non-physical: for example, by the withholding of a worker's identity papers. We use the terms "slavery" and "human trafficking" to encompass all of these various forms of coerced labour.

We are committed to maintaining, and continuously improving, our practices to combat slavery and human trafficking. We are totally opposed to such abuses in our direct operations, our indirect operations and our supply chain as a whole, and understand that we have a responsibility to be alert to these risks in our business. All employees are expected to report concerns and management are expected to act upon them.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the Group and its subsidiaries during the year totalled £0.8m (2015: £0.8m). The donations were all made to recognised local and national charities for a variety of purposes. It is the Group's policy not to make contributions to political parties.

AUDITOR

Pursuant to the provisions of section 485 of the Companies Act 2006, a resolution relating to the reappointment of KPMG LLP as auditor is to be proposed within the relevant period set out in that section but, should no such resolution be proposed within that period, KPMG LLP will be deemed to be re-appointed as auditor in accordance with section 487.

Neil Thompson
Director
For and on behalf of the Board of Directors
13 July 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Neil Thompson

Neil Thompson
Director
For and on behalf of the Board of Directors
13 July 2016

Group Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORT GROUP INVESTMENTS LIMITED

We have audited the Group financial statements of Manchester Airport Group Investments Limited for the year ended 31 March 2016 set out on pages 16 to 49. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the Group financial statements:

– give a true and fair view of the state of the Group's affairs as at 31 March 2016 and of its profit for the year then ended;
– have been properly prepared in accordance with IFRSs as adopted by the EU; and
– have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

– certain disclosures of directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of Manchester Airport Group Investments Limited for the year ended 31 March 2016.

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square, Manchester M2 3AE
13 July 2016

ACCOUNTING POLICIES

GENERAL INFORMATION

Manchester Airport Group Investments Limited (the 'Company') is a limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is Olympic House, Manchester Airport, Manchester, M90 1QX.

The principal activities of the Group are discussed within the Directors' Report.

BASIS OF PREPARATION

These consolidated financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the EU and with those parts of the Companies Act applicable to companies reporting under adopted IFRS. 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 principal accounting policies applied in the preparation of the financial information presented in this document are set out below. These policies have been applied consistently to the periods presented unless otherwise stated.

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 year ended 31 March 2016, the Group had £1,185.4m (2015: £1,187.5m) of committed facilities and a net debt position of £892.6m (2015: £906.7m). The Group had financial headroom in excess of £290m at the year end, a level comfortably in excess of the internal compliance target. Subsequent to the year end the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500 million revolving credit facility and £60 million in standby liquidity facilities, each with a five year term, maturing in June 2021, with optional extensions. The facilities replace similar facilities that were due to mature in February 2018. These new facilities ensure sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy.

The Group is subject to two historical financial covenants: Net Debt/EBITDA and EBITDA less tax paid/Net Finance Charges. The covenants are tested half yearly on 31 March and 30 September. As at 31 March 2016 the Group had complied with both of the covenants and, as a result of the Group's prudent financial policy, there is significant covenant headroom. The financial covenants are not impacted by the new refinancing and the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of this new facility.

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 Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The preparation of these financial statements in accordance with prevailing accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The assumptions and estimates are based on management's best knowledge of the event or actions in question, however actual results may ultimately differ from these estimates. The accounting policies that the Group has adopted to determine the amounts included in respect of material items shown in the Statement of Financial Position, and also to determine the profit or loss, are shown below. Unless stated otherwise, these have been applied on a consistent basis.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

The following new accounting standards, amendments to standards and interpretations are adopted for the first time in the preparation of these financial statements, which were effective for the Group from 1 April 2015:

- IAS 32, 'Financial Instruments Presentation': Amendments relating to the offsetting of Financial Assets and Financial Liabilities.
- IFRIC 21, 'Levies': this aims to clarify the definition of a levy and subsequent recognition as a liability.
- IAS19, 'Defined Benefit Plans: Employee contributions': this amendment introduces a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties.
- Annual Improvements to IFRS 2010-2012 Cycle.
- Annual Improvements to IFRS 2011-2013 Cycle.

The adoption of these standards and interpretations has not had any material effect on the Group's results or net assets for the year ended 31 March 2016.

ACCOUNTING POLICIES continued

NEW AND REVISED STANDARDS AND INTERPRETATIONS NOT APPLIED

The following new or revised standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these accounts as their effective dates fall in periods beginning on or after 1 April 2016.

Effective for the year ending 31 March 2017 (not yet EU endorsed)

- IAS 1, 'Presentation of Financial Statements' – Amendments relating to the Disclosure Initiative.
- IAS 16, 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' – Amendments relating to Clarification of Acceptable methods of depreciation and amortisation.
- IAS 27, 'Separate Financial Statements' – Amendments relating to Equity Method in Separate Financial Statements.
- IFRS 10, 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' – Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- IFRS 11, 'Joint Arrangements' – Amendments relating to Acquisitions of Interests in Joint Operations.
- Annual Improvements to IFRS 2012-2014 Cycle.

Effective for the year ending 31 March 2019 (not yet EU endorsed)

- IFRS 9, 'Financial Instruments' – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.
- IFRS 15, 'Revenue from Contracts with Customers'.

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

- IFRS 16, 'Leases'.

The directors do not anticipate that the adoption of these standards and interpretations, with the exception of IFRS 16 'Leases', will have a material impact on the Group's accounts. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts.

The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

BASIS OF CONSOLIDATION

These consolidated accounts include the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and Statement of Cash flows of the Company and all of its subsidiaries.

Subsidiaries are entities controlled directly or indirectly by the Company. Control exists when the Company has the power (directly or indirectly) to direct relevant activities of an entity so as to obtain benefits from its activities.

Subsidiaries have been consolidated from the date that control commences until the date that control ceases.

Associates

Entities, other than subsidiaries, over which the Company (directly or indirectly) exerts significant influence, but not control or joint control, are associates. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax or duty. The following revenue recognition criteria apply to the Group's main income streams:

- various passenger charges for handling and security based upon the number of departing passengers, recognised at the point of departure;
- aircraft departure and arrival charges levied according to weight and time of departure/arrival, recognised at point the of departure;
- aircraft parking charges based upon a combination of weight and time parked, recognised at the point of departure;
- car parking income recognised at the point of exit for turn-up short and long stay parking. Contract parking and pre-book parking is recognised over the period to which it relates on a straight-line basis;
- concession income from retail and commercial concessionaries is recognised in the period to which it relates on an accruals basis; and
- rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. when the Group assumes control. Control exists when the Group has the power to direct relevant activities of an entity so as obtain benefits from its activities. For acquisitions completed before 1 April 2010, attributable costs of the acquisition formed part of goodwill. For acquisitions completed after 1 April 2010, attributable costs of acquisition are expensed in the Income Statement in the period incurred.

Goodwill arising on acquisition represents the difference between the fair value of the consideration given over the fair value of the assets, liabilities and contingent liability of an acquired entity. Positive goodwill is capitalised as an asset in the Consolidated Statement of Financial Position and is subject to annual impairment reviews or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately in the Group's Consolidated Income Statement and is not subsequently reversed.

OTHER INTANGIBLE ASSETS

Intangible assets that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific assets to which it relates. Amortisation is based on the costs of an asset less its residual value. Amortisation commences when the related assets are brought into use.

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful economic life of the specific assets to which it relates, from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

If there are indications of impairment in the carrying value then the recoverable amount is estimated and compared to the carrying amount.

PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment constitute the Group's operational asset base including terminal, airfield, car parking, land, plant and owner-occupied property assets. Investment properties held to earn rentals or for capital growth are accounted for separately under IAS 40 'Investment properties'.

The Group has elected to use the cost model under IAS 16 'Property, plant and equipment' as modified by the transitional exemption to account for assets at deemed cost that were revalued previously under old UK GAAP. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently property, plant and equipment is stated at cost or deemed cost less accumulated depreciation. Cost includes directly attributable own labour.

The Group does not capitalise borrowing costs into the cost of property, plant and equipment, unless the criteria under IAS 23 are met. Depreciation is provided to write off the cost of an asset on a straight-line basis over the expected useful economic life of the relevant asset.

Expected useful lives are set out below:

	Years
Freehold and long leasehold property	10 – 50
Runways, taxiways and apron	5 – 75
Mains services	7 – 100
Plant and machinery	5 – 30
Motor vehicles	3 – 7
Fixtures, fittings, tools and equipment	5 – 10

Useful economic lives are reviewed on an annual basis, to ensure they are still relevant and appropriate.

No depreciation is provided on land. Repairs and maintenance costs are written off as incurred.

Assets under construction, which principally relate to airport infrastructure, are not depreciated until such time that they are available for use. If there are indications of impairment in the carrying value then the recoverable amount is estimated and compared to the carrying amount. Recoverable amount is determined as the value that will ultimately be capitalised as an asset, based upon IAS 16 recognition and capitalisation criteria.

INVESTMENT PROPERTIES

The Group accounts for investment properties in accordance with IAS 40 'Investment properties'. An investment property is one held either to earn rental income or for capital growth. The Group has elected to use the fair value model and therefore investment properties are initially recognised at cost and then revalued to fair value at the reporting date by an Independent Property Valuer.

Investment properties are not depreciated. Gains or losses in fair value of investment properties are recognised in the Income Statement for the period in which they arise. Gains or losses on disposal of an investment property are recognised in the Income Statement on completion.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

IMPAIRMENT

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

ACCOUNTING POLICIES continued

LEASES

Leases are classified according to the substance of the agreement. Where substantially all the risks and rewards of ownership are transferred to the Group, a lease is classified as a finance lease. All other leases are classified as operating leases. Costs in respect of operating leases are charged on a straight-line basis to the Income Statement over the lease term. Any benefits received by the Group as an incentive to sign the lease are spread on a straight-line basis over the lease term. Finance leased assets are capitalised in property, plant and equipment at the lower of fair value and the present value of minimum lease payments and depreciated over the shorter of the lease term and the estimated useful life of the asset.

Obligations under finance leases are included within payables, with minimum lease payments being apportioned between the finance charge and the reduction in the outstanding liability. The finance charge is allocated to each period during the term of the lease so as to produce a constant periodic rate of interest on the remaining Statement of Financial Position liability.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

GRANTS

Revenue grants are recognised in the Income Statement during the periods to which they relate.

Grants received and receivable relating to property, plant and equipment are shown as a deferred credit in current and non current liabilities on the Statement of Financial Position. An annual transfer to the Income Statement is made on a straight-line basis over the expected useful life of the asset in respect of which the grant was received.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at fair value, and subsequently less any provision for impairment.

Trade and other receivables are appraised throughout the year to assess the need for any provision for impairment. Specific provision for impairment has been determined by identifying all external debts where it is more probable than not that they will not be recovered in full, and a corresponding amount is charged against operating profit. Trade receivables are stated net of any such provision. With regard to other receivables, specific provision for impairment would be recognised upon the carrying value of such receivables being higher than their recoverable amount.

CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash flows, cash and cash equivalents comprise cash in hand, bank deposits and short-term deposits net of bank overdrafts, which have an original maturity of three months or less.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

BORROWING COSTS

The Group does not capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets into the cost of property, plant and equipment, unless the criteria under IAS 23 are met.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised at fair value.

PROVISIONS

A provision is recognised in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments (derivatives) such as interest rate swaps to hedge its exposure to interest rate risks associated with floating rate loans. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date the contract is entered into and subsequently remeasured to fair value in future periods. The fair value of derivative financial instruments is determined by reference to discounted cash flows or an options valuation model. The method of recognising the resulting change in fair value is dependent on whether the derivative is designated as a hedging instrument.

The Group does not have any derivatives designated as hedging instruments at the Statement of Financial Position date.

TAXATION

The tax expense for the year comprises current and deferred tax. The charge for taxation is based on the profit for the year and takes into account deferred tax due to temporary differences between the tax bases of assets and liabilities and the accounting bases of assets and liabilities in the financial statements. The principal constituent of the deferred tax liability in the Group financial statements is temporary differences on property, plant and equipment where the carrying value in the financial statements is in excess of the tax base due to accelerated capital allowances and the previous effects of revaluations under old UK GAAP.

Deferred tax assets are recognised to the extent that it is regarded as probable that the temporary difference can be utilised against taxable profit in the future. Current tax and deferred tax, relating to items recognised directly in equity, are also recognised directly in equity. Deferred tax is based on the tax laws and rates that have been enacted at the Statement of Financial Position date and that are expected to apply when the relevant deferred tax item is realised or settled. Current tax has been calculated at the rate of 20% applicable to accounting periods ending 31 March 2016 (2015: 21%)

EMPLOYEE BENEFIT COSTS

The Group participates in four defined benefit schemes, which are contracted out of the state scheme, as well as two defined contribution schemes. The costs of defined contribution schemes are charged to the Income Statement in the year in which they are incurred. Defined benefit schemes are accounted for as an asset or liability on the Statement of Financial Position. The asset or liability reflects the present value of defined benefit obligations, less the fair value of plan assets. The amount reported in the Income Statement for employee benefit costs includes past service costs, current service costs, interest costs and return on assets income. Past service costs are charged to the Income Statement immediately and current service costs are charged to the Income Statement for the period to which they relate.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Income Statement.

Actuarial gains and losses are recognised in the Statement of Comprehensive Income in the period in which they arise. The defined benefit asset or liability and the current and past service costs are calculated at the reporting date by an independent actuary using the projected unit credit method.

Under IFRIC 14, surpluses on pension schemes are not recognised unless there is an unconditional right to recover or realise them at some point during the life of the plan. The unconditional right would not exist when the availability of the refund or the reduction in future contribution would be contingent upon factors beyond the entity's control (for example, approval by third parties such as scheme trustees). To the extent the right is contingent, no asset would be recognised.

SIGNIFICANT ITEMS

Significant items are material items of income and expense that, because of the unusual nature or frequency of the events giving rise to them, merit separate presentation to allow an understanding of the Group's underlying financial performance. Such items include impairment of assets, major reorganisation of businesses and integration costs associated with significant acquisitions. It also includes the costs associated with the close out of previous financing arrangements upon refinancing.

DIVIDENDS

A dividend to the Company's shareholders is recognised as a liability in the consolidated financial statements during the period in which the right to receive a payment is established via the declaration of a dividend approved by the Company's Board of Directors.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Group's accounting policies, the Group has made estimates and judgements, concerning the future. Actual results may, however, differ from the estimates calculated and management believe that the following are the more significant judgements impacting these financial statements.

INVESTMENT PROPERTIES

Investment properties were valued at fair value at 31 March 2016 by Deloitte, Chartered Surveyors. The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

PENSIONS

Certain assumptions have been adopted for factors that determine the valuation of the Group's liability for pension obligations at the year end and of future returns on pension scheme assets and charges to the Income Statement. The factors have been determined in consultation with the Group's independent actuary taking into account market and economic conditions.

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in Note 22.

GOODWILL

Judgements have been made in respect of the amounts of future operating cash flows to be generated by certain of the Group's businesses in order to assess whether there has been any impairment of the amounts included in the Statement of Financial Position for goodwill or intangible assets with an indefinite life in relation to those businesses.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m Total Before Significant items	2016 £m Significant items	2016 £m Total After Significant items	2015 £m Total Before Significant items	2015 £m Significant items	2015 £m Total After Significant items
Continuing operations							
Revenue	1	778.8	-	778.8	738.4	-	738.4
Result from operations before significant items	4	192.6	-	192.6	157.2	-	157.2
Significant items							
Impairment of property, plant and equipment	3	-	(8.4)	(8.4)	-	-	-
Restructuring costs	3	-	(2.9)	(2.9)	-	(11.4)	(11.4)
Result from operations		192.6	(11.3)	181.3	157.2	(11.4)	145.8
Movement in investment property fair values	13	16.5	-	16.5	30.0	-	30.0
Finance income	7	6.7	-	6.7	-	-	-
Finance costs	8	(43.9)	-	(43.9)	(42.6)	-	(42.6)
Finance costs – loss on settlement of interest rate swaps	3	-	-	-	-	(3.9)	(3.9)
Finance costs – amortisation of issue costs	3	-	-	-	-	(4.6)	(4.6)
Result before taxation		171.9	(11.3)	160.6	144.6	(19.9)	124.7
Taxation	10	(8.8)	1.7	(7.1)	(30.9)	4.0	(26.9)
Result from continuing operations		163.1	(9.6)	153.5	113.7	(15.9)	97.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m	2015 £m
Result for the year		153.5	97.8
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurements on retirement benefit liabilities	22	23.1	(31.5)
Deferred tax on remeasurements of retirement benefit liabilities	10	(4.2)	6.4
Effect of change in rate of corporation tax on deferred tax	10	(0.9)	-
Other comprehensive income/(expense) for the year		18.0	(25.1)
Total comprehensive income for the year		171.5	72.7

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

		Attributable to equity holders of the Company			
	Note	Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2015		0.3	2,493.9	(489.5)	2,004.7
Result for the year		-	-	153.5	153.5
Remeasurements of retirement benefit liabilities net of tax	10	-	-	18.9	18.9
Effect of change in rate of corporation tax on deferred tax	10			(0.9)	(0.9)
Balance at 31 March 2016		**0.3**	**2,493.9**	**(318.0)**	**2,176.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

		Attributable to equity holders of the Company			
	Note	Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2014		0.3	2,493.9	(562.2)	1.932.0
Result for the year		-	-	97.8	97.8
Remeasurements of retirement benefit liabilities net of tax	10	-	-	(25.1)	(25.1)
Balance at 31 March 2015		**0.3**	**2,493.9**	**(489.5)**	**2,004.7**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m	2015 £m
ASSETS			
Non-current assets			
Property, plant and equipment	11	**2,303.1**	2,331.3
Intangible assets	12	**47.0**	49.5
Goodwill	12	**166.3**	166.3
Investment properties	13	**641.3**	622.9
Deferred tax assets	23	**10.4**	16.5
		3,168.1	3,186.5
CURRENT ASSETS			
Inventories	14	**2.1**	1.5
Trade and other receivables	15	**70.7**	75.1
Cash and cash equivalents	16	**-**	4.2
Amounts owed By Group undertakings		**394.3**	242.5
		467.1	323.3
LIABILITIES			
Current liabilities			
Borrowings	17	**(0.8)**	(20.0)
Trade and other payables	21	**(186.6)**	(168.9)
Deferred income		**(19.9)**	(18.7)
Current tax liabilities		**(33.7)**	(23.2)
		(241.0)	(230.8)
NET CURRENT ASSETS		**226.1**	92.5
Non-current liabilities			
Borrowings	17	**(891.8)**	(890.9)
Retirement benefit liabilities	22	**(52.9)**	(73.4)
Deferred tax liabilities	23	**(260.4)**	(296.5)
Other non-current liabilities	24	**(12.9)**	(13.5)
		(1,218.0)	(1,274.3)
NET ASSETS		**2,176.2**	2,004.7
Shareholders' equity			
Share capital	25	**0.3**	0.3
Share premium	25	**2,493.9**	2,493.9
Other reserve	26	**(1,249.4)**	(1,249.4)
Retained earnings	26	**931.4**	759.9
Total equity		**2,176.2**	2,004.7

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

The financial statements on pages 16 to 49 were approved by the Board of Directors on 13 July 2016 and signed on its behalf by:

Neil Thompson

Neil Thompson
Director
For and on behalf of the Board of Directors

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m Before significant items	2016 £m Significant items	2016 £m After significant items	2015 £m Before significant items	2015 £m Significant items	2015 £m After significant items
Cash flows from operating activities:							
Result before taxation – continuing operations		171.9	(11.3)	160.6	144.6	(19.9)	124.7
Movement in investment property fair values		(16.5)	-	(16.5)	(30.0)	-	(30.0)
Loss on settlement of interest rate swaps		-	-	-	-	3.9	3.9
Net finance income and expense		37.2	-	37.2	42.6	-	42.6
Amortisation of issue costs		-	-	-	-	4.6	4.6
Depreciation, amortisation and impairment		127.2	8.4	135.6	126.4	-	126.4
Profit on sale of property, plant and equipment		(8.7)	-	(8.7)	-	-	-
Decrease/(increase) in trade and other receivables and inventories		3.7	-	3.7	(3.1)	-	(3.1)
Increase in amounts owed by Group Companies		(140.2)	-	(140.2)	(123.4)	-	(123.4)
Release of grants		(0.6)	-	(0.6)	(0.7)	-	(0.7)
Increase in trade and other payables		16.0	-	16.0	29.4	-	29.4
Increase in retirement benefits provision		2.6	-	2.6	1.7	-	1.7
Cash generated from operations		192.6	(2.9)	189.7	187.5	(11.4)	176.1
Interest paid				(43.0)			(44.5)
Tax paid				(30.4)			(17.7)
Net cash from operating activities				116.3			113.9
Cash flows from investing activities							
Purchase of property, plant and equipment				(115.4)			(115.0)
Purchase of intangible assets				-			(10.5)
Proceeds (net of selling costs) from sale of property, plant & equipment & investment properties				14.1			-
Net cash used in investing activities				(101.3)			(125.5)
Cash flows from financing activities							
(Repayment)/increase in bank loan borrowings				(20.0)			20.0
Increase in other borrowings (net of issue costs)	19			0.0			355.9
Repayment of loans and borrowings				-			(360.0)
Cash outflow on settlement of interest rate swaps				-			(18.0)
Net cash used in financing activities				(20.0)			(2.1)
Net decrease in cash and cash equivalents	30			(5.0)			(13.7)
Cash and cash equivalents at beginning of period				4.2			17.9
Cash and cash equivalents at end of period				(0.8)			4.2

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. REVENUE

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

	2016	2015
	£m	£m
Aviation income	**387.4**	378.8
Commercial income		
Retail concessions	**143.8**	134.3
Car parking	**137.6**	122.4
Property and property related income	**47.5**	46.4
Other	**62.5**	56.5
Total commercial income	**391.4**	359.6
Total income	**778.8**	738.4

Other income includes utilities recharges and fees for airline services and aviation fuel sales.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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

The primary business of all of these Operating Divisions is the operation and development of airport facilities in the UK and, accordingly, no separate secondary segmental information is provided.

