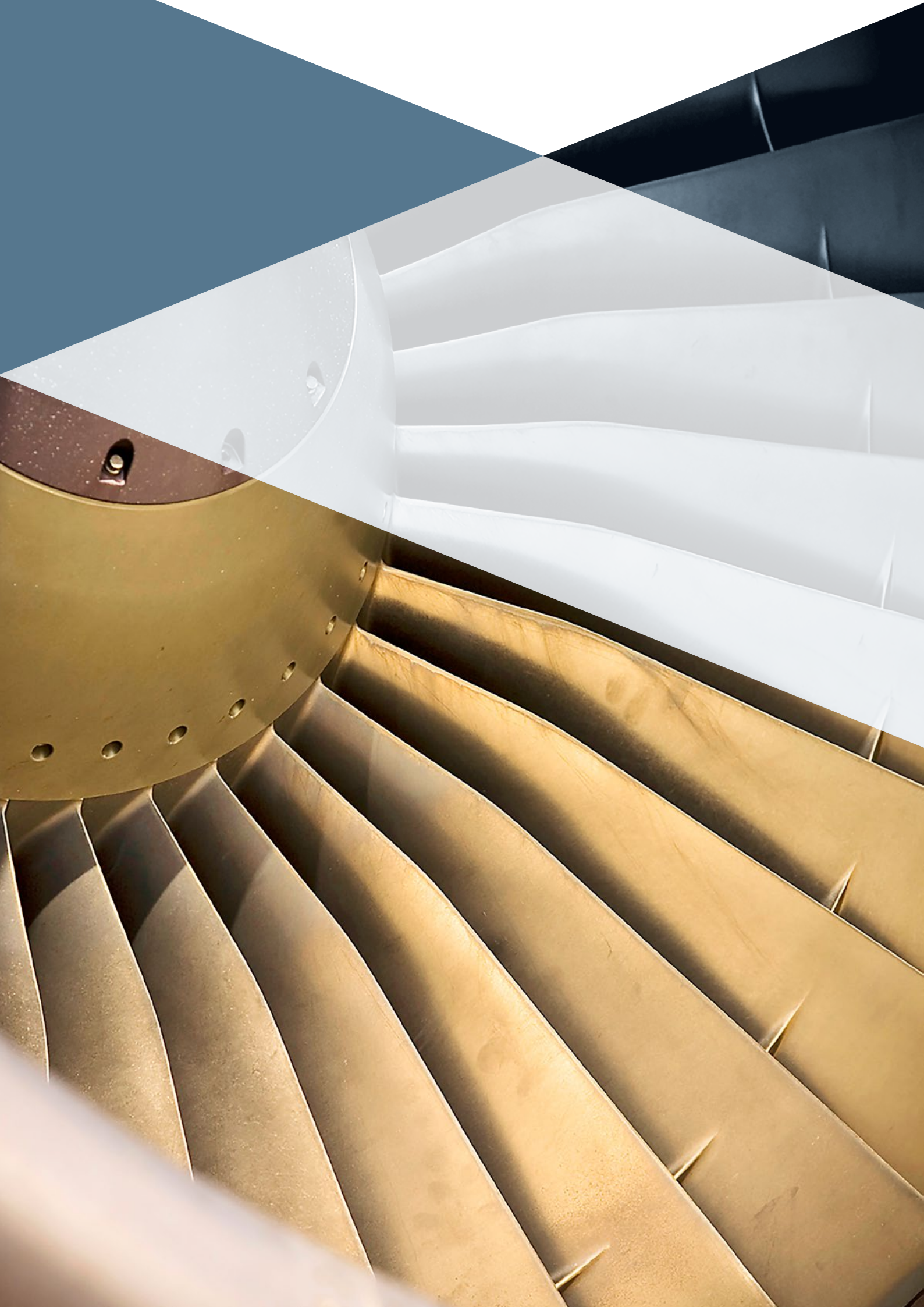


2017 ANNUAL REPORT AND ACCOUNTS





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"MAG is a leading UK airport group and owns and operates four UK airports – Manchester, London Stansted, East Midlands and Bournemouth."

Our Business

MAG is a leading UK airport group and owns and operates four UK airports – Manchester, London Stansted, East Midlands and Bournemouth. The Group saw over 55 million passengers flying through its airports this year, which together employ over 40,000 people on site.

MAG also has a substantial property business, with over £600m of investment property assets across its airports, and has a 50% investment in the 5m sq ft Airport City development at Manchester Airport.

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

MAG's ownership structure is unique and comprises an effective blend of public and private shareholders, comprising Manchester City Council (35.5%), IFM Investors (35.5%) and the nine other Greater Manchester local authorities (29%).

PASSENGER NUMBERS (m)

2016: 51.9m

55.9m

+4.0m year on year
+7.7% year on year



MAG refers to Manchester Airports Holdings Limited

*"In a year of strong growth,
a record 55 million passengers
have used our airports."*



Chairman's Statement

This has been a landmark year for MAG. The business has delivered another year of strong growth and a record 55 million passengers have used our airports, demonstrating the continued demand that exists in this country for air travel.



Adrian Montague

Sir Adrian Montague, CBE
Chairman, MAG

Responsiveness and agility are key drivers of performance, and the MAG Executive team have enhanced these capabilities by making great strides in planning for the upgrading of our infrastructure through projects such as the £1bn Manchester Airport Transformation Programme (MANTP) and London Stansted Terminal development. These schemes will ensure that we keep succeeding in tomorrow's competitive marketplace and delivering sustainable long-term value for shareholders.

We have had the most profitable year in our history, achieving record revenues and profits, and the continued execution of our core strategy to put passengers at the heart of the business resulted in another year of significantly higher earnings and return on invested capital.

MAG's approach is guided by our belief that when our business prospers, the regions and communities in which we operate prosper. We also know that delivering growth in the right way is key to securing the support of our stakeholders, and as our airports continue to grow over the coming years, we recognise the importance to local communities of being able to deliver this growth without

increasing the environmental impacts associated with our operations. This year we have further demonstrated the powerful role that our airports across the country play in generating wider social and economic benefit, and at a time when we are transporting record numbers of passengers, we are very proud of the fact that we have managed to significantly reduce our environmental impact through a variety of initiatives, and make Manchester Airport's ground operations carbon neutral.

With the decision on the location of a new runway in the south east finally made, Government must now use the opportunity that will be presented by the production of both the new Aviation and Industrial strategies to outline how the UK can make the best of its other primary airports to drive economic growth through international connectivity and competitiveness. If it gets this right, Government will re-shape the economy over the long term. We are calling on them to support faster rail services to London Stansted and reduce aviation taxes to encourage new connections from Manchester, particularly to key long haul markets.

Political and other volatility continues to be a growing feature of the global economy and many of the markets which our airlines fly to. It is too early to assess the implications of the United Kingdom's decision to leave the European Union for our business and operations over the longer term but as this country prepares to enter a new era, we will continue to work closely with Government and the rest of our industry to secure a commitment to the continuation of Britain's air connectivity arrangements before the end of 2017, ensuring our passengers and airlines can plan with confidence after the UK leaves the EU in April 2019. At no point have the excellent links that this country's airports provide been more important to the nation's future prosperity and it is vital that business travellers and holiday makers are able to continue to fly between the UK and Europe just as they do now.

In September, Cath Schefer and Jon Wragg joined our Board as non-executive directors. Cath is a civil engineer by training, has 27 years' experience in the design, construction and management of large infrastructure projects, and is currently a senior executive with MWH Global. Jon Wragg has over thirty years' experience in the retail sector, including with Littlewoods and Asda, and is currently responsible for the global e-commerce, wholesale and digital marketing functions of the FTSE 250-listed SuperGroup plc. Together, Cath and Jon will provide invaluable expertise to MAG as we pursue two parallel goals – embarking on key infrastructure projects whilst also expanding our online and e-commerce offering.

MAG is a better equipped business than it was a year ago and in the coming year we will continue to focus on delivering further growth. The Group has a long term objective of providing sustainable dividends to shareholders, much of which finds its way back into the Greater Manchester community. During the year, the Group paid dividends of £124.2m, comprising a final dividend for 2016 of £77.2m, and an interim dividend for 2017 of £47.0m. This level of dividends reflects both the strong performance in the current year and our confidence in the future of the business.

Looking ahead, MAG expects the aviation market to continue to grow and the Board remains confident of the Group's compelling opportunities in the longer term. However, with continuing uncertainty in the economic and political outlook, we will remain vigilant with regards to changes in demand and market behaviour.

Finally, I would like to register a special thank you to our people who during such a busy period have been the key contributor to MAG's success. It has been their spirit of commitment to passengers, particularly that of front-line staff, that has ensured our airports have remained amongst the most attractive in Europe.

*"Our vision is to become the
premier airport management
and services company."*

Fast
Track
Departures

Security Repacking

Departures
Shops • Bars • Restaurants

Strategic Report

THIS STRATEGIC REPORT IS PRESENTED IN FIVE SECTIONS:

- **Strategy** – overview of our strategy and business model;
- **Key Performance Indicators** – highlights of our key performance measures;
- **Chief Executive's Operating Review** – overview of the year ended 31 March 2017, along with the key factors likely to impact the Group in the year ended 31 March 2018;
- **Financial review** – presentation and explanation of the key drivers behind the financial performance reported for the year ended 31 March 2017 and analysis of the financial position of the Group as at that date; and
- **Risk management** – outline of the Group's internal controls, approach to risk management, sources of assurance and highlights of the key business risks.

STRATEGY

OUR VISION

To be the premier airport management and services company.

OUR MISSION

To deliver sustainable growth in shareholder value, balancing the needs of our customers, passengers, employees and the communities in which we work, while maintaining the highest safety and security standards.

OUR SUSTAINABLE FUTURE

MAG is committed to a sustainable future and to improving the social, economic and environmental well-being of the community and environment through the investment in, and development of, renewable energy schemes and reductions in energy usage and waste across the Group. Our operations are carbon neutral and currently 100% of our energy needs for our airports is derived from renewable sources.

OUR STRATEGIC PRIORITIES

There are six key priorities within our strategy:

1. Deliver great service at every touch point
2. Achieve profitable growth in all our businesses
3. Focus on operational excellence
4. Energise and unlock the potential of our people
5. Provide modern and customer-focused infrastructure
6. Enhance the reputation and profile of MAG

OUR VALUES

Our people are key to the ongoing delivery and sustainability of our growth strategy. We have created a single culture across the organisation, with five core values that underpin our strategy and determine how we work towards achieving our Mission and Vision.

Finger on the pulse

MAG is in tune with the changing needs and aspirations of all its stakeholders, from customers and employees to investors and the local community. We look at the future through the eyes of our customers – airlines, passengers and tenants. We are dynamic, fast-moving and always up to date. We lead the way in developing the future of successful and highly profitable airports.

Why not?

MAG challenges the status quo to provide the best solutions for airlines, passengers, tenants and other stakeholders. We never stand still in our search for innovative ideas which surprise and delight our customers and drive performance. We attract ambitious people and enlightened organisations who are drawn by MAG's forward-looking, innovative spirit. We give people permission to think and act differently.

Power of teamwork

MAG creates win-win solutions with its partners, which consistently outperform the market. We empower our airline

customers and retail tenants to exceed the expectations of their end-consumers. We think and act like one team, bonded by mutual trust and respect. We share in the success of our business, recognising and rewarding great ideas and exemplary behaviour.

Brilliant at what matters

MAG focuses on all the things which really matter to its stakeholders and which make them want to do business with us, fly through our airports or work for our company. We set ourselves the highest performance and quality standards and are rigorous about consistency and efficiency in our delivery. We constantly challenge ourselves to find new and better ways to exceed expectations.

Safe hands

MAG treats the safety and security of customers and employees as its number one priority. We act with the highest standards of honesty, integrity and responsibility. We consistently deliver on our financial and brand promises, and are accountable for our decisions. We engender confidence through the knowledge, experience and professionalism of our people.

MAG's Strategy is to increase shareholder value by maximising value-creation according to market opportunity. This is done by providing better customer service, journeys and products to more passengers, airlines and corporate customers.

It is based around six strategic priorities, delivered by the Group, its airports and other businesses through integrated support platforms that realise Group scale and synergies and provide resilience.

1. DELIVER GREAT SERVICE AT EVERY TOUCH POINT

MAG continually strives to improve customer service levels, a central driver of the massive investment being made in new terminals at both Manchester and London Stansted and the airports' high Airport Service Quality ('ASQ') scores, the gold-standard measure. Both Manchester and London Stansted are two of the UK's fastest growing major airports, and investment in East Midlands Airport is proving similarly successful. Customer service today is increasingly digital and MAG is investing heavily in improving its digital channels, experiences and options, so that customers can get the information, products and services they want, when they want them, through the digital channels they use. Recognising accelerating customer demands and higher-quality expectations, this is a core area of improvement, driving towards making MAG best-in-class, including improving in-terminal Wi-Fi provision. The key to creating a seamless digital customer travel experience is strategic partnerships, especially with affiliates and our diverse airline mix.

2. ACHIEVE PROFITABLE GROWTH IN ALL OUR BUSINESSES

MAG's car park and retail revenues continue to grow to meet increased customer demand for different products. Multiple initiatives, particularly to increase online revenues, are ongoing. MAG is a data-led business, investing heavily in core business intelligence capability and broader data and omnichannel platforms, which help drive profitable growth through operational efficiencies and increased revenues, particularly online. This is increasingly achieved through personalised customer experience, broader functionalities and brand value that customers trust and use beyond MAG's core, such as the new VIP suite of products and fast-track through passport control. MAG product development responds quickly to customer needs with services such as retail Reserve and Collect, which is enjoying significant growth. MAG continues to diversify its product, partner and services range, pushing out the innovation curve with revenue-generating products and digital prototyping to drive greater value from better customer insight. MAG also realises value from expanding evidenced areas of comparative advantage into external markets such as the US, enhancing shareholder returns at an acceptable risk profile.

MAG Property is on a growth trajectory, managing over £600m of assets and with several new developments in the market and the pipeline. The realisation of property value across MAG's sites continues, including Airport City at Manchester Airport, where Amazon's new warehouse site is now fully operational in our global logistics hub alongside other new occupiers Lime Supply and Posilan.

3. FOCUS ON OPERATIONAL EXCELLENCE

Data also drives MAG's operational excellence, a central factor with the successful completion of a review of MAG's target operating model which considered and brought together our end-to-end operational process flows and business intelligence systems, as well as embedding continuous improvement programmes that drive efficiency and competitiveness. Security has seen improved productivity through innovations such as matrix screening, which continues to be rolled out, and through live security queue time updates, which are on track to become part of the personalisation programme. In an integrated data and technology landscape, the forthcoming renewal of the airports' operating system is a significant opportunity to merge various data sources, including with the new back-office Enterprise Resource Planning platform which has now been fully-delivered. A new Customer Relationship Management system has also been fully delivered and is being innovatively deployed across that personalisation agenda to drive operational excellence and improved customer experience.

4. ENERGISE AND UNLOCK THE POTENTIAL OF OUR PEOPLE

Every business is a people business, and for MAG attracting and retaining the talent we need from an ever-more mobile pool is critical to all areas of our business, including our digital aspirations. MAG is an agile and innovative employer with a high 'Great Places to Work' aspiration. We continue to develop a wide-range of specialist critical skills which bring comparative advantage at the right cost and drive a high-performance culture at all levels through leadership, ambition, resilience and multi-skilling. Our people, especially customer-facing staff, are key to the strategy's sustainability. MAG's five core values drive a unitary ethos across the Group's businesses.

5. PROVIDE MODERN AND CUSTOMER-FOCUSED INFRASTRUCTURE

MAG is making the largest private infrastructure investment in the UK outside London, through Manchester Airport's plans for the £1bn world-class redevelopment of its terminals, making it a global gateway and one of Europe's most innovative, customer-focused airports. London Stansted won the 'Best London Airport' award in 2016 and a new facility is being built there to improve immigration facilities and re-configure check-in to cater for growth to 35 million passengers a year, and to enable full use of London Stansted's single runway. East Midlands' runway was entirely resurfaced on time and on budget.

Big data is being used to streamline asset management, using the same technological step-change being brought to customer behaviour and personal preferences. These changes mean MAG's capability to design, manage and operate its entire infrastructure in a customer-orientated way is experiencing a revolution. Digital platforms are being commercially designed to provide services to commercial tenants, such as Wi-Fi and data hosting services for Manchester's Airport City and wider digital campus. MAG's car parks, lounges and other on-line booking systems are being replatformed, anticipating future growth in volume and complexity, including for online retail transactions, in-terminal food delivery, real-time way-finding and multichannel offerings. More options to invest in facilities over the short, medium and long-term to further optimise our customer proposition and maximise spare runway capacity are under constant consideration.







6. ENHANCE THE REPUTATION AND PROFILE OF MAG

This year has seen market and investor confidence in MAG grow, based on its growth plans, strong balance sheet, low gearing, robust operating model and shareholder dividends. MAG's managed evolution from regional to national to international airport management and services provider continues apace, as can be seen with its new US airport lounges in California, Connecticut and Minneapolis, as well as its all-new premium '1903' lounge offering which opened to fantastic reviews and full bookings. MAG, owner of two of the UK's top four airports, is the largest UK-owned airport operating company and its global brand and stature continue to grow. Manchester flies more routes than Heathrow, including increased volumes and larger planes to the Gulf, with Emirates shortly to become an all A380 operation, and including new routes to US destinations such as Los Angeles, Houston, Boston and San Francisco. Manchester is the only UK airport outside London with a daily service to Hong Kong and the new route to Beijing launched in Manchester by China's President Xi Jinping recently upgraded to six flights a week.

Across the Group, MAG is committed to a sustainable future and to improving the social, economic and environmental well-being of the regions in which it operates through the development of renewable energy schemes and reductions in energy usage and waste. Our operations are carbon neutral and 100% of our airports' energy needs are derived from renewable sources. MAG airports contributed over £7bn to the UK economy and for our local communities.

KEY PERFORMANCE INDICATORS

We focus on a number of key performance measures to ensure we build value for our shareholders on a consistent basis over the long-term.

| Measure | Aim | Context | Progress in 2017 | | |
|--|---|--|---------------------------------|---|---------------|
| Revenue | Achieve long-term and steady growth in revenue | We aim to deliver sustainable growth across all areas of our business – aviation, car parking, retail and property | £839.6m 2016: £778.8m |  | +7.8% |
| Adjusted EBITDA¹ | Generate a level of profit that allows re-investment in our infrastructure | We cover the cost of using our assets with income from our operations | £343.2m 2016: £317.7m |  | +8.0% |
| Result from operations | Achieve steady and increasing profit from operations | We expect all our operations to positively contribute to the Group's result | £198.4m 2016: £175.6m |  | +13.0% |
| ROCE² | Achieve a healthy ROCE which exceeds our cost of capital | We generate profits which cover the cost of investing in our asset base | 9.1% 2016: 8.4% |  | +8.3% |
| Occupancy rates³ | Achieve a high level of occupancy on lettable property | We generate improved revenue by maximising occupancy of our existing property portfolio | 92.9% 2016: 93.9% |  | -1.1% |
| Investment property value⁴ | Generate growth in capital value of our property portfolio | We manage our property portfolio to realise maximum value from disposals and re-invest in new developments | £603.3m 2016: £641.3m |  | -5.9% |
| Capital investment | Provide effective investment in operational assets to improve efficiency and support growth | We invest in opportunities that generate the best shareholder value, and enhance the quality of our airport services | £179.0m 2016: £125.3m |  | +42.9% |
| Adjusted cash generated from operations¹ | Convert our operating profits into cash | We focus on converting our operating profits into cash to fund further investment and returns to shareholders | £327.7m 2016: £325.3m |  | +0.7% |
| Shareholder return | Generate growth in distributions for shareholders | We provide returns to reward the shareholders investment | £154.5m 2016: £130.9m |  | +18.0% |
| Market share⁵ | Grow our share of the market | Measures the performance of MAG compared to the UK market | 28.1% 2016: 28.5% |  | -1.4% |

NOTES:









¹ As explained in the Financial Review on page 22.

² ROCE (return on capital employed) is calculated from adjusted operating profit as a percentage of average capital employed, and on a historical cost basis.

³ Measured as let space as a percentage of full occupancy space.

⁴ The decrease in 2017 is because of planned disposals rather than reduced valuations.

⁵ Market share excludes Heathrow Airport.

| Measure | Aim | Context | Progress in 2017 | | |
|--|---|--|-----------------------------|---|---------------|
| Passengers (m) | Maximise passenger volumes through our airports | Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams | 55.9m 2016: 51.9m |  | +7.7% |
| Destinations | Provide access to all major global holiday and business destinations | As a premier airport services company we aim to provide access to anywhere in the world from our airports | 282 2016: 279 |  | +1.1% |
| ASQ scores⁶ | Improve performance for our airports in their respective benchmark groups | We aim to ensure that customer satisfaction levels are at the highest possible standard | 3.90 2016: 3.90 |  | - |
| Departure punctuality⁷ | Maintain a high level of on-time departures | We maximise our service to airline partners by providing efficient airport operations | 76.2% 2016: 79.1% |  | -3.7% |
| Carbon Reduction – CO₂ emissions⁸ | Minimise the environmental impact of our operations | We closely monitor our CO ₂ emissions and environmental impact | 1.026 2016: 1.289 |  | +20.4% |
| Number of people within noise footprint ('000s) | Being good neighbours with our communities | Minimising the impact of our operations on the local community | 37.3 2016: 34.5 |  | -8.1% |
| Number of training placements provided | Supporting work in our communities | Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies | 948 2016: 503 |  | +88.5% |
| Health and Safety RIDDOR – reportable accidents⁹ | Maintain robust health and safety standards | The safety of our customers and colleagues is extremely important to us, and we value a safe working and operating environment for all | 8 2016: 8 |  | - |

NOTES:

- 6 Airport Service Quality ('ASQ') is the global industry benchmark for measuring passenger satisfaction whilst travelling through the airport – measured out of 5, with 5 being the highest level of satisfaction.
- 7 Measured as a percentage of departures within 15 minutes of scheduled departure time. The reduction on the prior year is driven largely by external factors including an increase in air traffic capacity throughout the European network, placing strain on the ATC capacity, and weather related delays. We continue to work closely with all our airline partners and service agents to minimise the level of disruption and delays.
- 8 Our emissions are calculated based on data gathered for voluntary emissions reporting under, and compliance with, the CRC Energy Efficiency scheme and EU 'Emissions Trading System' ('ETS'). UK Government Conversion Factors for Company Reporting published by Defra and DECC in 2015 were used, with historic emissions re-calculated where required.
- 9 The reporting of Injuries, Disease and Dangerous Occurrence Regulations ('RIDDOR') stipulate the most serious types of incidents, which must be reported to the Health and Safety Executive.



"This year has seen significant progress towards the future redevelopment of our two largest airports – Manchester and London Stansted."

Chief Executive's Operating Review

This year has been transformational for MAG – we have seen more passengers using our airports, exceeded our challenging financial targets and made significant progress towards the future redevelopment of our two largest airports, Manchester and London Stansted.



Charlie T. Cornish

Charlie Cornish

Chief Executive, MAG

MAG has delivered its sixth consecutive year of growth in passenger numbers and profitability. Only recently, during 2015, we were celebrating welcoming over 50 million passengers to our airports for the first time, and already for the year to March 2017 we've now passed 55 million, with all of our airports having contributed to this growth.

Our strong performance has come during a period of political uncertainty for the aviation sector. However, passengers and airlines have continued to fly with enthusiasm to both EU and non EU destinations. At Manchester Airport, the increase in additional passengers flying from the airport to Spain alone outstripped the total growth that London Heathrow has seen across its entire operation. Similarly, at London Stansted, growth has exceeded our forecasts, led by the continued strong performance of Ryanair and the welcome arrival of Jet2.com and British Airways.

Performance across both our aviation and commercial revenue streams has been robust this year, with aviation income increasing 5.1% year-on-year to £407.0m, while retail income confounded a challenging climate to increase by 14.3% to £164.4m, driven by the full year impact of the significant investment in the terminal transformation at London Stansted, as well as the continued focus on operational improvement, and the popularity of our MAG airport lounge brands.

Last year, MAG's airports across the UK contributed £7.1bn in economic activity to UK PLC. This means that for every £1 the Group earned in revenue, economic activity worth another £8 was generated in the wider economy as a result. More route launches, particularly to long haul destinations, mean this figure is likely to rise this year, which is good news for the communities we serve.

Whilst demand to fly to and from the UK has continued to rise, it is critical that all European airlines are afforded ongoing access to the continent's skies and we are urging Government to prioritise the delivery of an interim deal on aviation as soon as possible. This will reassure airlines and passengers, and encourage them to continue to base more aircraft in the UK and purchase tickets.

MANCHESTER AIRPORT

Once again, Manchester Airport has enjoyed a record year. In the 12 months to March, the UK's third largest airport served 2.7 million more passengers than it had done in the previous 12 months, up a very impressive 11.5% year-on-year.