2016	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group consolidation and other[3]	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue							
External sales	395.6	285.6	60.2	29.3	11.3	(3.2)	**778.8**
Inter-segment sales[4]	(0.6)	-	-	(2.6)	-	3.2	**-**
Total revenue	395.0	285.6	60.2	26.7	11.3	-	**778.8**
Result							
Segment operating profit/(loss) before significant items	85.2	78.4	12.5	23.0	0.5	(7.0)	**192.6**
Significant items	-	-	(0.2)	(1.2)	(8.6)	(1.3)	**(11.3)**
Segment operating profit/(loss) after significant items	85.2	78.4	12.3	21.8	(8.1)	(8.3)	**181.3**
Movement in investment property fair values							**16.5**
Finance income							**6.7**
Finance costs							**(43.9)**
Result before taxation							**160.6**

2. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

2016	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group consolidation and other[3]	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Other information							
Segment assets	1,128.4	1,010.7	329.6	(Note 1)	75.4	1,091.1	**3,635.2**
Segment liabilities	(268.6)	(161.6)	(71.2)	(Note 1)	(9.3)	(948.5)	**(1,459.0)**
Capital expenditure	65.0	42.6	8.7	(Note 1)	0.7	-	**117.0**
Depreciation	58.8	54.6	8.5	1.6	1.2	-	**124.7**
Amortisation	2.5	-	-	(Note 1)	-	-	**2.5**
Taxation	8.6	16.6	1.8	(Note 1)	(0.8)	(19.1)	**7.1**
Result – geographical location[2]							
Segment operating profit/(loss) before significant items	95.6	84.0	14.5	(Note 2)	6.6	(8.1)	**192.6**

2015	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group consolidation and other[3]	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue							
External sales	370.9	271.7	59.4	28.9	11.1	(3.6)	**738.4**
Inter-segment sales[4]	(1.0)	-	-	(2.6)	-	3.6	**-**
Total revenue	369.9	271.7	59.4	26.3	11.1	-	**738.4**
Result							
Segment operating profit/(loss) before significant items	78.8	59.2	11.2	14.6	0.9	(7.5)	**157.2**
Significant items	(1.9)	(7.9)	(0.6)	(0.6)	-	(0.4)	**(11.4)**
Segment operating profit/(loss) after significant items	76.9	51.3	10.6	14.0	0.9	(7.9)	**145.8**
Movement in investment property fair values							**30.0**
Finance costs (including significant items)							**(51.1)**
Result before taxation							**124.7**
Other information							
Segment assets	1,148.6	1,021.2	325.6	(Note 1)	82.5	931.9	**3,509.8**
Segment liabilities	(280.8)	(171.0)	(74.4)	(Note 1)	(10.3)	(968.6)	**(1,505.1)**
Capital expenditure	58.7	45.9	7.4	(Note 1)	0.8	-	**112.8**
Depreciation	58.0	55.3	8.4	2.1	1.1	0.5	**125.4**
Amortisation	1.0	-	-	(Note 1)	-	-	**1.0**
Taxation	22.0	18.1	(1.7)	(Note 1)	0.3	(11.8)	**26.9**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

2. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

2015	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group consolidation and other[3]	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Result – geographical location[2]							
Segment operating profit before significant items	89.4	59.2	12.0	(Note 2)	4.1	(7.5)	**157.2**

NOTES:

1 *The Group's reporting structure is such that the assets and liabilities of MAG Property are included in the Manchester Airport Statement of Financial Position.*

2 *For management accounting purposes MAGIL reports property income and profit on sale of property assets (excluding London Stansted) within the MAG Property division. For statutory purposes property income and profit on disposal of property assets is reported in the subsidiary companies depending on the geographical location of the investment properties and property, plant and equipment. The table shows how profit from operations would appear with property reported by geographical location.*

3 *Group consolidation and other includes, "Groupco", "Head Office" and other subsidiary companies and balances arising on consolidation, which are not specific to the other main operating divisions. Assets include goodwill and fair value adjustments arising on consolidation. Liabilities include the borrowings, further details of these items are in Note 17 Borrowings.*

4 *Sales between segments are at arm's length.*

3. SIGNIFICANT ITEMS

	2016	2015
	£m	£m
Recorded in result from operations:		
Impairment of property, plant and equipment[1]	8.4	-
Restructuring costs[2]	2.9	11.4
Total recorded in result from operations	11.3	11.4
Recorded in finance cost:		
Amortisation of issue costs[3]	-	4.6
Net loss on settlement of interest rate swaps[4]	-	3.9
Total recorded in result before taxation	-	8.5
Total significant items	11.3	19.9

NOTES:

1 ***Impairment of property, plant and equipment***
An impairment provision of £8.4m has been made against the carrying values of property, plant and equipment at Bournemouth Airport following a review of the carrying values. An impairment loss has been calculated on a value-in use basis and further details of the impairment testing are set out in Note 11.

2 ***Restructuring costs***
Restructuring costs of £2.9m (2015:£11.4m) have been incurred in respect of restructuring programmes across the Group.

3 ***Amortisation of issue costs***
Following the restructuring and refinancing of the Group in the prior year, unamortised issue costs of £4.6m were written off following issue of the associated financial liability of £360.0m.

4 ***Net loss on settlement of interest rate swaps***
This represents the net loss on settlement of interest rate swaps.

4. RESULT FROM OPERATIONS

	2016 £m	2015 £m
Turnover	778.8	738.4
Wages and salaries[1]	(146.2)	(140.4)
Social security costs	(12.4)	(11.5)
Pension costs (Note 25)	(14.0)	(14.0)
Employee benefit costs	(172.6)	(165.9)
Depreciation and amortisation	(127.2)	(126.4)
Profit on disposal of property, plant and equipment and investment property	8.7	-
Other operating charges[2]	(295.1)	(288.9)
Result from operations before significant items	192.6	157.2

NOTES:

1 Wages and salary costs are disclosed before restructuring costs amounting to £2.7m (2015: £11.4m) which are reported separately – see Note 3.

2 Other operating charges includes maintenance, rent, rates, utilities and other operating expenses.

5. EMPLOYEE INFORMATION

The average number of persons (including Executive Directors) employed by the Group during the year was:

	2016 Number	2015 Number
By location		
Manchester Airport	2,817	2,433
London Stansted Airport	1,385	1,301
East Midlands Airport	540	532
Bournemouth Airport	164	160
	4,906	4,426

Manchester Airport includes Group and Head Office as well as operational employees.
The increase in employee numbers during the year relates to investment in front line resources to support the growth in passenger numbers and a greater proportion of employees with part time and annualised hours contracts, partially offset by the impact of efficiency programmes.

6. DIRECTORS' EMOLUMENTS

Charlie Cornish, and Neil Thompson were directors of Manchester Airport Holdings Limited during the year, and their remuneration is disclosed in its financial statements. The directors do not believe it is possible to apportion their remuneration to individual companies within Manchester Airport Group Investments Limited group based on services provided.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

7. FINANCE INCOME

	2016 £m	2015 £m
Interest receivable from Group undertakings	6.7	-
Total finance income	6.7	-

Finance income relates to interest on outstanding loan balances with fellow Group companies outside the MAGIL Group. Interest is calculated at a rate of 1.5% per annum above base. Such balances had not been previously reported in the MAGIL financial statements for the year ended 31 March 2015.

8. FINANCE COSTS

	Note	2016 £m	2015 £m
Interest payable on bank loans and overdrafts		4.5	4.6
Interest payable on bonds		36.9	36.3
Interest cost on defined benefit pension schemes	22	2.5	1.7
		43.9	42.6
Shown within significant items:			
Amortisation of issued costs on previous financing		-	4.6
Loss on settlement of interest rate swaps		-	3.9
		-	8.5
Total finance costs		43.9	51.1

9. RESULT BEFORE TAXATION

	Note	2016 £m	2015 £m
Result before taxation has been arrived at after charging/(crediting):			
Hire of plant and machinery – operating leases		0.4	0.4
Hire of other assets – operating leases		22.7	22.0
Release of capital based grants		(0.6)	(0.7)
Depreciation of property, plant and equipment:			
Owned assets – continuing operations	11	124.7	125.4
Amortisation of intangible assets	12	2.5	1.0
Profit on disposal of property, plant and equipment and investment properties		(8.7)	-
Significant items	3	11.3	11.4
Increase in fair value of investment property	13	(16.5)	(30.0)
Employee benefit costs	4	172.6	165.9

Amounts receivable by the Company's auditor and their associates in respect of services to the Manchester Airport Group Investments Limited and its associates, have not been disclosed as the information is instead disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Manchester Airports Holdings Limited.

Impairment of property, plant and equipment and restructuring costs have been shown as exceptional items on the face of the Income Statement. Further details of these items are shown in Note 3 Significant items.

10. TAXATION

ANALYSIS OF CHARGE IN THE PERIOD

	2016 £m Before significant items	2016 £m Significant items	2016 £m After significant items	2015 £m Before significant items	2015 £m Significant items	2015 £m After significant items
Current taxation						
UK Corporation tax on profits for the year	42.5	(0.8)	41.7	36.8	(1.2)	35.6
Adjustment in respect of prior year	0.5	-	0.5	(5.2)	-	(5.2)
Total current taxation	43.0	(0.8)	42.2	31.6	(1.2)	30.4
Deferred taxation						
Temporary differences arising in the period	(4.0)	(0.9)	(4.9)	(2.4)	(2.8)	(5.2)
Adjustment in respect of prior year	(1.3)	-	(1.3)	1.7	-	1.7
Effect of change in rate of corporation tax	(28.9)	-	(28.9)	-	-	-
Total ordinary deferred taxation	(34.2)	(0.9)	(35.1)	(0.7)	(2.8)	(3.5)
Total taxation charge/(credit)	8.8	(1.7)	7.1	30.9	(4.0)	26.9

TAXATION ON ITEMS CHARGED TO EQUITY

	2016 £m	2015 £m
Deferred taxation on remeasurements of retirement benefit liabilities	4.2	(6.4)
Effect of change in rate of corporation tax	0.9	-
	5.1	(6.4)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

10. TAXATION continued

FACTORS AFFECTING THE TAXATION CHARGE FOR THE YEAR

The total taxation charge for the year ended 31 March 2016 is lower (2015: higher) than the standard rate of corporation taxation in the UK of 20% (2015: 21%). The differences are explained below.