PASSENGER NUMBERS (m)

2016: 51.9m

55.9m

+4.0m year on year
+7.7% year on year

ADJUSTED EBITDA (£m)*

2016: £317.7m

£343.2m

+£25.5m year on year
+8.0% year on year

REVENUE (£m)

2016: £778.8

£839.6m

+£60.8m year on year
+7.8% year on year

RESULT FROM OPERATIONS (£m)

2016: £175.6

£198.4m

+£22.8m year on year
+13.0% year on year

*As explained in the Financial Review on page 22

Over the course of the year, Manchester broke into the list of top 20 largest airports in Europe by passenger numbers, testament to the hard work that our commercial team has undertaken to broaden the airport's appeal to carriers but also the increasing eagerness of travellers to both begin and end their journeys in the North. We hope that in the next year or two London Stansted will also enter the European top 20.

Manchester's newly acquired top 20 status reflects the increasing quality of global connectivity that the airport is able to offer and what has been most pleasing about this growth is that it has been driven out of all areas of our aviation offering: EU & non EU; long haul and short haul; low cost & full service.

In recent years the airport has become the only airport outside London to offer many direct routes to long haul destinations. Manchester is the global gateway to and from the North – and critical to the success of the Northern Powerhouse, an initiative we have been proud to support this year, by becoming a founding member of the Northern Powerhouse Partnership think tank.

The direct flight to Beijing that was launched in June last year is a good example of the benefits that come with the airports increased reach. This route very quickly experienced load factors which surpassed expectations and have now resulted in its frequency being increased from an initial four flights a week to six and Boeing 787 Dreamliners coming onto the route from this summer.

Similarly, our Hong Kong route has been so successful its frequency has been expanded to offering daily flights. Meanwhile, we've seen Singapore Airlines start new non-stop links to both Singapore and Houston, the first time we've ever seen an Airbus A350 at Manchester.

The year ended with another exciting long haul development as Virgin Atlantic launched the UK's first ever direct flights to San Francisco from outside London. Shortly after the year end Thomas Cook also launched a direct route to San Francisco. These routes will be an additional catalyst for the North's growing tech sector, who will gain a direct link to Silicon Valley, with all the investment and collaboration opportunities which that brings.

Routes like Beijing, Singapore, San Francisco and Houston attract inward investment, stimulate tourism and ultimately contribute to the growth of the regional and national economies. Increasingly, we are seeing tourists from long haul destinations starting or finishing UK tours in Manchester rather than London, which is great for the airport and even better for the city and wider region.

This year saw construction start on our 10-year investment programme in Manchester Airport which will see us invest over £1bn on improving its facilities for the millions of passengers who visit every year. The phased, flexible programme will transform the airport experience and we look forward to work continuing apace into the year ahead.

The effect that the success of Manchester Airport will have on the North as a whole will be determined by how easy it is for passengers across the region to reach it. We continue to call on Government to push ahead with investment into Northern transport infrastructure projects. Following confirmation of a HS2 station at Manchester Airport, we were encouraged to note the Northern Powerhouse Rail scheme – which will dramatically improve east-west connectivity – was included in the manifestos of all three major parties ahead of the General Election. Creating a hub station at the airport would significantly reduce journey times from key cities to a global airport, improving international connectivity for business and leisure passengers alike across the North. In addition, the station would provide the region south of Manchester city centre with easy access to the high speed connectivity to London and across the region. Improving surface access in this respect will further enhance Manchester's appeal to airlines seeking to build long haul route networks.

We also support the industry's belief that Air Passenger Duty should be reformed. Manchester Airport's success in attracting new long haul routes has been in spite of the Government's punitive APD regime and, as we enter more uncertain political times, priority should be given to reducing this burden. We estimate that if UK APD levels were more in line with continental Europe then there would be significantly more long haul flights on offer from the UK to destinations around the world.

PASSENGER TRAFFIC BY SECTOR (000's)

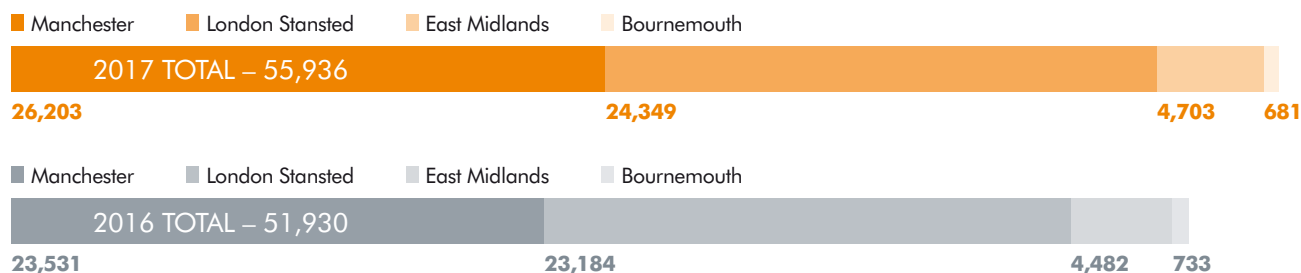
■ International Scheduled ■ Domestic ■ Charter ■ Private and miscellaneous



■ International Scheduled ■ Domestic ■ Charter ■ Private and miscellaneous



PASSENGER TRAFFIC BY AIRPORT (000's)



LONDON STANSTED AIRPORT

London Stansted is a very different proposition to the airport we acquired four years ago. A 5% growth in passenger numbers in the past year now means that the airport has over 7m more passengers than in 2013. In addition, long term aviation deals are in place with our largest carriers, providing MAG with the stability on which to plan for the long term, and we have spent nearly £150m on the airside and landside terminal facilities, focusing on retail and security, meaning the passenger experience has been completely transformed.

The focus at the airport this year has been on preparing foundations that will ensure that it is equipped to play an ever-increasing role in meeting demand for future air travel in London and the South East. Other major airports in the London system are either at capacity or constrained by the size of their runways whereas London Stansted still has room to grow. A major step forward was achieved when we secured the planning permissions for London Stansted to build the terminal facilities needed to make full use of the existing runway.

A new £130m, 34,000m² arrivals facility is the centrepiece in MAG's investment programme that will both enhance the passenger experience and provide capacity for growth at the airport over the next decade. It will be situated next to the current terminal and will include larger immigration and baggage reclaim areas,

new retail facilities, improved access for all onward transport options and a public forecourt to create a welcoming environment for arriving passengers.

Airlines are certainly seeing London Stansted's potential. This year, Jet2.com commenced operations from London Stansted as its first ever base in the south east of England and their package offering has already proved very popular with passengers in the catchment area.

Meanwhile, the successful extension of a growth deal with Ryanair has led to consistently high load factors to an unrivalled list of European destinations. We were also delighted to see the consolidation of British Airways' scheduled flights from the airport, which started as seasonal summer routes in 2016 but continued into a successful winter programme and then an expanded summer programme for this year.

In order for London's spare runway capacity to be better utilised over the next 10-15 years, and in particular to allow London Stansted to compete with other London airports to offer long haul and short haul connectivity over the same period, it is imperative that the railway line linking it to London is improved. Shorter journey times will not only expand our catchment and benefit the large numbers of commuters using the line, but also encourage full service long haul airlines to base planes at the London airport that offers capacity, rather than going to other

European cities instead, as London's other airports fill up. MAG welcomes the service improvements that will be delivered over the next franchise period, but now is the time to prioritise infrastructure improvement on the West Anglia Main Line in advance of Crossrail 2. We will continue to push for this investment to be prioritised to get journey times to under 40 minutes to London Stansted for the benefit of passengers, businesses and London's economy.

EAST MIDLANDS AIRPORT

It has been a successful year at East Midlands with passenger growth of 4.4%. This achievement is made all the more impressive by the fact that we completely re-laid the airport's single runway through a series of all-weekend closures in November and December 2016, meaning no passengers could fly from East Midlands over seven successive weekends. The successful completion of this project on time and to budget was a major achievement for MAG and the wider team involved.

Again, despite the weekend closures, the airport also handled more cargo than in the previous year (326,533 tonnes), cementing its position as the UK's biggest airport for pure freight aircraft and a key driver of the 'Midlands Engine'.

As the airport continues to grow, the likes of DHL and UPS are increasing their presence at the site, taking advantage of its central position in the UK and its role as a world cargo hub.

BOURNEMOUTH AIRPORT

Bournemouth Airport is a small but stable airport with a strong catchment and growth potential. Since MAG acquired Bournemouth Airport in 2001, the Group has implemented a program of investment and operational improvements aimed at increasing capacity, improving the airport's operating efficiency and service quality, developing airline relationships and strengthening, and expanding the airport's network.

MAG PROPERTY

During the year, MAG Property's on-going commitment to investing in and developing the property and land at our airports has enabled the successful expansion of property solutions across its £603.3m investment portfolio. Many high-profile international businesses continue to take advantage of the benefits associated with locating close to an international airport, with MAG Property delivering a continued strong contribution to Group profitability supported by strong occupancy rates of 92.9% across the portfolio.

Since the creation of the Airport City Enterprise Zone at Manchester Airport, a total of 821,000 sq ft of space has been developed for international businesses, creating 2,555 new jobs within the region. Within the year, DHL's facility was sold to the Daily Mail Pension Fund for £7.68m and the 130,000 sq ft ALPHA logistics unit was forward sold to GMPF for £12.2m.

Elsewhere in the portfolio, a £5.7m strategic land sale disposal went ahead at East Midlands Airport, alongside a number of residential sales completing at Manchester and London Stansted Airports, and the opening of Curtiss Wright's new 160,000 sq ft advanced manufacturing facility at Bournemouth Airport.

MAG-USA

MAG-USA is now operating three 'Escape Lounge' concepts across the USA – one on the West Coast (Oakland) one in the Mid West (Minneapolis-St Paul) and one on the East Coast (Bradley). We have driven customers to these lounges via successful affiliate and airline deals and we look forward to working with other US airports on lounges, parking and retail projects.

OUTLOOK

Our resilient business model, the competitive advantages of our airports, and our strong financial position will ensure that MAG is well-placed to take advantage of the ongoing demand for air travel. The past year has delivered strong growth with airlines adding an unprecedented number of new routes and record numbers of passengers filling the seats. At this stage, we have not seen any slowdown or downturn.

The transformative projects that we are undertaking, both within our airports and through our various digital channels, are focused on providing our passengers and airlines with environments which are inspired by the best in innovation within, and outside of, the global airport industry. These experiences will not only be more efficient to operate but will enable us to differentiate our product in the competitive UK and European markets and prove more attractive to our increasingly discerning customer base.

This year, the aviation industry arrives at a critical juncture in its history, and it is imperative that collectively we all work with Government to deliver clarity on transitional arrangements relating to maintaining the current EU open skies regime. This issue must be prioritised now, because airlines need to be able to sell tickets 12-18 months in advance of travel, and need confidence that these flights will be able to take off.



1903
WELCOME

BIRDS CAN GUIDE FOR LONG PERIODS OF TIME. TH



"MAG's growth strategy has delivered record passenger numbers, driving increased profitability."

Financial Review

The continued implementation of MAG's growth strategy has delivered strong results in 2017 with record passenger numbers driving increased profitability and cash generation, providing a solid platform for investment to support sustained growth.



Neil Thompson

Neil Thompson
Chief Financial Officer, MAG

During the year the Group has continued to invest in infrastructure to improve the customer journey and enable future growth, with further planning and design work completed to support the £1bn transformation of Manchester Airport and planning permission secured for terminal expansion at London Stansted.

With the continued growth we've achieved this year, together with the strong long-term prospects for the Group, we are pleased to continue to declare sustainable and growing dividends to our shareholders.

RESULT FROM OPERATIONS (£m)

2016: £175.6m

£198.4m

+£22.8m year on year
+13.0% year on year

ADJUSTED EBITDA (£m)*

2016: £317.7m

£343.2m

+£25.5m year on year
+8.0% year on year

REVENUE (£m)

2016: £778.8m

£839.6m

+£60.8m year on year
+7.8% year on year

CASH GENERATED FROM OPERATIONS (£m)

2016: £322.4m

£320.6m

-£1.9m year on year
-0.6% year on year

ADJUSTED CASH GENERATED FROM OPERATIONS (£m)*

2016: £325.3m

£327.7m

+£2.4m year on year
+0.7% year on year

*As explained in the Financial Review on page 22

SUMMARY OF THE YEAR'S RESULTS (£M)

| | 2017 | 2016 | Change % |
|--|-----------|-----------|----------|
| Passenger numbers | 55.9 | 51.9 | +7.7% |
| Revenue | 839.6 | 778.8 | +7.8% |
| Adjusted EBITDA ¹ | 343.2 | 317.7 | +8.0% |
| Adjusted operating profit ² | 205.5 | 186.9 | +10.0% |
| Result from operations | 198.4 | 175.6 | +13.0% |
| Result before taxation | 129.1 | 117.2 | +10.2% |
| Adjusted cash generated from operations ³ | 327.7 | 325.3 | +0.7% |
| Cash generated from operations | 320.6 | 322.4 | -0.6% |
| Capital investment | 179.0 | 125.3 | +42.9% |
| Dividends paid in the year | 124.2 | 100.6 | +23.5% |
| Net debt | (1,171.9) | (1,143.0) | +2.5% |
| Equity shareholders' funds | 1,542.0 | 1,588.7 | -2.9% |

NOTES:

- 1 Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, and before significant items.
- 2 Adjusted operating profit is operating profit before significant items.
- 3 Adjusted cash generated from operations is cash generated from operations before significant items.