	2016 £m Before significant items	2016 £m Significant items	2016 £m After significant items	2015 £m Before significant items	2015 £m Significant items	2015 £m After significant items
Result before taxation	171.9	(11.3)	160.6	144.6	(19.9)	124.7
Result before taxation multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	34.4	(2.3)	32.1	30.3	(4.1)	26.2
Effect of: Origination and reversal of temporary differences	(0.2)	(0.1)	(0.3)	-	0.1	0.1
Non-taxable items	4.3	0.7	5.0	4.1	-	4.1
Adjustments to prior year taxation charge	(0.8)	-	(0.8)	(3.5)	-	(3.5)
Effect of change in rate of corporation tax	(28.9)	-	(28.9)	-	-	-
Total taxation debit/(credit)	8.8	(1.7)	7.1	30.9	(4.0)	26.9

The Finance (No. 2) Bill 2015 was substantively enacted on 16 October 2015 and included reductions in the rate of corporation tax from 1 April 2017 of 1% to 19% and a further 1% to 18% from 1 April 2020.

The March 2016 Budget announced that the rate of corporation tax from 1 April 2020 will reduce by a further 1% to 17%. This further 1% reduction to 17% had not been substantively enacted by the balance sheet date.

Deferred tax balances at 31 March 2016 have therefore been calculated at 18%, unless they are expected to unwind earlier than 1 April 2020, in which case the deferred tax balances have been calculated at the prevailing rate at the time the unwind is expected.

The effect of a further 1% reduction to the rate of corporation tax when deferred tax liabilities reverse would be an additional credit of £13.9m.

11. PROPERTY, PLANT AND EQUIPMENT

2016	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 2015	196.3	451.3	2,030.3	545.8	93.4	3,317.1
Additions	-	-	-	-	117.0	117.0
Reclassification	-	32.2	11.4	52.0	(95.6)	-
Reclassification (to investment properties)[13]	(2.2)	-	-	-	(1.9)	(4.1)
Disposals	(1.6)	(1.9)	(2.5)	(0.3)	-	(6.3)
Transfer to fellow Group company	-	-	-	-	(4.9)	(4.9)
At 31 March 2016	**192.5**	**481.6**	**2,039.2**	**597.5**	**108.0**	**3,418.8**
Depreciation						
At 1 April 2015	59.1	147.5	375.4	403.8	-	985.8
Charge for the period	-	41.8	39.5	43.4	-	124.7
Impairment	-	2.3	4.1	2.0	-	8.4
Disposals	(0.1)	(1.8)	(1.0)	(0.3)	-	(3.2)
At 31 March 2016	**59.0**	**189.8**	**418.0**	**448.9**	**-**	**1,115.7**
Carrying amount						
At 31 March 2016	**133.5**	**291.8**	**1,621.2**	**148.6**	**108.0**	**2,303.1**
Carrying amount						
At 31 March 2015	137.2	303.8	1,654.9	142.0	93.4	2,331.3

2015	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 2014	193.6	428.0	2,015.8	502.4	82.9	3,222.7
Additions	-	-	-	-	112.8	112.8
Reclassification	-	26.7	14.5	44.4	(85.6)	-
Reclassification (to investment properties)[13]	-	-	-	-	(3.5)	(3.5)
Reclassification (from investment properties)[13]	2.7	-	-	-	-	2.7
Disposals	-	(3.4)	-	(1.0)	-	(4.4)
Transfer to fellow Group company	-	-	-	-	(13.2)	(13.2)
At 31 March 2015	**196.3**	**451.3**	**2,030.3**	**545.8**	**93.4**	**3,317.1**
Depreciation						
At 1 April 2014	59.1	110.0	333.2	362.5	-	864.8
Charge for the period	-	40.9	42.2	42.3	-	125.4
Disposals	-	(3.4)	-	(1.0)	-	(4.4)
At 31 March 2015	**59.1**	**147.5**	**375.4**	**403.8**	**-**	**985.8**
Carrying amount						
At 31 March 2015	**137.2**	**303.8**	**1,654.9**	**142.0**	**93.4**	**2,331.3**
At 31 March 2014	134.5	318.0	1,682.6	139.9	82.9	2,357.9

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

11. PROPERTY, PLANT AND EQUIPMENT continued

Impairment

As a result of challenging conditions at Bournemouth Airport, most notably the withdrawal of Flybe with effect from April 2016 coupled with the loss of the Royal Mail contract during the second half of the year impacting the cargo operations, the Group has revised its expectations about future activity levels.

An impairment loss has been calculated on a value-in-use basis, resulting in a write-down in the value of the long-leasehold property, airport infrastructure and plant, fixtures and equipment amounting to £8.4m.

Key assumptions for the value-in-use calculation are those regarding discount rates, terminal value growth, expected changes to passenger and revenue growth rates, EBITDA margin and the level of capital expenditure required to support trading, which management estimates based on past experience and currently available information.

The value-in-use calculations use the Group's cash flow projections, derived from the most recent financial budgets approved by the Board covering 3 years to March 2019, and a long-term growth rate of 2.5% beyond the detailed 3 year period up to a 50 year life for the airport. The discount rate has been estimated based on pre-tax rates that reflect current market assessment of the time value of money resulting in a 'Group-wide' discount rate of 6.4%.

12. INTANGIBLE ASSETS

	Goodwill	Other Intangible assets	Total
	£m	£m	£m
Cost			
At 1 April 2015	166.3	50.5	216.8
Additions	-	-	-
At 31 March 2016	**166.3**	**50.5**	**216.8**
Amortisation			
At 1 April 2015	-	1.0	1.0
Charge for the period	-	2.5	2.5
At 31 March 2016	**-**	**3.5**	**3.5**
Carrying amount			
At 31 March 2016	**166.3**	**47.0**	**213.3**
At 31 March 2015	**166.3**	**49.5**	**215.8**

Goodwill

Goodwill is allocated to cash generating units based on the benefits to the Group that arise from each business combination. For the purposes of impairment testing, goodwill is allocated to the lowest cash generating unit at which management monitor goodwill. The lowest level of cash generating unit is considered to be at an Airport level. The goodwill relates to the acquisition of London Stansted Airport Limited ("Stansted").

The recoverable amount of the Stansted cash generating unit has been determined from value-in-use calculations. Key assumptions for these calculations are those regarding discount rates, terminal value growth rates, expected changes to passenger and revenue growth rates, EBITDA margin and the level of capital expenditure required to support trading.

Discount rates have been estimated based on pre-tax rates that reflect current market assessment of the time value of money. In determining the discount rate, management have sought to arrive at a Group-wide Weighted Average Cost of Capital (WACC) using the capital asset pricing model for a market participant. The key assumptions in calculating the discount rate have been a 0.81 unlevered beta and a risk free rate based on long-term UK Government gilts. Consequently, the rate used to discount the forecast cash flows was calculated as 6.4%. The long-term growth rate used in calculating the terminal value was 2.5%.

12. INTANGIBLE ASSETS continued

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board covering 3 years. The Group used detailed longer term forecasts to review a period for a further 25 years. A terminal value is calculated beyond that point based on the growth rate described above. Sensitivity analysis shows that the discount rate would have to increase by over 300 basis points, in addition to limiting growth to 2.5% from year 4 onwards, and restricting the assets to a 50 year remaining life for an impairment to be triggered.

Other intangible assets

The Group secured rights to ensure that the Greater Manchester Metrolink light rail system was extended to Manchester Airport, connecting to the wider Metrolink network. The contractual agreement ensures that the Metrolink service, which commenced in November 2014, will be operated for a period of 30 years. The cost of securing the rights has been capitalised and is being amortised over 20 years from November 2014, which the directors believe to be the foreseeable period over which the majority of the benefits from the service will accrue to the Airport.

13. INVESTMENT PROPERTIES

2016	Investment properties £m
Cost or valuation	
At 1 April 2015	622.9
Reclassification from assets in the course of construction (Note 11)	1.9
Reclassification from operational assets (Note 11)	2.2
Disposals	(2.2)
Revaluation	16.5
At 31 March 2016	**641.3**
Carrying amount	
At 31 March 2016	**641.3**
At 31 March 2015	**622.9**

2015	Investment properties £m
At 1 April 2014	592.1
Reclassification from assets in the course of construction (Note 11)	3.5
Reclassification to operational assets (Note 11)	(2.7)
Revaluation	30.0
At 31 March 2015	**622.9**
Carrying amount	
At 31 March 2015	**622.9**
At 31 March 2014	**592.1**

Investment properties

The fair value of the Group's commercial investment property at 31 March 2016 has been arrived at on the basis of a valuation carried out at that date by Drivers Jonas Deloitte Chartered Surveyors. Strutt & Parker carried out the valuation of the London Stansted residential property portfolio, Mellor Braggins carried out the valuation of the Manchester residential property portfolio. The valuers are independent and are not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

Under IAS 40 a fair value method has been taken to revalue Investment Properties that become occupied by the Group that are transferred to Property, Plant and Equipment.

The rental income earned by the Group from its investment property, amounted to £37.2m (2015: £36.3m). Direct operating expenses arising on the investment property in the period amounted to £3.7m (2015: £5.4m). This includes £0.6m (2015: £0.4m) of operating costs where no income was derived.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

14. INVENTORIES

	2016	2015
	£m	£m
Consumables	2.1	1.5
	2.1	1.5

15. TRADE AND OTHER RECEIVABLES

	2016	2015
	£m	£m
Trade receivables	41.4	46.4
Other receivables	1.2	1.4
Prepayments and accrued income	28.1	27.3
	70.7	75.1

The average credit period taken on sales is 16 days (2015: 19 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £2.5m (2015: £0.6m). This allowance has been determined by identifying all specific external debts where it is probable that they will not be recovered in full.

The directors consider that the carrying amount of trade and other receivables approximates to fair value.

Trade receivables are non-interest bearing and are generally on 30 day terms. The level of past due debt over 90 days old is:

	2016	2015
	£m	£m
Debt due over 90 days	2.5	0.5
Total	2.5	0.5

Movement in the provision for impairment of trade receivables is as follows:

	£m
Balance at 1 April 2015	0.6
Increase in allowance for impaired receivables	2.2
Provision utilised	(0.3)
Balance at 31 March 2016	**2.5**

The creation and release of provisions for impaired receivables have been included in 'operating expenses' in the Income Statement. Amounts charged to the provision account are generally written off when there is no expectation of recovery. The ageing of these receivables is as follows:

	2016	2015
	£m	£m
Less than 60 days	-	-
60 to 90 days	-	0.1
Over 90 days	2.5	0.5
Total	2.5	0.6

The Group is not exposed to foreign currency exchange risk as all trade and other receivables are denominated in pounds sterling. There are no credit quality issues with receivables that are not past their due date. Additional disclosure on financial risk management is included in Note 20.

16. CASH AND CASH EQUIVALENTS

	2016 £m	2015 £m
Cash at bank and in hand	-	4.2
	-	4.2

The carrying value of these assets approximates to their fair value.

17. BORROWINGS

	Note	2016 £m	2015 £m
Bank overdraft		0.8	-
Bank loans	18	89.4	109.1
Bonds	19	802.4	801.8
		892.6	910.9
Borrowings are repayable as follows:			
In one year or less, or on demand			
Bank loans	18	-	20.0
		-	20.0
In more than one year, but no more than two years			
Bank loans	18	89.4	-
		89.4	-
In more than two years, but no more than five years			
Bank loans	18	-	89.1
In more than five years – due other than by instalments			
Bonds	19	802.4	801.8
		802.4	801.8
Non Current Borrowings		891.8	890.9
Total Borrowings		892.6	910.9

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, both the Initial Authorised Credit Facility Agreement (ACF), an Initial Liquidity Facility Agreement (LF), and the Group's issue of publicly listed fixed rate secured bonds in February 2014 and April 2014 respectively.

At the year end the Initial ACF Agreement had total facilities of £390.0m (2015: £390.0m), comprising a Secured Senior Term Facility of £90.0m (2015: £90.0m) and a Senior Secured Revolving Credit Facility of £300.0m (2015: £300.0m). Subsequent to the year end, the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500 million revolving credit facility and £60 million in standby liquidity facilities, each with a five year term, maturing in June 2021, with optional extensions. The remaining £90m balance on the Secured Senior Term Facility has been repaid from this new facility.

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

The Group issued a £360.0m publicly listed fixed rate secured bond on 16 April 2014 with a scheduled and legal maturity of 2 April 2024.
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 Initial LF Agreement had total facilities of £60.0m and was sized to cover 12 months' interest on secured debt. The LF Agreement was a 364-day revolving facility with a 5 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 FOR THE YEAR ENDED 31 MARCH 2016 continued

18. BANK LOANS

	2016 £m	2015 £m
Secured Senior Term Facility	90.0	90.0
Secured Revolving Credit Facility	-	20.0
Less: unamortised debt issue costs[1]	(0.6)	(0.9)
	89.4	109.1

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

At 31 March 2016 the Group had £285.0m (2015: £267.0m) 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 £300.0m Secured Revolving Credit Facility (£nil drawn at 31 March 2016) less certain carve-outs in respect of ancillary facilities of £15.0m. The Group also had access to £10.0m of overdraft facilities.

Interest on the overdraft, Term Facility, Revolving Credit Facility and Liquidity Facility is linked to LIBOR plus a margin (dependent on facility).

See Note 17 for further information on financial liabilities, including maturity analysis.

19. BONDS

	2016 £m	2015 £m
Repayable other than by instalments		
MAG bond 4.125% £360.0m due 2024	360.0	360.0
MAG bond 4.75% £450.0m due 2034	450.0	450.0
Less: discount on issue	(2.0)	(2.2)
Less: unamortised debt issue costs	(5.6)	(6.0)
	802.4	801.8

See Note 17 for further information on financial liabilities, including maturity analysis.

20. FINANCIAL INSTRUMENTS

Risk management

The Group's activities expose it to a variety of financial risks. The Group's funding, liquidity and exposure to interest rate risks are managed by the Group's treasury function.

Treasury operations are conducted within a framework of policies, which are approved and subsequently monitored by the Board. These include guidelines on funding, interest rate risk management and counterparty risk management.

Interest rate risk

The Group actively manages its exposure to interest rate risk through determining the optimum profile and mix of funding between fixed and floating rates that is most appropriate to the Group's cashflows, up to a maximum of 90% fixed. Where necessary, the Group uses derivative financial instruments such as interest rate swaps to generate the desired interest rate profile and to manage the Group's exposure to interest rate fluctuations, but based on the current debt profile there are no instruments in place at the year end. The cash balances attract interest at floating rates.

Liquidity risk

The principal sources of the Group's liquidity risk are the ability to refinance debt facilities as they fall due, ensuring cash and cash equivalents are accessible as when required and borrowing facilities are sufficient for the future needs of the Group. Although there can be no certainty that financing markets will remain open for issuance at all times, debt maturities are spread over a range of dates, thereby ensuring that the Group is not exposed to excessive refinancing risk in any one year. The Group's key guideline in managing liquidity risk is to limit the amount of borrowings maturing within 12 months to 35% of gross borrowings less cash and cash equivalents. All cash and cash equivalents are held on short-term deposit within term limits set by the Board. Moreover, debt facilities are maintained at a level that is sufficient to provide a reasonable surplus beyond the foreseeable future needs of the Group.

At 31 March 2016, MAGIL had £1,185.4m (2015 £1,187.5m) of committed facilities (excluding the Initial LF Agreement) and a net debt position of £892.6m (2015: £906.7m). MAGIL had financial headroom of £294.2m (2015: £281.2m) at the year end, a level comfortably in excess of the internal compliance target. Under existing facilities and based on the Board-approved business plan MAGIL is forecast to have financial headroom in excess of the minimum Treasury Policy target of £100.0m throughout 2016-17.

Foreign Exchange Risk

The Group is not materially exposed to foreign exchange risk as all material transactions and financial instruments are in pounds sterling.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and trade receivables. The Group has no significant concentrations of credit risk. The Group's exposure to credit-related losses, in the event of nonperformance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used.

The Group maintains a prudent split of cash and cash equivalents across a range of market counterparties in order to mitigate counterparty credit risk. Board-approved investment policies provide counterparty investment limits, based on credit ratings. Investment activity is reviewed on a regular basis and no cash or cash equivalents are placed with counterparties with short-term credit ratings lower than the prescribed limits. The Group monitors the credit rating of market counterparties on a regular basis.

The Group's exposure to credit risk on trade receivables is mitigated by limiting exposure to any one counterparty. Risk reports and available aviation and financial information updates used by the Group provide valuable information in relation to any changes in the credit risk profile of its customers, or within the market, and allow the Group to take a flexible approach to the management of risk. Credit risk exposures in relation to ad-hoc customers are mitigated, where necessary, using prepayments or the request of deposits.

An analysis of trade receivables, including the value of those past their due dates and the provision for impairment, is included in Note 15 Trade and Other Receivables.

Financial liabilities

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2016 was as follows:

	2016	2015
	£m	£m
Fixed rate financial liabilities	802.4	801.8
Floating rate financial liabilities	89.4	109.1
	891.8	910.9

The Term Facility bore an interest rate based on LIBOR plus a credit margin. The overdrafts bore interest at Bank of England Base Rate plus a credit margin. The Revolving Credit Facility bore interest based on LIBOR plus a credit margin (where LIBOR can vary, at the Group's discretion, between 1 week and 12 months).

The Group has prepared an analysis on the impact of potential, likely changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

20. FINANCIAL INSTRUMENTS continued

The result of an increase in interest rates of 1% per annum would be to increase/(decrease) income and equity for the period by the following amounts:

	2016 £m	2015 £m
Impact on Income Statement	(1.0)	(1.0)
Impact on equity	-	-
	(1.0)	(1.0)

(b) Fixed rate and non-interest bearing financial liabilities

	2016	2015
Weighted average annual interest rate	4.47%	4.47%
Weighted average period for which interest rate is fixed	13yr 6m	14yr 6m

The weighted average period for non-interest bearing liabilities as at 31 March 2016 was 1 year (2015: 1 year).

(c) Maturity analysis of financial liabilities

The table below shows the gross undiscounted contractual cash outflows in relation to the Group's financial liabilities as at 31 March 2016 to the contract maturity date.

	Total £m	Total £m
In one year or less, or on demand	38.8	58.4
In more than one year but not more than two years	129.3	39.1
In more than two years but not more than five years	108.7	274.8
In more than five years	1,132.4	1,096.2
	1,409.2	1,468.5

This maturity profile represents the fair value of all financial liabilities, as denoted in table (d) below.

Undrawn committed borrowing facilities

As at 31 March 2016, the Group had an undrawn committed borrowing facility available amounting to £285.0m (2015: £267.0m).

	2016 Floating rate £m	2015 Floating rate £m
Expiring in less than one year	-	-
Expiring in one to two years	285.0	-
Expiring in more than two years	-	267.0
	285.0	267.0

20. FINANCIAL INSTRUMENTS continued

(d) Fair values versus carrying amounts of financial instruments

The following table provides a comparison, by category, of the carrying amounts and the fair values of the Group's financial instruments as at 31 March 2016 and 2015. Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

	Note	2016 Carrying amount £m	2016 Fair value £m	2015 Carrying amount £m	2015 Fair value £m
Financial liabilities:					
Instruments held at amortised cost					
Bank loans and overdrafts	17	(90.2)	(90.2)	(109.1)	(109.1)
Trade payables	21	(30.0)	(30.0)	(30.8)	(30.8)
Bonds	19	(802.4)	(922.8)	(801.8)	(930.1)
		(922.6)	(1,043.0)	(941.7)	(1,070.0)
Financial assets:					
Instruments held at amortised cost					
Cash at bank and in hand	16	-	-	4.2	4.2
Trade receivables	15	41.4	41.4	46.4	46.4
Other assets held at fair value:					
Investment properties	13	641.3	641.3	622.9	622.9
		682.7	682.7	673.5	673.5
Net financial liabilities		(239.9)	(360.3)	(268.2)	(396.5)

Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

- level 1 – quoted prices in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments carried at fair value have been measured by a level 2 valuation method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

20. FINANCIAL INSTRUMENTS continued

Summary of methods and assumptions used for determining fair values

Bonds	The fair value of publicly listed bonds is based on market prices or, if not available, brokers' quotes. The carrying value is net of unamortised issue costs.
Bank loans	The fair value of the bank loans approximates to the carrying value given their floating rate basis and interest rate setting frequency. The carrying value is net of unamortised issue costs.
Other borrowings	The fair value of other borrowings is based on a discounted cash flow methodology that reflects movements in underlying market rates.
Cash at bank and in hand	The fair value of cash at bank and in hand approximates to the carrying value as all deposits have same day access.
Trade receivables and payables	The fair value of trade receivables and trade payables approximates to the carrying value given their short-term nature.

(e) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount 2016 £m	Carrying amount 2015 £m
Trade receivables	41.4	46.4
Cash at bank and in hand	-	4.2
Credit exposure	41.4	50.6

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in Note 15.

21. TRADE AND OTHER PAYABLES

	2016 £m	2015 £m
Trade payables	30.0	30.8
Other taxation and social security	12.5	6.5
Other payables	5.1	7.2
Accruals	138.4	123.7
Capital-based grants	0.6	0.7
	186.6	168.9

The directors consider that the carrying value of trade and other payables approximates to their fair value.

22. RETIREMENT BENEFITS

Defined contribution schemes

The Group operates two defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees or insurance companies. Where there are employees who leave the schemes prior to vesting fully, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total cost charged to the income statement of £3.3m (2015: £3.1m) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 March 2016, there was £nil (2015: £nil) contributions due in respect of the reporting period then ended that had not been paid over to the schemes.