RECONCILIATION OF ADJUSTED EBITDA TO ADJUSTED OPERATING PROFIT AND RESULT FROM OPERATIONS (£M)

| | 2017 | | | 2016 | | |
|--|--------------------------|-------------------|-------------------------|--------------------------|-------------------|-------------------------|
| | Before significant items | Significant items | After significant items | Before significant items | Significant items | After significant items |
| Adjusted EBITDA | 343.2 | (7.1) | 336.1 | 317.7 | (2.9) | 314.8 |
| Depreciation and amortisation | (137.7) | - | (137.7) | (130.8) | (8.4) | (139.2) |
| Adjusted operating profit/Result from operations | 205.5 | (7.1) | 198.4 | 186.9 | (11.3) | 175.6 |

MEASURES USED TO ASSESS PERFORMANCE

The Group uses a number of measures to assess financial performance that are not defined within IFRS, and are widely referred to as 'Alternative Performance Measures' (APMs). The directors use these measures to review the performance of the Group, as evidenced by performance targets being significantly based on Adjusted EBITDA. As such, these measures are important and should be considered

alongside the IFRS performance measures. The adjustments from IFRS measures are separately disclosed and are items that are significant in size or non-recurring in nature, and where, in the directors' view, their separate disclosure gives a more accurate indication of the Group's underlying financial performance. For example, costs incurred on Group-wide restructuring programs, certain

one-off costs associated with significant new systems implementations, and M&A activity, are considered one-off and presented within significant items as adjustments to the IFRS measures of financial performance. Alternative performance measures used within these statements are accompanied by a reference to the relevant IFRS measure and the adjustments made.

INCOME ANALYSIS (£M)

| | | | | | | |
|------|-------|-------|-------|------|------|---------|
| 2017 | 407.0 | 164.4 | 152.1 | 49.1 | 67.0 | £839.6m |
| 2016 | 387.4 | 143.8 | 137.6 | 47.5 | 62.5 | £778.8m |



Aviation



Retail



Car parking



Property



Other

SUMMARY TRADING PERFORMANCE

The Group has continued to drive growth in the year, with all major divisions having delivered results ahead of the prior year performance in both revenue and Adjusted EBITDA*. This has been driven by a 7.7% increase in passenger numbers which has translated into revenue growth. The growth in revenue, in addition to targeted and controlled investment in costs to support increased activity, has driven a £25.5m increase in Adjusted EBITDA* to £343.2m.

The largest increase in passenger numbers has been at Manchester Airport, with London Stansted and East Midlands Airports also delivering strong year-on-year growth. The combination of new destinations and additional volumes, primarily from low cost carriers, has contributed strongly to this continued growth trend. Aviation, retail and car parking revenues have consequently all seen increasing performance in the year, with the Group's revenue of £839.6m having increased by 7.8% on the prior year.

Aviation income of £407.0m has grown 5.1% on the prior year, reflecting the mix of traffic, in particular the growth in low cost carrier traffic at Manchester and London Stansted, with the long-term growth strategy also supporting improved commercial performance. Cargo income has seen growth of 1.3% on the prior year to £23.0m, as the Group continues to grow cargo volumes on both long haul passenger services and all-cargo services.

Retail income of £164.4m has grown by 14.3% on the prior year, ahead of the growth in passenger numbers. The performance has benefited from the full year impact of the significant investment in the terminal transformation at London Stansted with the enhancements providing an improved level of service and choice to passengers, particularly in relation to our catering and specialist retail offer. Improved commercial terms and continued focus on operational improvement have also supported growth in retail yield during the year.

*As explained on page 22.

SUMMARY OF REVENUE BY DIVISION (£M)

| | 2017 | 2016 | Change | Change (%) |
|--------------------------------|--------------|--------------|-------------|-------------|
| Manchester Airport | 444.5 | 395.0 | 49.5 | +12.5% |
| London Stansted Airport | 294.1 | 285.6 | 8.5 | +3.0% |
| East Midlands Airport | 62.4 | 60.2 | 2.2 | +3.6% |
| MAG Property | 27.3 | 26.7 | 0.6 | +2.3% |
| Bournemouth Airport | 10.1 | 11.3 | (1.2) | -10.6% |
| Group, consolidation and other | 1.2 | - | 1.2 | - |
| | 839.6 | 778.8 | 60.8 | 7.8% |

ADJUSTED EBITDA* BY DIVISION (£M)

| | 2017 | 2016 | Change | Change (%) |
|--------------------------------|--------------|--------------|-------------|-------------|
| Manchester Airport | 157.7 | 146.5 | 11.2 | +7.6% |
| London Stansted Airport | 144.3 | 133.0 | 11.3 | +8.5% |
| East Midlands Airport | 22.9 | 21.0 | 1.9 | +9.0% |
| MAG Property | 27.5 | 26.3 | 1.2 | +4.6% |
| Bournemouth Airport | 0.6 | 1.7 | (1.1) | -64.7% |
| Group, consolidation and other | (9.8) | (10.8) | 1.0 | -9.3% |
| | 343.2 | 317.7 | 25.5 | 8.0% |

RESULT FROM OPERATIONS BY DIVISION (£M)

| | 2017 | 2016 | Change | Change (%) |
|--------------------------------|--------------|--------------|-------------|--------------|
| Manchester Airport | 89.9 | 85.2 | 4.7 | +5.5% |
| London Stansted Airport | 85.7 | 78.4 | 7.3 | +9.3% |
| East Midlands Airport | 13.3 | 12.3 | 1.0 | +8.1% |
| MAG Property | 26.3 | 19.9 | 6.4 | +32.2% |
| Bournemouth Airport | (0.8) | (8.1) | 7.3 | +90.9% |
| Group, consolidation and other | (16.0) | (12.1) | (3.9) | +32.2% |
| | 198.4 | 175.6 | 22.8 | 13.0% |

3 YEAR PERFORMANCE

PASSENGERS (M)

| | | |
|------|------|-------|
| 2017 | 55.9 | +7.7% |
| 2016 | 51.9 | |
| 2015 | 48.5 | |

ADJUSTED EBITDA (£M)

| | | |
|------|-------|-------|
| 2017 | 343.2 | +8.0% |
| 2016 | 317.7 | |
| 2015 | 283.6 | |

RESULT FROM OPERATIONS (£M)

| | | |
|------|-------|--------|
| 2017 | 198.4 | +13.0% |
| 2016 | 175.6 | |
| 2015 | 142.2 | |

Car parking continues to grow strongly, with revenues 10.6% higher than the prior year at £152.1m. The increase has been driven by continued investment in new capacity to support passenger growth and broadening the product mix, with particular focus on Meet & Greet facilities. Continued focus on commercial yield management, together with investment in improved CRM and on-line booking capabilities, have also driven growth.

Property income across all divisions is £49.1m, with the stable year-on-year performance reflecting a mature tenant portfolio. During the year, property development deals producing an overall profit on disposal of £7.0m were completed and a number of residential properties at London Stansted Airport were sold.

Other income, which includes utility cost recharges, fees for airline services and aviation fuel sales, grew by 7.2% following the increase in passenger volumes.

Overall costs, excluding significant items, depreciation and profit on disposal of property, plant, equipment and investment properties have increased by £31.7m (6.7%) reflecting increased passenger volumes and investment required to support improvements in customer service, increased regulatory costs and marketing costs to support the development of new routes and passenger growth. Cost growth was successfully kept below plan and the

Group continues to exercise tight cost control, while investing on a targeted basis to support increases in passenger volumes.

Depreciation and amortisation costs prior to significant items are £6.9m higher than the prior year at £137.7m, reflecting the continued investment in infrastructure across the Group, notably resurfacing of the runway at East Midlands Airport, investment in security across the Group and the upgrading of back office systems.

The Group undertook various planned restructuring and organisational development programmes during the year, most notably in relation to the implementation of new back office systems and the restructuring of the property business.

These have resulted in a total of £7.1m being recognised as a significant item within the consolidated income statement, the benefits of which are expected to be seen in the results for next year.

After deducting the above depreciation, amortisation and significant items from Adjusted EBITDA*, the result from operations for the year is £198.4m, an increase of £22.8m (13.0%) on the prior year.

* As explained on page 22



FINANCIAL ANALYSIS FOR MANCHESTER AIRPORT

| | 2017 | 2016 | Change % |
|-----------------------------|-------|-------|----------|
| Passengers (million) | 26.2 | 23.5 | +11.5% |
| Revenue (£m) | 444.5 | 395.0 | +12.5% |
| Adjusted EBITDA (£m)* | 157.7 | 146.5 | +7.6% |
| Result from operations (£m) | 89.9 | 85.2 | +5.5% |

*As explained on page 22

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

2017

| | |
|----------------------|----------------|
| Aviation 9.5 | Commercial 7.5 |
| Operating costs 13.4 | |

2016

| | |
|----------------------|----------------|
| Aviation 9.2 | Commercial 7.5 |
| Operating costs 13.1 | |

2015

| | |
|----------------------|----------------|
| Aviation 9.0 | Commercial 7.5 |
| Operating costs 13.1 | |

MANCHESTER AIRPORT

Manchester Airport has continued to see record numbers of passengers travelling through the Airport, with 26.2m passengers for the year to 31 March 2017 representing an 11.5% increase on the prior year.

This growth has been driven through new long haul routes such as Boston, Phuket and New Orleans as well as increases in capability, with short haul carriers expanding the frequency of services and introducing larger aircraft.

The growth in passenger numbers has translated strongly into growth across the key categories of aviation, retail, and parking revenues, with total revenue of £444.5m representing an improvement of 12.5% on the prior year. Investment in customer service has continued throughout the year and has supported improvements in commercial yield performance.

Adjusted EBITDA* has increased by £11.2m (7.6%) to £157.7m, driven by strong revenue growth and focused cost management. The Result from operations has been impacted by the increased depreciation in the year, arising from continued investment in the airport's operational assets, and has increased from the prior year by £4.7m (5.5%).

We are entering the delivery phase for the new Terminal Extension and expanded apron of the £1bn investment in Manchester, with benefits to airlines and consumers being delivered on an ongoing, incremental basis.

The improvements will be delivered inside the existing footprint of the airport and are consistent with the established Manchester Airport Master Plan; that growth will be phased, incremental and make best use of the existing terminal campus area.



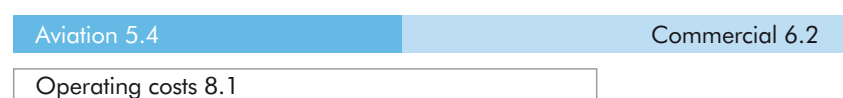
FINANCIAL ANALYSIS FOR LONDON STANSTED AIRPORT

| | 2017 | 2016 | Change % |
|-----------------------------|-------|-------|----------|
| Passengers (million) | 24.3 | 23.2 | +4.7% |
| Revenue (£m) | 294.1 | 285.6 | +3.0% |
| Adjusted EBITDA (£m)* | 144.3 | 133.0 | +8.5% |
| Result from operations (£m) | 85.7 | 78.4 | +9.3% |

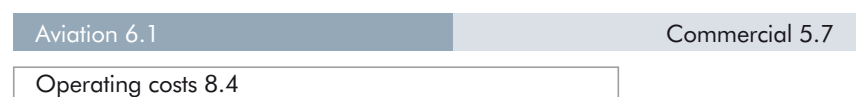
*As explained on page 22

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

2017



2016



2015



LONDON STANSTED AIRPORT

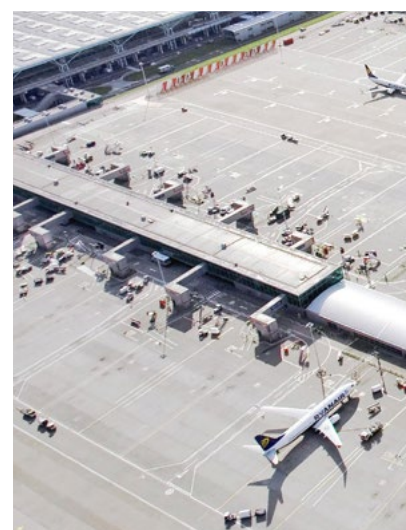
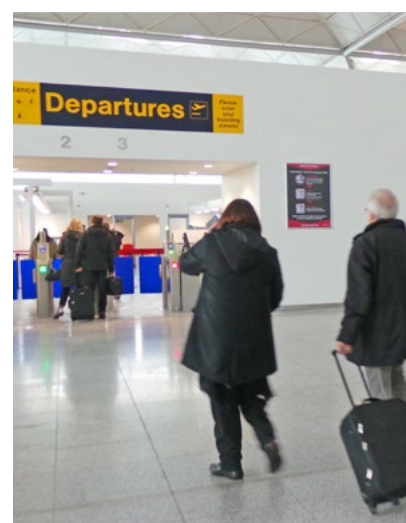
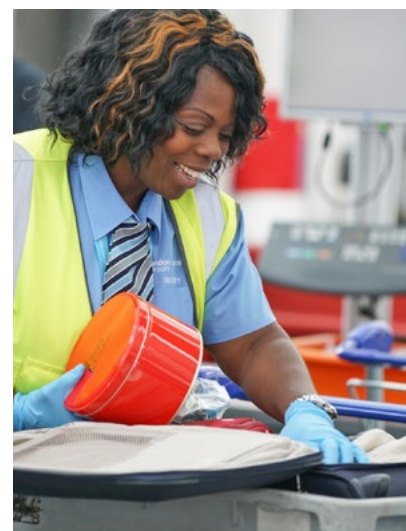
London Stansted Airport has experienced continued growth in passenger numbers, with an increase of 4.7% on the prior year to 24.3m passengers. This growth has been driven by increasing load factors and frequency of flights with low cost carriers, particularly Ryanair, but also by expanding the breadth of other carriers at the airport to include a number of full scheduled service carriers such as Atlas Global, Cobalt and British Airways. This has been enabled by the completion of the satellite refurbishment programme which created a premium facility to support the growth in premium carriers. Destinations served by the airport continue to increase with a significant number of new routes launched including Frankfurt, Montego Bay, Copenhagen, Salzburg, Milan and Florence. Low cost carriers continue to be attracted to the Airport with the announcement of Jet2 setting up a new base from March 2017, which is already delivering strong early growth in the new financial year.

The preparation for future growth in capacity to meet passenger demand and improve customer experience has commenced.

The planning permission application for a new arrivals building was submitted during the year and approved in April 2017, which provides the platform to leverage capacity from the existing runway infrastructure.

The growth in passengers, as part of long-term airline agreements, has supported increases in total revenue to £294.1m, up by 3.0% on the prior year, accompanied by strong growth in commercial yields following the expansion of Short-Stay and Meet and Greet car park capacity and the full year benefit of the terminal investment, which added a number of popular high street and premium brand stores and Food and Beverage facilities.

Adjusted EBITDA* has increased by £11.3m (8.5%) to £144.3m, with the income growth and operational efficiencies mitigating the investment in costs in supporting the additional passenger volumes. The Result from operations has shown similar growth (9.3%), from £78.4m to £85.7m: an increase of £7.3m.



FINANCIAL ANALYSIS FOR EAST MIDLANDS AIRPORT

| | 2017 | 2016 | Change % |
|-----------------------------|------|------|----------|
| Passengers (million) | 4.7 | 4.5 | +4.4% |
| Revenue (£m) | 62.4 | 60.2 | +3.6% |
| Adjusted EBITDA (£m)* | 22.9 | 21.0 | +9.0% |
| Result from operations (£m) | 13.3 | 12.3 | +8.1% |

*As explained on page 22

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

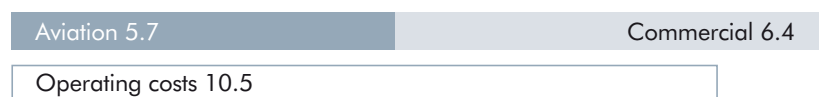
2017



2016



2015



EAST MIDLANDS AIRPORT

East Midlands Airport has a very important dual role with both passenger aircraft and as the biggest airport for dedicated cargo traffic in the UK.

During the year passenger numbers have increased by 4.4% to 4.7m, reflecting continued growth in the low cost sector. Revenue has increased by 3.6% to £62.4m, slightly behind the growth in passenger numbers, mainly due to the change in carrier mix being partially offset by strong car parking yield performance, which reflects the impact of investment in new capacity and improved access systems.

Adjusted EBITDA* has increased by £1.9m (9.0%) to £22.9m, with the income growth being supported by tight cost control. Similarly to Manchester, the investment in the operational asset base has led to a larger depreciation charge in the year, which has impacted on the performance with a growth in the Result from operations from the prior year of £1.0m (8.1%) to £13.3m.

Performance in the year was impacted by the closure of the runway for seven consecutive weekends to allow resurfacing works to be undertaken.



FINANCIAL ANALYSIS FOR BOURNEMOUTH AIRPORT

| | 2017 | 2016 | Change % |
|-----------------------------|-------|-------|----------|
| Passengers (million) | 0.7 | 0.7 | - |
| Revenue (£m) | 10.1 | 11.3 | -10.6% |
| Adjusted EBITDA (£m)* | 0.6 | 1.7 | -64.7% |
| Result from operations (£m) | (0.8) | (8.1) | +90.9% |

*As explained on page 22

PASSENGER INCOME AND OPERATING COSTS (£ PER PASSENGER)

2017



2016

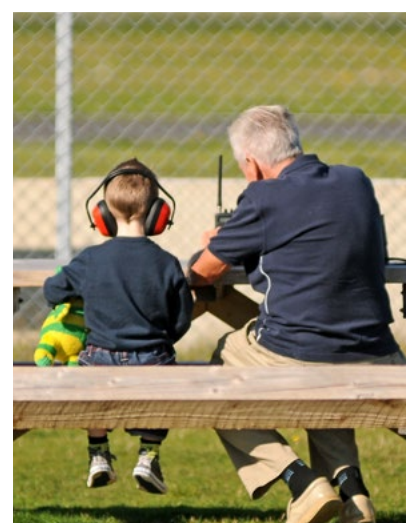


2015



BOURNEMOUTH AIRPORT

Passenger levels were broadly in line with the prior year at 0.7m, with revenue of £10.1m being 10.6% down on the prior year, reflecting lower cargo income following the withdrawal of Royal Mail. This has driven a £1.1m reduction in Adjusted EBITDA* on the prior year to £0.6m, which is ahead of expectations.



PROPERTY

The MAG Property division manages the investment portfolio comprising offices, hotels and cargo properties, and is also responsible for managing the Group's investment in the Airport City project. Revenue has remained broadly consistent with the prior year reflecting a solid portfolio of tenants on an investment property portfolio worth £603.3m as at 31 March 2017. The investment properties are revalued to fair value at each reporting date by independent property valuers, with the £5.4m upward revaluation recognised in the current year representing a 1.7% underlying increase in the value of the portfolio. A portfolio of residential properties at Stansted which are no longer required to support the airport's expansion plans has been realised during the year generating proceeds of £43.4m and a small loss on disposal of £1.3m.

Adjusted EBITDA* from the property business increased on the prior year due to the completion of a number of property transactions during the year, contributing a profit on disposal of £7.0m and increasing Adjusted EBITDA* by £1.2m (4.6%) on the prior year to £27.5m. This included the sale of a plot of development land to Roxhill in connection with its development of a strategic rail freight interchange adjacent to East Midlands Airport, and the sale of DHL's logistics facility at Airport City Manchester to the Daily Mail Pension Fund.

The Property team is continuing to explore the opportunity to increase returns and maximise value through the restructuring of

its non-operational property portfolio and enhancing internal systems and processes to meet institutional investor standards. A cost of £1.2m has been recognised as a significant item within the consolidated income statement, and takes the Result from operations for the year to £26.3m.

MAG holds a 50% share in the Airport City development at Manchester Airport, reflected as a balance of £15.0m held as an investment in associate as at 31 March 2017, with the increase in the carrying value in the year of £1.8m predominantly relating to further set-up of the infrastructure across the two main sites. The development is expected to deliver significant returns in the next few years as part of the overall business plan, with continued strong interest in the various plots and a number of deals in the pipeline.

MAG-USA

As part of the overall Group strategy, opportunities were identified to utilise MAG's existing expertise, drawn from its running of the four UK airports, to provide a unique offering to the North American market, exploiting potential long-term opportunities across passenger lounges, car parking services and the development and operation of terminal and/or retail concessions.

MAG's initial entry into the market has been deliberately small scale, through winning and developing lounge concessions, with three lounges currently operational and the current year seeing

the opening of two new 'Escape Lounge' concessions at Oakland International Airport and Bradley International Airport, for which we won Best New Consumer Service Concept award at the 2017 ACI-NA Business of Airports Conference. MAG-USA has secured a US wide partnership agreement with American Express and has been awarded its fourth contract at Reno-Lake Tahoe Airport in Nevada due to open in Summer 2017.

CASH FLOW

Adjusted cash generated from operations* has increased by £2.4m to £327.7m (0.7%) reflecting good translation of profits into cash, allowing the Group to continue to invest in infrastructure and development opportunities. Cash generated from operations is marginally lower this year at £320.6m, representing a slight decrease of £1.8m (0.6%), however the conversion of profits to cash remains strong. The Group has also benefited from the completion of a number of property deals in the year, generating cash proceeds net of selling costs of £57.5m, and an overall profit on disposal of £7.0m.

FINANCING AND INTEREST

MAG's financing strategy incorporates a commitment to its strong investment grade ratings with Fitch and Moody's and a long-term financing structure to support growth, including an ongoing programme of investment from capital markets, as the Group continues to grow.

GROUP CASH FLOW (£M)

| | 2017 | 2016 | Change % |
|--|-----------|-----------|----------|
| Adjusted cash generated from operations* | 327.7 | 325.3 | +0.7% |
| Significant items | (7.1) | (2.9) | +144.8% |
| Cash generated from operations | 320.6 | 322.4 | -0.6% |
| Interest and tax | (107.8) | (103.6) | +4.1% |
| Net cash used in investing activities | (116.3) | (108.2) | +7.5% |
| Dividends paid | (124.2) | (100.6) | +23.5% |
| Net cash used in financing activities | 44.1 | (20.0) | -320.5% |
| Net increase/(decrease) in cash and cash equivalents | 16.4 | (10.0) | -264.0% |
| Net debt | (1,171.9) | (1,143.0) | +2.5% |

*As explained on page 22

Net debt of the Group has increased slightly on the prior year, as we start the implementation of the key investments, to £1,171.9m (2.5%), and the Group has significant headroom remaining in its facilities to support investment in capital projects and property development.

At the start of the year the Group successfully completed the refinancing and expansion of its revolving credit and liquidity facilities. The aggregate amount of the new facilities is £560m, comprising a £500m revolving credit facility and £60m in standby liquidity facilities, each with a five year term, with optional extensions, maturing in June 2021. The facilities replaced similar facilities that were due to mature in February 2018. These new facilities will provide strong support over the next few years for the Group's growth and investment activities, including the Manchester Airport Transformation Programme. In June 2017, the maturity of these facilities was extended by a year to June 2022. The remaining £90m balance of the term loan used for the successful acquisition of London Stansted Airport has been repaid from the new facility.

Group net interest payable, was slightly lower than the prior year at £73.5m, reflecting improved pricing and the stable debt structure following the issuance of bonds in February and April 2014.

CAPITAL EXPENDITURE

The Group has continued to invest in infrastructure, with focused investment across all its airports totalling £179.0m during the year.

The Manchester Transformation Programme represented the largest individual project during the year. It has been designed to be both phased and modular to optimise cash requirements and manage financial risk, whilst also ensuring minimal disruption to airport operations, passengers and airlines. The programme will bring about significant levels of investment in larger and improved facilities, particularly over the next few years.

The other major programmes in the year included the completion of the terminal transformation at London Stansted, the resurfacing of the runway at East Midlands and additional investment to improve the underlying back-office systems and software across the Group, which will provide a more robust foundation to support further profitable growth for MAG.

PENSIONS

The accounting deficit for all Group schemes is calculated by independent scheme actuaries, PricewaterhouseCoopers, who incorporate data taken from the financial markets in calculating the closing deficit position across the four defined benefit schemes. The Greater Manchester Pension Fund (GMPF) scheme comprises 52% (2016: 75%) of the net aggregate Group pension scheme deficit.

SUMMARY OF CHANGES IN AGGREGATE PENSION FUND DEFICITS (£m)

| | TOTAL |
|------------------------------------|----------------|
| Deficit as at 31 March 2016 | (52.9) |
| Current and past service cost | (10.1) |
| Contributions | 9.6 |
| Other finance expenses | (1.8) |
| Actuarial loss | (49.4) |
| Deficit as at 31 March 2017 | (104.6) |

During the year the aggregate of the Group's defined benefit schemes moved from an IAS19 accounting deficit of £52.9m to £104.6m. The increase in the deficit is largely as a result of actuarial losses £49.4m (2016: gains of £23.1m), driven by a reduction in the discount rate of 1.0% across all the schemes, calculated with reference to the AA corporate bond rate, more than offsetting increased investment returns of equity linked assets. Contributions of £9.6m in the year broadly offset the current service cost and administrative expenses of £10.1m. All of the Group's defined benefit schemes are closed to new entrants, and the Group

also operates a defined contribution scheme for all new staff.