Defined benefit schemes

The Group is a participating employer in four defined benefit pension schemes as follows:

- The Greater Manchester Pension Fund (GMPF);
- MAG (STAL) Pension Scheme;
- E.M.I.A Pension Scheme;
- The Airport Ventures Pension Scheme (AVPS).

Under the schemes, the employees are entitled to retirement benefits based on their salary and length of service at the time of leaving the schemes, payable on attainment of retirement age (or earlier death). No other post-retirement benefits are provided. All schemes are closed to new entrants but are not closed to future accrual (with the exception of AVPS). The Group operates the schemes under the applicable UK regulatory framework. Benefits are paid to members from trustee-administered funds, and the trustees of each scheme are responsible for ensuring that each respective scheme is sufficiently funded to meet current and future benefit payments. Scheme assets are held in trusts separate to the Group. If investment experience is worse than expected, the Group's obligations are increased.

MAG participates in the GMPF scheme which forms part of the Local Government Pension Scheme.

The nature of the relationship between the Group and the trustees of each scheme is also governed by UK regulations. The trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment performance. In order to assess the level of contributions required, triennial valuations are carried out with the scheme's liabilities measured using prudent assumptions (relative to those used to measure accounting liabilities).

The trustees' other duties include managing the investment of scheme assets and administration of scheme and discretionary benefits. The Group works closely with the trustees to manage each scheme.

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2016 amounted to £10.5m (2015: £10.7m), and there were no one-off contributions during this period (2015: £nil).

Total employees' pension contributions for defined benefit schemes across the Group during the year ended 31 March 2016 amounted to £2.8m (2015: £2.9m), and there were no one-off contributions during this period (2015: £nil).

Actuarial gains or losses are recognised immediately in the Statement of Recognised Income and Expense, included with remeasurements.

The Greater Manchester Pension Fund (GMPF)

Certain employees of the Group participate in the GMPF, administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £5.4m (2015: £5.6m) related to payments into the GMPF.

The securities portfolio of the fund is managed by two external professional investment managers and the property portfolio is managed internally by GMPF. Participation is by virtue of Manchester Airport PLC's status as an "admitted body" to the Fund.

The last full valuation of the Fund was undertaken on 31 March 2013 by an independent actuary. The Fund was valued using the attained age method. The purposes of the valuation were to determine the financial position of the Fund and to recommend the contribution rate to be paid by Manchester Airport PLC and the other participating employers. The market value of the Fund's assets at 31 March 2013 was £12,590m (previous valuation in 2010: £10,445m). The funding level of the scheme as measured using the actuarial method of valuation was 90.5% (previous valuation in 2010: 96.4%).

The principal assumptions used in the 2013 valuation were as follows:

Salary increase	3.55% per annum
Pensions increase/Price inflation	2.50% per annum

The costs of providing pensions are charged to the Income Statement on a consistent basis over a term agreed with GMPF and the employer. These costs are determined by an independent qualified actuary and any variations from regular costs are spread over the remaining working lifetime of the current members.

MAG (STAL) Pension Scheme

On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. A condition of the purchase was that a new defined benefit pension scheme be set up in order to provide comparable benefits to those employees who had previously participated in the BAA pension scheme prior to the acquisition. Current employees transferred their accrued benefits to the MAG (STAL) Pension Scheme, but no liability for pensioners or deferred members was transferred. A full actuarial valuation of the MAG (STAL) pension scheme was carried out by the scheme actuary on 30 September 2013. The aggregate market value of the assets in the scheme at the date of that actuarial valuation was £104.9m, which represented approximately 104.9% of the present value of the liabilities. The scheme was valued using the projected unit method.

Other Schemes

Full actuarial valuations were carried out on the other defined benefit schemes as follows:

- E.M.I.A Pension Scheme (EMIA) – 6 April 2014
- Airport Ventures Pension Scheme – 1 August 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

22. RETIREMENT BENEFITS continued

The aggregate market value of the assets in the EMIA scheme at the date of that actuarial valuation was £48.4m, which represented approximately 94% of the present value of the liabilities. The scheme was valued using the projected unit method.

The other scheme is not significant to the Group and details of the valuation are included in the relevant entity's financial statements.

The numerical disclosure provided below for the defined benefit schemes is based on the most recent actuarial valuations disclosed above, which have been updated by independent qualified actuaries to take account of the requirements of IAS 19.

The key assumptions used are as follows:

	GMPF		MAG (STAL)		EMIA		AVPS	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Rate of increase in salaries	**3.05%**	3.05%	**3.05%**	3.05%	**2.00%**	2.00%	**N/A**	N/A
Rate of increase of pensions in payment	**2.05%**	2.05%	**2.05%**	2.05%	**2.05%**	2.05%	**2.05%**	2.05%
Discount rate	**3.60%**	3.30%	**3.70%**	3.40%	**3.65%**	3.30%	**3.55%**	3.20%
Inflation assumption	**2.05%**	2.05%	**2.05%**	2.05%	**2.05%**	2.05%	**2.05%**	2.05%
Life expectancy from 65								
Longevity at age 65 for current pensioners								
Males	**20.9 years**	21.0 years	**24.5 years**	24.7 years	**23.7 years**	23.9 years	**21.3 years**	21.5 years
Females	**23.4 years**	23.5 years	**27.6 years**	27.8 years	**26.0 years**	26.2 years	**26.6 years**	23.8 years
Longevity at age 45 for current members								
Males	**22.8 years**	23.0 years	**25.8 years**	26.0 years	**25.1 years**	25.3 years	**22.6 years**	22.7 years
Females	**25.7 years**	25.7 years	**29.2 years**	29.4 years	**27.5 years**	27.7 years	**25.1 years**	25.3 years

The longevity assumptions for the MAG (STAL) scheme reflect the higher age profile of active scheme members, compared to other pension schemes, as the scheme commenced in 2013.

Risk and risk management

Through its defined benefit pension schemes the Group is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility — For the purpose of setting the contribution requirements, the calculation uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio – whereas under IAS 19 (R), the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. GMPF, MAG (STAL) and EMIA hold a significant proportion of their assets in return-seeking funds. The returns on these assets may be volatile and are not closely correlated to the value placed on the liabilities. This means that the deficit may be volatile in the shorter term, which may result in an increase in the contribution requirements and an increase in the net defined benefit liability recorded on the Statement of Financial Position. However, the Group believes that return-seeking assets offer an appropriate level of return over the long-term for the level of risk that is taken. Furthermore, the schemes' other assets are well-diversified by investing in a range of asset classes, including diversified growth funds, government bonds and corporate bonds.

Changes in bond yields — A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in this scenario the schemes' investment in corporate and government bonds is expected to increase and therefore offset some of the increase in the value placed on the liabilities.

Inflation risk — The majority of the schemes' benefit obligations are linked to inflation and higher outturn levels of inflationary increases are in place to protect the plan against extreme inflation. Inflation will lead to a higher benefit obligation (although in most cases caps on the majority of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature e.g. corporate bonds and government bonds, or have an indirect link to inflation e.g. equities).

Life expectancy — The majority of the schemes' obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy.

22. RETIREMENT BENEFITS continued

Details of the net pension liability by scheme is as follows:

	Fair value of scheme assets £m	Present value of defined benefit obligation £m	(Deficit)/Surplus in the scheme £m
GMPF[1]			
2016	**363.1**	**(402.6)**	**(39.5)**
2015	377.7	(432.5)	(54.8)
2014	346.0	(383.9)	(37.9)
2013	330.3	(389.7)	(59.4)
2012	295.0	(359.9)	(64.9)
MAG (STAL)			
2016	**131.8**	**(133.4)**	**(1.6)**
2015	130.3	(134.9)	(4.6)
2014	113.9	(107.1)	6.8
2013	105.7	(112.5)	(6.8)
EMIA			
2016	**52.9**	**(64.7)**	**(11.8)**
2015	55.1	(69.1)	(14.0)
2014	48.5	(57.6)	(9.1)
2013	46.6	(57.9)	(11.3)
2012	41.2	(51.5)	(10.3)
AVPS[2]			
2016	**3.5**	**(3.5)**	**-**
2015	3.6	(3.6)	-
2014	3.1	(3.1)	-
2013	3.5	(3.5)	-
2012	3.0	(3.0)	-
Total[2]			
2016	**551.3**	**(604.2)**	**(52.9)**
2015	566.7	(640.1)	(73.4)
2014	511.5	(551.7)	(40.2)
2013	486.1	(563.6)	(77.5)
2012	339.2	(414.4)	(75.2)

NOTES:

1 The figures as shown represent the proportion of the schemes which are attributable to the Group. £6.1m (2015: £6.7m) of the liabilities are unfunded.

2 The AVPS has a surplus of £0.9m (2015: £0.8m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

22. RETIREMENT BENEFITS continued

Plan Assets

	GMPF (1)		MAG (STAL) (2)		EMIA (3)		AVPS (4)		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Equities and other growth assets	**266.1**	262.5	**97.4**	98.5	**31.7**	33.2	**0.6**	-	**395.8**	394.2
Corporate bonds	**31.0**	26.1	**33.6**	12.6	**13.5**	13.6	**2.8**	3.5	**80.9**	55.8
Government bonds	**28.8**	40.5	**-**	-	**-**	-	**-**	-	**28.8**	40.5
Index linked gilts	**-**	-	**-**	18.5	**-**	-	**-**	-	**-**	18.5
Property	**21.6**	21.8	**-**	-	**5.3**	5.9	**-**	-	**26.9**	27.7
Other	**15.6**	26.8	**0.8**	0.7	**2.4**	2.4	**0.1**	0.1	**18.9**	30.0
Fair value of assets	**363.1**	377.7	**131.8**	130.3	**52.9**	55.1	**3.5**	3.6	**551.3**	566.7

Movement in net defined benefit liability – ALL schemes

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Opening position as at 1 April*	**(639.3)**	(551.0)	**566.7**	511.5	**(72.6)**	(39.5)
Included in the income statement						
Current service cost of defined benefit schemes	**(9.5)**	(8.6)	**(0.9)**	(1.4)	**(10.4)**	(10.0)
Past service cost	**(0.1)**	(0.6)	**-**	-	**(0.1)**	(0.6)
Interest (cost)/income	**(21.1)**	(24.1)	**18.6**	22.4	**(2.5)**	(1.7)
	(30.7)	(33.3)	**17.7**	21.0	**(13.0)**	(12.3)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	**-**	-	**(25.3)**	41.1	**(25.3)**	41.1
Experience gains arising on scheme liabilities	**5.9**	5.2	**-**	-	**5.9**	5.2
Remeasurement gain/(loss) due to financial assumption changes	**38.6**	(88.5)	**-**	-	**38.6**	(88.5)
Remeasurement gain due to demographic assumption changes	**3.9**	10.7	**-**	-	**3.9**	10.7
	48.4	(72.6)	**(25.3)**	41.1	**23.1**	(31.5)
Cash flows						
Contributions	**(2.8)**	(2.9)	**13.3**	13.6	**10.5**	10.7
Benefits paid	**21.1**	20.5	**(21.1)**	(20.5)	**-**	-
Impact of asset ceiling	**(0.9)**	(0.8)	**-**	-	**(0.9)**	(0.8)
Closing Position as at 31 March	**(604.2)**	(640.1)	**551.3**	566.7	**(52.9)**	(73.4)

* The opening position excludes the impact of the assets ceiling.