TAX

The underlying total tax rate of 26.0% is higher than the standard rate of Corporation tax of 20%, impacted by the level of disallowable depreciation in excess of capital allowances, as has been the case since the abolition of industrial building allowances.

The total tax charge of £9.9m in the consolidated income statement (effective total tax rate of 7.0%) is significantly impacted by the re-measurement of the deferred tax balances as a result of the enacted change in the future rate of corporation tax to 17%, resulting in a one off deferred tax credit of £14.3m.

EQUITY SHAREHOLDERS' FUNDS AND DIVIDENDS

Equity shareholders' funds are £1,542.0m as at 31 March 2017 (2016: £1,588.7m). The movement comprises £119.2m profit after tax and significant items, remeasurements on pension liabilities (net of tax) of £41.0m, recorded in reserves, and the payment of dividends of £124.2m reflecting a £77.2m dividend paid for the year to 31 March 2016, and an interim dividend for 2017 of £47.0m

The Group has a long-term objective of providing sustainable and growing dividends to shareholders and, in light of the growth achieved, the robust financial position of the Group, and consistent with the strong long-term growth prospects, the directors have proposed a final dividend for 2017 of £93.9m, which will be paid to the shareholders shortly after the signing of these financial statements.

This final dividend, together with the £47.0m interim dividend paid in the year, represents a total dividend of £140.9m in relation to 2017 (£115.8m in relation to 2016), representing dividend growth of 21.7%.

"At MAG we believe that effective risk management is critical to our success as a business."



Risk Management

At MAG we believe that effective risk management is critical to our success as a business – from delivering safe, secure and efficient operations which provide a great customer experience, to the delivery of our strategy and business plans, all are underpinned by a clear understanding of the risk environment and robust strategies to manage and mitigate material risks.

MAG's Enterprise Risk Management Framework covers the full spectrum of our business and operational activities – the framework is embedded in day-to-day operations and is characterised by strong management ownership and engagement.

MAG operates a '3 Lines of Defence' governance model whereby risk is owned and managed by management within the business ('1st Line'), supported and facilitated by a '2nd line' Risk Management function and independently assured by a '3rd Line' Internal Audit function.

MAG's Enterprise Risk Management Framework is focused on providing management, the Audit Committee and Board with a clear and current view of the organisation's risk profile and our strategies to manage and mitigate material risks. The framework is structured to ensure that all aspects of the Group's risk profile are subject to regular review at the strategic, corporate and operational levels, and to provide prompt escalation of material risks as they arise. This is achieved through the delivery of an extensive programme of risk review

workshops facilitated by our team of risk specialists who support management in identifying and evaluating key risks and developing effective mitigation strategies designed to manage risk exposure to an acceptable level.

The framework also enables management to identify and evaluate potential business and operational opportunities, enhancing the ability of the organisation to maximise these at an early stage and in a controlled manner.



Risk appetite is well understood within the business and forms a key element of our risk evaluation methodology, providing clear boundaries for management on the levels of risk the business is prepared to accept, and prompting action where risks fall outside our defined appetite. Defined risk tolerances provide the foundation for consistent evaluation of risk across the business and the basis for assessing risks against our stated risk appetites.

Strong emphasis is placed on the development and implementation of robust action plans to mitigate or manage identified risks to a level which is inside MAG's risk appetite. Timely implementation of risk action plans is monitored by our Risk Team and progress is regularly reported to senior management and, where necessary, the Audit Committee.

Ownership and accountability are key to the success of any risk framework, and management at all levels are expected to engage actively in the risk management process and take full ownership of risks within their areas of responsibility. As a minimum, management are required to engage in risk review workshops in advance of each Audit Committee meeting, ensuring that the Executive Committee and Audit Committee have an accurate and up-to-date view of the Group's risk profile throughout the year.

The Audit Committee and our Executive Team receive regular detailed management information on the Group's risk profile through risk reports which highlight key risks, material changes to the risk profile and risks outside appetite. In addition, airport management teams receive monthly risk reports with a focus on both the risk profile and management's progress in

implementing agreed mitigating actions. Management are accustomed to regular constructive challenge on their strategies to manage key risk exposures and are held to target deadlines to implement agreed mitigating actions.

Risk management is embedded in MAG's decision-making processes through the requirement to provide detailed risk assessments within business case submissions and decision papers submitted to the Board and our various other governance forums. In addition, the Board receives periodic updates on the Group's risk profile to support strategic decision-making.

At MAG we continuously strive to maintain a strong risk management culture which is open and transparent. It is important that management feel able to discuss risk issues openly and receive the support they need to ensure that risks are actively managed or mitigated. The Risk Team engages regularly with management across the business to achieve this, facilitating open conversations around risk and providing briefings and support to new members of staff, ensuring they have the knowledge and tools to manage risk effectively within their own areas of responsibility.

Our Internal Audit Team provides management and the Audit Committee with independent assurance over the management of our risk profile through the delivery of a risk-based Strategic Internal Audit Plan which assesses the adequacy and effectiveness of the internal control environment. The Plan is designed to provide assurance over the Group's risk profile across a 5-year period with a focus on prioritising our biggest risks.



The table below summarises the key strategic, corporate and operational risks identified during the course of the year, with details of our strategies for managing them and some of the potential opportunities they present:

| RISK | MITIGATION STRATEGY | OPPORTUNITIES |
|--|--|--|
| Security Breach | <p>We continue to invest heavily year-on-year in ensuring our customers, employees and stakeholders remain safe and secure at all of our sites in the context of the current threat environment.</p> <p>We work closely with the Police and Government security agencies to ensure that our security facilities and processes meet the high standards required to respond to new and existing security threats.</p> <p>Our security facilities and processes are subject to extensive internal and external inspections and audits by regulators, external specialists and internal teams who regularly test the effectiveness of our security processes and identify opportunities for improvement.</p> | <p>Whilst security is paramount, we also want our customers to continue to enjoy a positive experience at our airports.</p> <p>We look for opportunities to enhance the customer experience whilst maintaining the high standards of security our stakeholders expect, in particular working to minimise security queuing times through continuous improvement and innovative approaches to our security processes and facilities.</p> |
| Material sustained disruption to operations | <p>Each of our sites has emergency response, crisis management and business continuity plans in place which are regularly tested and updated to ensure we are able to respond quickly and effectively to disruptions to our operations.</p> <p>Our insurance programme provides financial protection for a wide range of events and incidents causing operational disruption.</p> | <p>Regular review and testing of our plans enables opportunities for improvement to be identified and implemented on an ongoing basis.</p> <p>Our insurance programme is reviewed annually to ensure it continues to provide the financial protection the Group needs.</p> |
| Major Health & Safety incident affecting our customers or colleagues | <p>The Health & Safety of our customers, employees and stakeholders is a fundamental priority for us. Robust Health & Safety policies, procedures and processes are in place, and compliance is monitored by our experienced team of Health & Safety specialists who undertake a programme of inspections and audits throughout the year.</p> <p>Health & Safety training is provided to all employees and briefings are provided to contractors and other visitors to our sites to ensure that key Health & Safety risks are understood and effectively managed.</p> <p>Our Health & Safety governance structure is designed to ensure that there is appropriate oversight of our management of Health & Safety risk, and enables material risks to be quickly escalated and addressed.</p> | <p>Continuous improvement of our Health & Safety arrangements is a key focus for each of our operations. This is facilitated by our specialist Health & Safety Teams and underpinned by strong ownership and accountability by our management teams.</p> |
| Regulatory risk | <p>Compliance with regulatory requirements is a priority for MAG, and we invest in extensive internal and external assurance to ensure we continue to be fully compliant across all aspects of our operations.</p> | <p>We work closely and have strong relationships with our regulators to ensure we understand and can fully comply with their requirements. We strive to act quickly when opportunities for improvement are identified, and through our regulator relationships we are able to plan well in advance for successful responses to future requirements.</p> |

| RISK | MITIGATION STRATEGY | OPPORTUNITIES |
|---|--|---|
| 'Brexit' | <p>The 'Brexit' referendum decision presents a significant macroeconomic risk to the business, and the aviation industry faces uncertainty over the short and longer term impacts of the UK's exit from the EU.</p> <p>We monitor the economic environment closely and have ensured that our business plans are resilient to economic shocks through prudent scenario planning and sensitivity analysis. This, coupled with resilient foundations built during a successful period of growth, provides a positive long-term outlook.</p> <p>MAG will work closely with the aviation industry to ensure that the UK continues to enjoy liberal access to the EU aviation market.</p> | <p>Whilst carefully monitoring and managing exposure to the risks, we will seek to ensure that the business is well positioned to take the opportunities Brexit may present.</p> <p>MAG continues to enjoy record passenger growth, and we are focused on ensuring our airports have the capacity and quality of facilities our customers expect in the medium and longer term.</p> |
| Delivering major programmes | <p>MAG has a successful track record of delivering major programmes, with recent examples including the East Midlands runway replacement in autumn 2016.</p> <p>This year saw the continuation of our biggest ever programme – the transformation of Manchester's terminal, airfield and car parking facilities.</p> <p>We have established rigorous governance arrangements to ensure that the programme is delivered in a controlled manner, to high quality standards and with the minimum possible disruption to our customers.</p> | <p>The design phases of the Stansted Transformation Programme Phase 2 and the transition towards construction of the Manchester Transformation Programme have given us the opportunity to raise the bar even higher for programme management and governance</p> <p>Opportunities to improve our existing capital delivery processes are being identified and implemented as the programme progresses.</p> |
| Recruitment, development and retention of talented people | <p>Recruiting and retaining talent is critical to the success of our business, and this has been an area of significant focus in recent years. Our Talent Strategy aims to attract the best available talent in the market and retain our best people through a variety of initiatives including incentive schemes, career development programmes and mentoring to help our employees get the very best out of their career at MAG.</p> <p>We are also adapting our recruitment approach in key areas such as 'digital' to reflect the changing external environment, where the competition for talent is high.</p> | <p>Regular employee engagement surveys enable colleagues to identify opportunities to improve the employee experience. MAG is transparent in communicating survey results and proactive in developing initiatives to deliver identified improvements.</p> |
| Cyber Security | <p>The security of our IT systems, and in particular our customer and stakeholder data is critically important to us. We have a wide range of multi-layered defences within our IT and network infrastructure to ensure that our systems remain operational and our data remains secure, and have delivered a range of significant enhancements to our systems and network over the past year.</p> <p>We also run an education programme for our colleagues to ensure they are aware of cyber risks and how to take action at an individual level.</p> <p>Cyber insurance is in place to provide rapid expert response to IT security breaches and data loss, minimising the impact on our customers, stakeholders and the business.</p> | <p>MAG's Cyber Security Strategy sets out a programme of improvements to our IT systems and infrastructure designed to ensure that the growth of our business is supported and underpinned by a secure and effective IT environment.</p> |



Charlie Cornish

Chief Executive
MAG

For and on behalf of the Board of Directors



"Our approach to CSR focuses on ensuring the benefits of our businesses are felt by those local communities closest to us."

Corporate Social Responsibility

Over the last year MAG airports have experienced considerable growth, with more passengers flying with us than ever before. The size of our business makes us a big part of our local communities, so our approach to CSR focuses on ensuring the benefits of our businesses are felt by those local communities closest to us, through creating jobs, supporting local causes and taking care of our local environment.

We take our social responsibility seriously. Our airports are not simple office blocks, but significant pieces of national infrastructure. They support a huge variety of jobs and play an important role in both the national and local economies they serve.

MAG's CSR strategy recognises that the nature and scale of our operations come with a duty to act responsibly, work in conjunction with our local communities to understand and address their concerns, and grow in a way that is both sustainable and supportive of our local areas.

Alongside the feedback from our public meetings held throughout the year, we commission an annual independent review to help us identify the issues of greatest concern, to ensure that our programme of CSR work continues to focus on the issues that matter most.

This year is no different and our plans reflect the discussions we have had with many different stakeholders, including our employees, local residents and their elected representatives. Over the page is just a snapshot of what we have achieved across the year, and our full CSR Report with complete details will be published later this year.



MAG CSR STRATEGIC OBJECTIVES



Our Business:

Working in the spirit of partnership, we will maximise our social and economic contributions in the regions we serve



Our Environment:

We will make the best use of natural resources and minimise the environmental impact of our operations



Our Community:

By building enduring relationships with our local communities, we will seek to understand the issues that are important to them, and use our combined skills and resources to work together for our mutual benefit



Our Colleagues:

Keeping them safe at all times, we will support and develop our people so they consistently deliver high performance

This section presents a summary of our work. When published, a full report and further information on MAG's CSR targets and performance can be found in the 2017 CSR Report, available on www.magworld.co.uk

BUSINESS AND EMPLOYMENT

OUR ECONOMIC VALUE

The UK's ability to trade overseas is in the spotlight as never before, and the growth in passenger and air freight connections provided by MAG's airports are now more important than ever to both the national and regional economies we serve. As a Group our airports have contributed £7.1bn to the UK economy this year, a 15% increase on 2016. We anticipate that both our role in rebalancing the economy, and our economic contribution, will continue to grow substantially over the coming years.