22. RETIREMENT BENEFITS continued

Movement in net defined benefit liability – GMPF scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Opening position as at 1 April	**(432.5)**	(383.9)	**377.7**	346.0	**(54.8)**	(37.9)
Included in the income statement						
Current service cost of defined benefit schemes	**(3.5)**	(2.8)	**-**	-	**(3.5)**	(2.8)
Past service cost	**(0.1)**	(0.6)	**-**	-	**(0.1)**	(0.6)
Interest (cost)/income	**(14.0)**	(16.6)	**12.2**	15.0	**(1.8)**	(1.6)
	(17.6)	(20.0)	**12.2**	15.0	**(5.4)**	(5.0)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	**-**	-	**(15.8)**	26.5	**(15.8)**	26.5
Experience gains arising on scheme liabilities	**5.6**	2.6	**-**	-	**5.6**	2.6
Remeasurement gain/(loss) due to financial assumption changes	**22.9**	(50.7)	**-**	-	**22.9**	(50.7)
Remeasurement gain due to demographic assumption changes	**2.6**	4.1	**-**	-	**2.6**	4.1
	31.1	(44.0)	**(15.8)**	26.5	**15.3**	(17.5)
Cash flows						
Contributions	**(1.2)**	(1.3)	**6.6**	6.9	**5.4**	5.6
Benefits paid	**17.6**	16.7	**(17.6)**	(16.7)	**-**	-
Closing Position as at 31 March	**(402.6)**	(432.5)	**363.1**	377.7	**(39.5)**	(54.8)

The fund liabilities have a duration of approximately 18 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

22. RETIREMENT BENEFITS continued

Movement in net defined benefit liability – MAG (STAL) scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Opening position as at 1 April	**(134.9)**	(107.1)	**130.3**	113.9	**(4.6)**	6.8
Included in the income statement						
Current service cost of defined benefit schemes	**(5.1)**	(5.1)	**(0.5)**	(0.9)	**(5.6)**	(6.0)
Past service cost	**-**	-	**-**	-	**-**	-
Interest (cost)/income	**(4.7)**	(4.9)	**4.5**	5.2	**(0.2)**	0.3
	(9.8)	(10.0)	**4.0**	4.3	**(5.8)**	(5.7)
Amount recognised in the statement of comprehensive income (SOCI)						-
Actual return less expected return on pension scheme assets	**-**	-	**(6.3)**	9.2	**(6.3)**	9.2
Remeasurement gain/(loss) due to financial assumption changes	**10.5**	(26.4)	**-**	-	**10.5**	(26.4)
Remeasurement gain due to demographic assumption changes	**0.8**	7.5	**-**	-	**0.8**	7.5
	11.3	(18.9)	**(6.3)**	9.2	**5.0**	(9.7)
Cash flows						
Contributions	**(1.2)**	(1.2)	**5.0**	5.2	**3.8**	4.0
Benefits paid	**1.2**	2.3	**(1.2)**	(2.3)	**-**	-
Closing Position as at 31 March	**(133.4)**	(134.9)	**131.8**	130.3	**(1.6)**	(4.6)

The fund liabilities have a duration of approximately 25 years.

22. RETIREMENT BENEFITS continued

Movement in net defined benefit liability – EMIA scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Opening position as at 1 April	**(69.1)**	(57.6)	**55.1**	48.5	**(14.0)**	(9.1)
Included in the income statement						
Current service cost of defined benefit schemes	**(0.9)**	(0.7)	**(0.4)**	(0.5)	**(1.3)**	(1.2)
Past service cost	**-**	-	**-**	-	**-**	-
Interest (cost)/income	**(2.3)**	(2.5)	**1.8**	2.1	**(0.5)**	(0.4)
	(3.2)	(3.2)	**1.4**	1.6	**(1.8)**	(1.6)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	**-**	-	**(3.1)**	4.9	**(3.1)**	4.9
Experience gains arising on scheme liabilities	**0.3**	2.6	**-**	-	**0.3**	2.6
Remeasurement gain/(loss) due to financial assumption changes	**5.0**	(11.0)	**-**	-	**5.0**	(11.0)
Remeasurement gain/(loss) due to demographic assumption changes	**0.5**	(0.9)	**-**	-	**0.5**	(0.9)
	5.8	(9.3)	**(3.1)**	4.9	**2.7**	(4.4)
Cash flows						
Contributions	**(0.4)**	(0.4)	**1.7**	1.5	**1.3**	1.1
Benefits paid	**2.2**	1.4	**(2.2)**	(1.4)	**-**	-
Closing Position as at 31 March	**(64.7)**	(69.1)	**52.9**	55.1	**(11.8)**	(14.0)

The fund liabilities have a duration of approximately 20 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

22. RETIREMENT BENEFITS continued

Movement in net defined benefit asset – AVPS scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2016	2015	**2016**	2015	**2016**	2015
	£m	£m	**£m**	£m	**£m**	£m
Opening position as at 1 April	**(2.8)**	(2.4)	**3.6**	3.1	**0.8**	0.7
Included in the income statement						
Current service cost of defined benefit schemes	**-**	-	**-**	-	**-**	-
Past service cost	**-**	-	**-**	-	**-**	-
Interest (cost)/income	**(0.1)**	(0.1)	**0.1**	0.1	**-**	-
	(0.1)	(0.1)	**0.1**	0.1	**-**	-
Amount recognised in the statement of comprehensive income (SOCI)						-
Actual return less expected return on pension scheme assets	**-**	-	**(0.1)**	0.5	**(0.1)**	0.5
Experience (losses)/gains arising on scheme liabilities	**-**	-	**-**	-	**-**	-
Remeasurement gain/(loss) due to financial assumption changes	**0.2**	(0.4)	**-**	-	**0.2**	(0.4)
Remeasurement gain/(loss) due to demographic assumption changes	**-**	-	**-**	-	**-**	-
	0.2	(0.4)	**(0.1)**	0.5	**0.1**	0.1
Cash flows						
Contributions	**-**	-	**-**	-	**-**	-
Benefits paid	**0.1**	0.1	**(0.1)**	(0.1)	**-**	-
Closing Position as at 31 March	**(2.6)**	(2.8)	**3.5**	3.6	**0.9**	0.8

The AVPS has a surplus of £0.9m (2015: £0.8m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

22. RETIREMENT BENEFITS continued

History of experience gains and losses

	GMPF		MAG (STAL)		EMIA		AVPS		Total	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Difference between actual and expected returns on assets amount	**(15.8)**	26.5	**(6.3)**	9.2	**(3.1)**	4.9	**(0.1)**	0.5	**(25.3)**	41.1
% of scheme assets	**(4.4%)**	7.0%	**(4.8%)**	7.1%	**(5.9%)**	8.9%	**(2.9%)**	13.9%	**(4.6%)**	7.3%
Experience gains on liabilities amount	**5.6**	2.6	**-**	-	**0.3**	2.6	**-**	-	**5.9**	5.2
% of scheme liabilities	**1.4%**	0.6%	**-**	-	**0.5%**	3.8%	**-**	-	**1.0%**	0.8%
Total amount recognised in SOCI	**15.3**	(17.5)	**5.0**	(9.7)	**2.7**	(4.4)	**0.1**	0.1	**23.1**	(31.5)
% of scheme liabilities	**3.8%**	(4.0%)	**3.7%**	(7.2%)	**4.2%**	(6.4%)	**3.8%**	3.6%	**3.8%**	(4.9%)

The estimated amount of contributions expected to be paid to the schemes during the financial year to 31 March 2017 is £10.1m (2016: £10.1m).

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	GMPF	MAG (STAL)	EMIA	AVPS	Total
	2016 £m	**2016 £m**	**2016 £m**	**2016 £m**	**2016 £m**
0.5% increase in real discount rate	(33.8)	(15.4)	(6.3)	(0.3)	(55.8)
0.5% decrease in real discount rate	38.3	18.1	7.2	0.3	63.9
0.5% increase in rate of RPI inflation	38.6	15.8	4.6	0.3	59.3
0.5% decrease in rate of RPI inflation	(34.3)	(14.7)	(4.6)	(0.3)	(53.9)
0.5% increase in the salary increase rate	7.7	8.4	-	-	16.1
0.5% decrease in the salary increase rate	(7.3)	(6.5)	-	-	(13.8)
1 yr increase in life expectancy	11.2	4.4	1.9	0.1	17.6
1 yr decrease in life expectancy	(11.2)	(4.4)	(1.9)	(0.1)	(17.6)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

23. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and the movements in relation to them during the current and prior reporting periods.

	Accelerated capital allowances	Investment properties and operational assets carried at deemed cost	Retirement benefit obligations	Fair value acquisition adjustment	Short term timing differences	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2015	137.3	107.3	(16.5)	50.8	1.1	280.0
(Credit)/charge to income	(16.4)	(12.2)	0.4	(6.8)	(0.1)	(35.1)
Charge/(credit) to equity	-	-	5.7	(0.6)	-	5.1
At 31 March 2016	**120.9**	**95.1**	**(10.4)**	**43.4**	**1.0**	**250.0**
At 1 April 2014	137.4	106.1	(12.2)	54.5	4.0	289.8
(Credit)/charge to income	(0.1)	1.2	2.1	(3.7)	(2.9)	(3.4)
(Credit) to equity	-	-	(6.4)	-	-	(6.4)
At 31 March 2015	**137.3**	**107.3**	**(16.5)**	**50.8**	**1.1**	**280.0**

Deferred tax assets and liabilities have been offset in the disclosure above. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2016	2015
	£m	£m
Deferred tax liabilities	(260.4)	(296.5)
Deferred tax assets	10.4	16.5
	(250.0)	(280.0)

24. OTHER NON-CURRENT LIABILITIES

	2016	2015
	£m	£m
Accruals and deferred income	5.1	5.3
Capital-based grants	7.8	8.2
	12.9	13.5

25. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Ordinary shares of £1 each Share Capital £m	Share Premium £m	Total £m
Issued, called up and fully paid				
At 31 March 2015	0.3	0.3	2,493.9	2,494.2
At 31 March 2016	**0.3**	**0.3**	**2,493.9**	**2,494.2**

26. RESERVES

	Other reserve £m	Retained earnings £m	Total £m
At 1 April 2015	(1,249.4)	759.9	(489.5)
Remeasurements on retirement benefit liabilities	-	23.1	23.1
Deferred tax on remeasurements of retirement benefit liabilities	-	(4.2)	(4.2)
Effect of change in rate of corporation tax on deferred tax		(0.9)	(0.9)
Result for the year	-	153.5	153.5
At 31 March 2016	**(1,249.4)**	**931.4**	**(318.0)**

	2016 **£m**	2015 £m
Reconciliation of movements in shareholders' funds:		
Opening shareholders' funds	**2,004.7**	1,932.0
Total recognised income for the year	**171.5**	72.7
Equity shareholders' funds as at 31 March	**2,176.2**	2,004.7

27. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	2016 **£m**	2015 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**30.3**	34.6

A contingent liability exists under Part 1 of the Land Compensation Act 1973 relating to claims that may be made by individual property owners in respect of alleged diminution in the value of their homes as a result of development works carried out at Stansted Airport in the 1999-2007 period. Any claims made will raise complex matters of expert evidence in relation to historic noise levels and property values in the immediate vicinity of the airport and, accordingly, both the existence of any liability for the Group and, were such liability to be demonstrated, the extent of it remain uncertain. In any event, it is the directors' opinion based on professional advice to date that any liability incurred will not be material to the Group.