- Manchester Airport is the largest UK airport outside London and of key importance to the future growth of the Northern economy. Already this year we have celebrated the launch of new routes to destinations such as San Francisco, Singapore and Houston, amongst others, connecting the region to global markets. At £1bn, the planned Manchester Transformation Project is one of the largest private investments in the North for decades. It will revolutionise the way the airport functions, and support economic growth over the coming years. This year, Manchester's direct economic contribution to the region was £1.2bn, a 33% increase driven by new flights across the globe, supporting over 23,400 jobs. As we continue to invest for the future, these contributions will grow.

- London Stansted is playing an important and growing role in the region. With spare capacity and a full length runway, London Stansted is key to the growth in the London aviation system over the next 10 years. Already, London Stansted is the fourth largest airport within the UK and the key freight hub for London and the South East, supporting 11,920 jobs and contributing £730m to the regional economy, increasing by 8% on last year. London Stansted has recently been given planning permission to create a

new terminal for arriving passengers, which will enable it to play an even larger role in meeting demand. As the airport's role expands, so too will our commitment to supporting our local area and the contribution we make to our economy.

- East Midlands Airport sits on the boundary between Nottingham, Derbyshire and Leicestershire. Whilst its role as an important regional airport is well understood, its role as the UK's largest pure freight hub is less well known. This year EMA continued to provide the UK's principal gateway for high value express freight, handling 326,533 tons of cargo. Last year, the Airport's operations served 4.7m passengers, supporting 5,850 jobs and providing a contribution to the regional economy of £260m, an increase of 30%.
- Bournemouth Airport is an important part of its region's economy, providing 600 jobs and a regional economic contribution of £19m.

EMPLOYING LOCALLY

To grow responsibly, businesses of our size and complexity need to think carefully about how we employ and retain talented people. Employees who understand and are committed to our business are an important asset, and this means that we are constantly looking for ways to maximise opportunities for local residents. To support this we have programmes aimed at every level and at all ages, designed to help us bring local people into the business, and help them flourish over the long term.

- **Airport Academies:** Airport Academies have been developed at Manchester, London Stansted and East Midlands Airports to act as an employment hub between the airports and our business

partners. Anyone can come to our Academies at any time, whether they are working for us already, looking for a new career, or need support to find a job. The Academies provide work experience and CV advice to those who need it, and offer short courses on employment skills to help people into work at our airports. The service is free for prospective employees and employers. Last year our Academies helped to support a record 714 local people into jobs at our airports.

- **Aerozones:** Our Aerozones provide tailored programmes aimed at a variety of age groups, from primary school ages right up to 18, which showcase the career opportunities available at our airports and help to prepare young people for the world of work. A free resource for schools and colleges, through London Stansted and East Midlands alone over 4,135 young adults have attended a day at our Aerozones this year.



London Stansted Airports Aerozone, 1st anniversary

With Manchester's facility planned for later in 2017, we hope to inspire more young people to consider a career in



London Stansted Airports Aerozone

aviation and STEM related subjects (STEM stands for Science, Technology, Engineering and Maths).

- **Educational Partnerships:** Alongside our own on-site facilities, MAG works in partnership with local schools and colleges to provide funding, training and insight into our business, and to support the development of young people's careers. Highlights this year include:
 - Harlow College: In February 2017 London Stansted and Harlow College announced a joint commitment to developing a Technical and Professional Skills Centre at the airport. The new centre will provide around 530 young people each year with the skills that employers across the airport need, ensuring that young people around the airport have access to the right training to begin a career with us.
 - Manchester Enterprise Academy: MEA is Manchester Airport's local secondary school, and the airport acts as lead sponsor to support

pupils and enrich their learning. Manchester Airport staff act as mentors to students, support interview and work preparedness training, and offer opportunities to shadow MAG employees to support pupils' career development.

- Across the Group, MAG has directly supported the education of 21,113 young people this year.

LOCAL BUSINESSES AND SUPPLIERS

Small and Medium Sized Enterprises (SMEs) are the backbone of the UK economy, and MAG too relies on their resilience and expertise to support much of what we do, because a strong, reliable local supply chain makes a huge contribution to the successful operation of our airports. Supporting the growth of local SMEs matters to us. Last year we were supported by numerous local businesses, and to encourage SME growth and support our supply chain, we also ran three 'Meet the Buyer' events alongside our business partners at both Manchester and London Stansted Airports. These events act as an exchange for local SMEs and businesses across our airports, promoting trade between the two. This year these events generated £4.8m for our local supply chains.

CUSTOMER SERVICE

The aviation sector is a competitive, customer-focused environment, and at MAG we know that it is important for us to ensure high standards of service for all passengers, regardless of their needs or requirements. We are always looking at new ways to make the journey for our passengers smoother, and more comfortable, implementing important improvements through both large and small scale investments. For example, we work closely with disability organisations

to provide specialist travel advice on our websites, showing the services we provide and how we can help. It is also important that we continue to invest in supporting passengers: highlights this year include East Midlands Airport where we have recently invested in two new Ambulifts and reached an agreement with our business partner Swissport to operate two Aviramps on certain aircraft.

AIRPORTS AND THE ENVIRONMENT

Managing our impact on the environment is a key focus for our airports. We understand that whilst our airports create significant economic value, the nature of our business means that we must do everything we can to mitigate our impact on the environment and those living in local communities. All of our airports are accredited to the international environmental management standard ISO 14001, helping us and our business partners to deliver continual operational improvements. In addition, London Stansted Airport has become the first UK airport to be accredited to the energy management standard ISO 50001.

CLIMATE CHANGE

In 2006 we made a commitment to develop a better understanding of the carbon emissions that were generated at our airports, and put in place an ambitious plan to mitigate our impact on the environment. By 2012 East Midlands and Bouremouth airports demonstrated that airport decarbonisation was possible, and became the first carbon neutral airports in the UK. Four years later, in November 2016, Manchester showed that large scale, twin runway airports can also achieve carbon neutrality¹. Building on the expertise accumulated at our other airports, since taking ownership of London Stansted Airport in 2013 we are delighted

to announce that it too is now carbon neutral, achieving the accolade in just four years. All four airports within the Group are now carbon neutral, and form the bulk of all carbon neutral airports in the UK.

INNOVATION

On the journey to achieving carbon neutral status, we have shown that wind turbines can be used safely at an airfield. We have created bespoke lighting systems to reduce our energy consumption, and even helped develop the international methodology now used at all airports to reduce carbon emissions. Despite already achieving carbon neutral status, we are consistently looking for new ways to reduce our emissions.



All Electric

This year at Manchester we trialed a full 'electric turn-around', which used electric only equipment to demonstrate that it was possible to fully 'turn around' an aircraft, the procedure which readies an aircraft for its next flight, with significantly reduced emissions. It is innovations like these that will help ensure the industry as a whole can continue to grow, and has helped to establish MAG as an industry leader in improving aviation sustainability.

Alongside our own work we recognise that tackling climate change effectively means that we must work in close partnership with the rest of the aviation industry, from other airports, to airlines and air traffic controllers. To support this, MAG is a leading member of Sustainable Aviation, which brings together companies from across the UK's aviation industry to improve the sustainability of the sector.

REDUCING THE IMPACT OF NOISE

The increase in the year of the number of people living within the noise contour of our airports is a consequence of our strong passenger growth.

Aircraft noise can be disruptive for those who live closest to an airport, so finding ways to reduce the impacts of aircraft noise is an important part of our environmental work.

This year, London Stansted Airport has completed a trial using advanced satellite technology – known as PBN – to reduce the number of people overflown by aircraft around the airport, and has invested in new technology to help us more accurately measure where our noise footprint falls. Where our airline partners have used the PBN mechanism, we have been able to reduce the number of people overflown by aircraft by 85% compared to conventional, but less precise methods. Combined with Noise Preferential Routes (NPR), which help move aircraft away from built up areas, and the continued investment of our airline partners in more modern and quieter aircraft, we will continue to seek to minimise the number of people affected by aircraft noise.

Throughout this process, we have created frequent opportunities to meet directly with our local communities, hosting meetings, discussions and Q&As between local residents and relevant staff, ensuring they are aware of any changes, and taking any concerns into consideration whenever we are able to do so.

¹ ACI Europe, Airport Carbon Accreditation, Level 3+ Neutrality

AIR QUALITY

As with previous years, there have been no breaches of air quality limits across all of our airports this year.

COMMUNITIES AT OUR AIRPORTS

Being part of a community also means being visible in our local areas and being part of an active conversation with local people. For us this includes a programme of regular community outreach meetings where we can talk face-to-face with local people. We also offer support to the local causes that matter most to our colleagues and local residents, and work to develop local arts and culture through our substantial sponsorship programme, ensuring we are an active member of our wider community.

SUPPORTING LOCAL CAUSES

Arts and Culture: This year MAG contributed £370,000 to supporting the vibrancy and culture of the cities we serve. Alongside numerous theatres, exhibitions and festivals, we continued to support the Hallé Orchestra, who run workshops with local schools as part of MAG's sponsorship.

Community Projects: Our community funds provide direct financial support to projects throughout our communities, and this year we were able to invest £278,724 in 254 local community projects around our airports.

CLIC Sargent: Last year our colleagues chose CLIC Sargent, who work hard to help families deal with childhood cancer, to be our corporate charity. We have already raised £192,873 and are looking to grow our contribution into the future.

COLLEAGUES

Our business succeeds through the skill and dedication of our colleagues, from keeping aircraft safe to keeping our passengers happy and relaxed. But it is

important too that our staff feel safe and supported at work, which is why we are committed to making MAG a great place to work.

EMPLOYEE DIVERSITY

The benefits of a diverse and skilled workforce are well known, and that's why we set ourselves the objective of working towards an equal gender split, and committed that by 2020 we would increase the proportion of women at a leadership level by 10%. We are pleased that this year, three years early, we have already exceeded our target, increasing the proportion of women at a senior leadership level from 21% last year to 33%, and we will continue to drive this figure upwards. We will begin reporting on gender pay next year.

NURTURING TALENT

Recruiting and retaining talented people is critical to our continued success, so it's important that we take the time to invest in our people and help them to reach their full potential. Our Early Talent Strategy does just that, focusing on supporting our internship, apprenticeship and graduate programmes, so that we have a consistent flow of talented and hardworking individuals coming fresh into the business at all levels. Over the last three years we have taken on 23 graduates. In the last year we have taken on 13 apprentices, with this figure set to increase substantially over the coming years.

MAG's talent programme is aimed at all levels of the business and seeks to support hardworking colleagues. As a responsible employer we seek to reward the dedication of our colleagues, whatever their background or personal circumstances by providing engaging careers. Last year was the second year of our partnership with Pure Innovation, a charity that helps to provide incredible support for people

whose disability might otherwise prevent them from gaining the independence and employment they deserve. MAG and its partners have already seen seven such people gain employment at our airports this year, and we will continue to support Pure Innovation's fantastic work into the future.



Pure Innovation

STAFF TRAVEL

It is important for all our customers that our airports are well connected. It is also important for our staff to be able to get to work quickly across the day. MAG colleagues are able to claim reduced-cost travel to our airports, helping everyone to gain the means to travel to work. At London Stansted, for example, with the support of our business partners, we provide employees with an 80% reduced-cost travel card.

We also recognise that as a 24/7 business it is important to help our staff get to and from work easily when they need to. So in Manchester, we worked with local transport services to create a new early morning Metrolink service for the airport, ensuring local people have access to the jobs and connections they need.

HEALTH AND SAFETY

Airports provide a wide range of working environments, from working in our terminals to working with the aircraft on our airfields. The nature of this diversity means an increased risk of accidents on our sites, and as a business our priority is to ensure that all of our employees work within the safest possible environment.

We are accredited with the international standard for Health and Safety, ISO 18001 giving us and our staff an

assurance of the quality of our safety management system and its relevance to the organisation. We also operate our Vision Zero initiative, which sets us an ambitious target of having no injuries to anyone across our airports throughout the year. To support this, at Manchester alone our Health and Safety teams have met with hundreds of our security staff to make them aware of the hazards they face at work, and the safest way to avoid them.

This year, our reportable accidents (RIDDOR) was equal to that of last year, with 8 incidents reported. This has shown significant improvement since 2012, when 23 incidents were recorded, and under our Vision Zero programme we will continue to seek to understand, minimise and eliminate the causes of accidents.