In addition the Group has performance bonds and other items arising in the normal course of business amounting to £2.6m at 31 March 2016 (2015: £2.7m).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

28. OPERATING LEASE ARRANGEMENTS

At 31 March 2016 the Group had commitments under non-cancellable operating leases which expire as follows:

	2016 Land £m	2016 Other £m	2015 Land £m	2015 Other £m
Expiring within one year	2.8	7.8	2.7	8.1
Expiring in more than one year but within five years	10.9	28.6	11.0	29.4
Expiring in over five years.	57.0	216.3	59.8	223.2
	70.7	252.7	73.5	260.7

A significant portion of the commitments stated as 'other' relates to an electricity distribution agreement with UK Power Networks. The amounts disclosed within the table are the minimum amounts payable (base fee) under the agreement, and have been discounted at the Group's incremental borrowing rate. The prior year balances have been restated to re-classify the land lease with The Council of the City of Manchester, within 'Land', having previously been included within 'Other'.

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 32. The amount payable under the ground rent leases is a base fee of £1.0m (included within the table above and increasing with inflation linked to CPI). The main lease with MCC is variable based on turnover and rental per sq foot with no base fee or minimum commitment, and therefore is not included in the table above. The amount charged to operating profit across all leases with MCC in the year was £10.4m (2015: £9.8m). The lease expires in 2085.

As noted above, the Group also has a commitment in respect of an electricity distribution agreement with UK Power Networks (formerly EDF Energy PLC). The total amount payable on the lease is a base fee of £7.7m (included within the table above and increasing with inflation), plus a volume and recharge element adjusted annually for inflation. The total amount charged to operating profit in the year was £10.2m (2015: £10.3m). The lease expires in 2083.

29. RELATED PARTY TRANSACTIONS

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

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

Included in external charges are charges for rent and rates amounting to £26.7m (2015: £25.8m) and other sundry charges of £0.4m (2015: £0.4m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

Industry Funds Management (IFM) through its subsidiary is a related party to MAHL as IFM owns 35.5% of the share capital of the Company. During the year, the MAGIL Group did not enter into any transactions with IFM:

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

At 31 March 2016, the amounts of loans outstanding owed by MAHL was £256.3m (2015: £149.0m), relating to cash transferred by the MAGIL Group to MAHL for dividend payments made by MAHL to the shareholders and interest on the unpaid balance. Included within finance income are interest on loans outstanding owed by MAHL of £6.7m (2015: £nil).

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

29. RELATED PARTY TRANSACTIONS continued

As at 31 March 2016, the balance owing by MAFHL was £83.2m (2015: £52.9m), relating to interest payments on shareholder loans held outside of the MAGIL Group.

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

At 31 March 2016, the balance outstanding owed by Airport City (Manchester) Limited was £50.1m (2015: £40.3m), relating to the transfer of assets and funding. During the year, the MAGIL Group provided funds/transferred assets with a carrying value of £9.8m (2015: £3.2m).

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

At 31 March 2016, the amount of balance outstanding owed by MAG US was £4.9m (2015: £nil), relating to funding provided by the MAGIL Group. During the year, the MAGIL Group provided funding of £4.9m (2015: £nil).

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

	2015	Cash flow	Other non-cash movements	**2016**
	£m	£m	£m	**£m**
Cash at bank and in hand	4.2	(5.0)	-	**(0.8)**
Cash on short term deposit	-	-	-	**-**
Cash and cash equivalents disclosed on the Statement of Financial Position	4.2	(5.0)	-	**(0.8)**
Overdrafts	-	-	-	**-**
Total cash and cash equivalents (including overdrafts)	4.2	(5.0)	-	**(0.8)**
Current debt	(20.0)	20.0	-	**-**
Non-current debt	(890.9)	-	(0.9)	**(891.8)**
Net debt	(906.7)	15.0	(0.9)	**(892.6)**

Company Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORT GROUP INVESTMENTS LIMITED

We have audited the Parent Company financial statements of Manchester Airport Group Investments Limited for the year ended 31 March 2016 set out on pages 52 to 57. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**

Opinion on financial statements

In our opinion the Parent Company financial statements:

– give a true and fair view of the state of the Company's affairs as at 31 March 2016;

– have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

– have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

– the parent company financial statements are not in agreement with the accounting records and returns; or

– certain disclosures of directors' remuneration specified by law are not made; or

– we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Manchester Airport Group Investments Limited for the year ended 31 March 2016.

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square, Manchester M2 3AE
13 July 2016

ACCOUNTING POLICIES

Manchester Airport Group Investments Limited (the "Company") is a company limited by shares and incorporated and domiciled in England.

These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £100,000.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Company, including the impact of a restatement of prior year comparative figures prior to transition, is provided in Note 7.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

– Cash Flow Statement and related notes; and
– Key Management Personnel compensation
– Related parties

Further, as the consolidated financial statements of the Group include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

– The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Functional Currency

The Company's functional and presentation currency is the Pound Sterling.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less provision for diminution in value.

Inter-company balances

Inter-company balances are stated at historic cost.

Interest payable

Interest payable is recognised in the income statement as it accrues, using the effective interest method.

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £m	2015 £m
ASSETS			
Non-current assets			
Investments	3	**2,494.2**	2,494.2
		2,494.2	2,494.2
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,494.2**	2,494.2
NET ASSETS		**2,494.2**	2,494.2
Capital & Reserves			
Share Capital	4	**0.3**	0.3
Share Premium	5	**2,493.9**	2,493.9
Retained earnings	5	**-**	-
Total equity		**2,494.2**	2,494.2

The accompanying notes form an integral part of the financial statements.
The financial statements on pages 52 to 57 were approved by the Board of Directors on 13 July 2016 and signed on its behalf by:

Neil Thompson
Director
For and on behalf of the Board of Directors

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

	Share capital	Share premium	Profit and loss account	Total
	£m	£m	£m	£m
Balance at 1 April 2015	0.3	2,493.9	-	2,494.2
Result for the year	-	-	-	-
Total comprehensive income/expense for the period	**-**	**-**	**-**	**-**
Balance at 31 March 2016	**0.3**	**2,493.9**	**-**	**2,494.2**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Share capital	Share premium	Profit and loss account	Total
	£m	£m	£m	£m
Balance at 1 April 2014	0.3	2,493.9	-	2,494.2
Result for the year	-	-	-	-
Total comprehensive expense for the period	**-**	**-**	**-**	**-**
Balance at 31 March 2015	**0.3**	**2,493.9**	**-**	**2,494.2**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. AUDITOR'S REMUNERATION

Amounts receivable by the Company's auditor and the auditor's associates in respect of services to the Company and the Company's subsidiaries, have not been disclosed as the information has been disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Manchester Airports Holdings Limited.

2. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE COMPANY

As permitted by Section 408 of the Companies Act, the Company is exempt from the requirements to present its own profit and loss account. As shown in Note 5, the result attributable to the Company is a loss of £nil (2015: £nil).

3. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
Cost and net book value	
At 31 March 2016 and 31 March 2015	2,494.2

4. CALLED UP SHARE CAPITAL

	Number (000)	2016 £m	2015 £m
Issued, called up and fully paid			
Ordinary shares of £1 each	300	**0.3**	0.3
		0.3	0.3

5. OTHER COMPREHENSIVE INCOME

	Share Premium £m	Profit and loss account £m
At the beginning of the year	2,493.9	-
Result for the year	-	-
At the end of the year	**2,493.9**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 continued

6. SUBSIDIARY UNDERTAKINGS

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by Group	Company	Principal activities
Airport Advertising Limited	Ordinary £1 shares	100%		Non trading
Airport Petroleum Limited	Ordinary £1 shares	100%		Non trading
Bainsdown Limited	Ordinary £1 shares	100%		Property holding company
Bournemouth Airport Core Property Investments Limited	Ordinary £1 shares	100%		Non trading
Bournemouth Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
Bournemouth Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company
Bournemouth International Airport Limited	Ordinary £1 shares	100%		Airport operator
East Midlands Airport Core Property Investments Limited	Ordinary £1 shares	100%		Non trading
East Midlands Airport Nottingham Derby Leicester Limited	Ordinary £1 shares	100%		Intermediate holding company of East Midlands International Airport Bournemouth International Airport Limited
East Midlands Airport Property Investments (Hotels) Limited	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company
East Midlands International Airport Limited	Ordinary £1 shares	100%		Airport operator
	9% cumulative redeemable preference shares	100%		
Manchester Airport Aviation Services Limited	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Finance Limited	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Funding PLC	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Property Developments Limited	Ordinary £1 shares	100%		Property development company
Manchester Airport Group Property Services Limited	Ordinary £1 shares	100%		Property management company
The Manchester Airport Group PLC	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport PLC	Ordinary £1 shares	100%		Airport operator
Manchester Airport Property Investments (Hotels) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Industrial) Limited	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Offices) Limited	Ordinary £1 shares	100%		Investment property holding company

6. SUBSIDIARY UNDERTAKINGS continued

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by Group	Company	Principal activities
Manchester Airport Ventures Limited	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
Ringway Developments PLC	Ordinary £1 shares	100%		Property holding company
Ringway Handling Limited	Ordinary £1 shares	100%		Non trading
Ringway Handling Services Limited	Ordinary £1 shares	100%		Non trading
Stansted Airport Limited	Ordinary £1 shares	100%		Airport operator
Worknorth Limited	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		
Worknorth II Limited	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		

All the above companies operate in their country of incorporation or registration, which is England and Wales.

7. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP

These are the Company's first financial statements prepared in accordance with FRS 102. The accounting policies set out on page 52 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015. In preparing its FRS 102 statement of financial position, the Company has reviewed amounts reported in previously in financial statements prepared in accordance with its former basis of accounting UK and concluded that no changes to the numbers disclosed in the prior year accounts are required.

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