KEY PERFORMANCE INDICATORS

| Issue | Objective | Indicator | On Track ³ | 2017 | 2016 | Change % |
|--|---|--|-----------------------|-------|-------|----------|
| Carbon Reduction – CO₂ emissions | Reduce climate change emissions by increasing efficiency and obtaining energy from renewable sources | Carbon Intensity measurement Emissions per traffic unit ² | ▲ | 1.026 | 1.289 | +20.4% |
| Noise | Limit and where possible reduce the number of people significantly affected by aircraft noise | Number of people within noise footprint (57dB _{LAEQ,8h}) – ('000s) | ▼ | 37.3 | 34.5 | -8.1% |
| Promoting Employment | Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies | Number of training placements provided | ▲ | 948 | 503 | +88.5% |

NOTES:

- Our emissions are calculated based on data gathered for voluntary emissions reporting under, and compliance with, the CRC Energy Efficiency scheme and EU ETS. UK Government Conversion Factors for Company Reporting, published by Defra and DECC in 2015, were used with historic emissions re-calculated where required. We have chosen an intensity measurement against a traffic unit, which is defined by the International Air Transport Organisation (IATA) as equivalent to 1,000 passengers or 100 tonnes of freight.
- Progress against targets to be achieved by 2020.



A photograph of the nose of a white commercial airplane on a tarmac. The aircraft is the central focus, with its cockpit windows and orange-painted nose cone clearly visible. To the left, a yellow ground support vehicle with a blue tarp is positioned. To the right, a grey ground support vehicle with 'SERVISAIR' and 'C5' markings is visible. The background shows a clear blue sky and distant airport buildings. A semi-transparent dark grey triangle is overlaid on the upper half of the image, containing the text.

*"The Group is committed to
maintaining high standards
of corporate governance."*

Reports and Financial Statements

CORPORATE GOVERNANCE STATEMENT

The Group is committed to maintaining high standards of corporate governance and uses the UK Corporate Governance Code (the 'Code') as a guide to best practice. However, it recognises that the Code has been designed to apply primarily to companies with a premium listing on the London Stock Exchange. In contrast, the Group, in ownership terms, is structured as a public-private economic partnership between the ten local authorities of the Greater Manchester region and IFM Investors. Amongst those owners, The Council of the City of Manchester and IFM enjoy, in equal shares, the voting rights in general meetings of Manchester Airports Holdings Limited (the holding company of the Group), have certain matters reserved for their exclusive decision as shareholders, and make two appointments each to the Board, which also includes an independent non-executive chairman, four independent non-executive directors, and three executive directors.

Strong corporate governance is consistently underpinned by the involvement of the voting shareholders at Board level (and the visibility this gives them of executive and non-executive action) and by the relations between The Council of the City of Manchester and the other Greater Manchester local authorities. Certain of the provisions of the Code are therefore not relevant or applicable to the Group. These include those directed at productive shareholder engagement, regular re-election of directors, detailed executive remuneration disclosure, the requirement for and role of a senior independent director, and the extent to which independent non-executive directors should populate both the Board and certain Board committees.

During the year, Independent Audit were commissioned by the Chairman to carry out an independent governance review. This review concluded that the Board was generally working well but resulted in improvements being made to the operation of the Nomination Committee (including the procedure for appointing new Board members) and the way in which the Board reviews the Group's strategic objectives. In addition, the Group's previously informal Corporate Social Responsibility Committee was established as a formal committee of the Board in the wake of the review.

THE BOARD OF DIRECTORS

The Board is accountable to the shareholders for developing, setting and delivering the Group's strategic objectives, safeguarding its reputation and maximising its multiple stakeholder relationships. The Directors satisfy themselves that the necessary resources and controls are in place both to do this and to manage attendant risks effectively, whilst at the same time setting the Group's values and standards.

The names of the directors who served on the Board during the year and their biographical details are set out on pages 53 to 54.

Of these, Vanda Murray, Catherine (Cath) Schefer, Robert Napier and Jonathan (Jon) Wragg are non-executive directors whom the Board consider to be independent as defined in the Code (as was Baroness Elizabeth Symons). Sir Adrian Montague also met the independence criteria set out in the Code, both on his appointment as Chairman, and at all times since. The remaining non-executive directors are Sir Richard Leese and David Molyneux who have been appointed by The Council of the City of Manchester (as was Kieran Quinn) and Manoj Mehta and Christian Seymour who have been appointed by IFM. It is considered that the size of the Board is sufficient for the requirements of the business and that there is an appropriate balance of independent non-executive, shareholder-appointed non-executive and executive directors on the Board, with none of those cohorts making up a majority.

The Board meets formally six times per year and on additional occasions to consider specific business matters. Directors' attendance at Board and Board committee meetings held during the year ended 31 March 2017 is set out on page 48.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and Group Chief Executive are separate and clearly defined, and are not held by the same person. The Chairman is responsible for the leadership of the Board: he orchestrates its work (in close consultation with the Chief Executive) and plays a critical role in ensuring it delivers effectively on its accountabilities, and that the diverse capabilities of individual Board members are used to the best advantage of the Group as a whole.

As mentioned previously, certain matters are reserved for decision by the Group's voting shareholders, and others are reserved for the Board. The day-to-day management of the Group, the development and implementation of strategy, and the delivery of Group financial and operational objectives are the responsibilities of the Chief Executive, who is supported by his executive committee which comprises:

- Chief Executive
- Chief Financial Officer
- Divisional CEO, Manchester Airport
- Divisional CEO, London Stansted Airport
- Divisional CEO, East Midlands and Bournemouth Airports
- Divisional CEO, MAG Property
- Chief Strategy Officer
- Acting CEO, Manchester Airport (formerly Group HR and Transformation Director)
- Group Organisational Development Director
- Corporate Affairs Director
- General Counsel and Company Secretary

CORPORATE GOVERNANCE STATEMENT **continued**

DIRECTORS' ATTENDANCE AT MEETINGS 2017

| | Board | Audit Committee | Remuneration Committee | Nominations Committee |
|---|-------|-----------------|------------------------|-----------------------|
| Total number of meetings in 2017 | 7 | 3 | 1 | 2 |
| Number of meetings attended in 2017 (including telephone meetings) | | | | |
| Non-Executive Directors | | | | |
| Sir Adrian Montague | 7 | N/A | N/A | 2 |
| Sir Richard Leese | 7 | N/A | 1 | 2 |
| Manoj Mehta | 6 | 3 | N/A | 2 |
| David Molyneux ¹ | 4 | N/A | N/A | N/A |
| Vanda Murray | 7 | 3 | 1 | 2 |
| Robert Napier | 7 | 3 | N/A | N/A |
| Kieran Quinn ¹ | 0 | 0 | N/A | 0 |
| Cath Schefer ² | 3 | N/A | N/A | 1 |
| Christian Seymour | 6 | N/A | 1 | 2 |
| Baroness Elizabeth Symons ³ | 3 | N/A | N/A | 1 |
| Jon Wragg ² | 2 | N/A | N/A | 1 |
| Executive Directors | | | | |
| Charlie Cornish | 7 | N/A | N/A | N/A |
| Ken O'Toole | 5 | N/A | N/A | N/A |
| Neil Thompson | 7 | N/A | N/A | N/A |

NOTES:

1. On 12 May 2016, The Council of the City of Manchester appointed David Molyneux as a director of the Company in place of Kieran Quinn.

2. Cath Schefer and Jon Wragg were each appointed as a director of the Company on 29 September 2016.

3. Elizabeth Symons ceased to be a director of the Company on 31 December 2016.

N/A in the table above denotes that the director is not a member of that committee.

NON-EXECUTIVE DIRECTORS

The non-executive directors bring extensive knowledge, skills and experience, from both the private and public sectors, which allows the executive team to be supported in the development and execution of strategy whilst ensuring that plans and proposals are interrogated constructively, and the performance of management in meeting agreed goals and objectives is purposefully scrutinised.

All non-executive directors are appointed subject to objective capability criteria and the appointment of every independent non-executive director (including their remuneration) is, in common with that of executive directors, subject to prior approval of the voting shareholders. The non-executive directors appointed by the appointing voting shareholders hold office for so long as the shareholder wishes them to do so. The remaining non-executive directors are appointed initially for a term of three years, with any renewal of that (and any subsequent) term being a matter for the

voting shareholders (on the recommendation of the Board and the Nomination Committee), having regard to the contribution made by the director in the immediately preceding period and relevant corporate governance best practice at the time.

Arrangements are in place for the Chairman to meet with the non-executive directors without the executive directors present, such meetings being held as and when required.

BOARD EFFECTIVENESS

To promote high-quality decision taking and the complementary nature of the roles of the Board and executive management, the Board receives, prior to each meeting on a timely basis, a comprehensive suite of executive reports and papers covering, at least, commercial, operational and health and safety matters

across the Group, together with a detailed Group finance review, and when appropriate, an appraisal of current strategic opportunities and corporate risks. In the months when it does not meet, an abridged reporting pack is provided.

The Board has established a number of committees with specific delegated authorities, and more information on the membership and remit of these is provided later in this report. The Board also ensures, through the work of the Nomination Committee, that succession planning at Board, executive and senior management level reflects the changing needs of the Group's businesses.

The Group has a formal induction programme, which has been strengthened in light of the 2016 Board evaluation. It comprises a combination of introductory meetings, site visits, briefing materials, and the opportunity to meet the shareholders and auditor. Its content embraces: corporate strategy and structure; current and recent board topics; sectoral and competitive context; key operations; financial performance and funding; reputation and brand; and stakeholder management. Both Cath Schefer and Jon Wragg participated in an individually tailored version of the programme following their appointment.

The Group undertakes to provide the necessary resources to enable directors to remain abreast of developments relevant to the Group's businesses and their own responsibilities. In addition, the directors may take independent advice in relation to their duties at the Company's expense, if appropriate.

The Board conducts annual assessments of its own effectiveness and that of Board committees, supplemented from time to time by an element of external evaluation. As a result of the evaluation carried out during the year, the directors' formal induction programme was strengthened.

BOARD COMMITTEES

The principal committees of the Board are as follows:

Audit Committee

The members of the Audit Committee at 31 March 2017 were Robert Napier (Chairman), Vanda Murray and Manoj Mehta (all non-executive directors, with only Manoj Mehta being shareholder-appointed). Jon Wragg was appointed as an additional member of the Committee after the year end. The Audit Committee typically meets three times during the year, and did so during this financial year. However, the meeting held in April 2016 related principally to the prior financial year, whilst a meeting scheduled for March 2017 had, unavoidably, to be postponed until April 2017. The external auditor, the Chief Executive, the Chief Financial Officer and the Director of Risk & Internal Audit routinely attend the Committee's meetings. The external auditor has the opportunity to meet with the members of the Committee,

as does the Director of Risk & Internal Audit, with the Committee's Chairman, without executive management present. The Board is satisfied that, through the range of skills and business experience possessed by each member of the Audit Committee, throughout this financial year the Audit Committee as a whole had the competence relevant to the sectors in which the Group operates.

The Audit Committee is responsible, primarily, for monitoring the Group's financial statements, the adequacy and effectiveness of its internal control systems (including financial controls), the operation of its risk management frameworks and whistle-blowing procedures, and for reviewing the appointment, independence, performance and cost effectiveness of the Group's external auditor. During the year, it:

- reviewed the Annual Report and Accounts and Interim Report, together with the Group Treasury Policy;
- monitored the Group's cyber security and major IT system implementation programmes;
- considered the impact of changes to the accounting and financial reporting regimes applicable to the Group;
- reviewed the Group's internal control and risk management systems, and the outcomes of risk management and internal audit work;
- reviewed and challenged management in relation to findings from internal audit reviews;
- assessed the adequacy and basis of renewal of the Group's insurance provision;
- evaluated the external audit activity, specifically in relation to the key risks (capitalisation of fixed asset spend, valuation of investment property and intangibles, and revenue on airline contracts) and key judgemental areas (pensions and tax);
- in the course of satisfying itself as to the independence and objectivity of the external auditor, analysed the level of fees paid to the external auditor for audit and non-audit work, and the performance of the external auditor;
- considered the potential re-tendering of the external audit appointment.

Remuneration Committee

At 31 March 2017, the Remuneration Committee's members were Vanda Murray (Chair), Christian Seymour and Richard Leese (all non-executive directors, with Christian Seymour and Richard Leese being shareholder-appointed).

The Committee typically meets at least twice per year, and at other times as it sees fit; however, in the financial year ended 31 March 2017, it met once. The Committee is tasked with:

- making recommendations regarding the Group's remuneration policy;

CORPORATE GOVERNANCE STATEMENT *continued*

- in compliance with that policy, recommending the total remuneration packages of the Executive Directors (including the Chief Executive) and other senior executives within the Group;
- setting and reviewing annual performance targets for the Executive Directors (including the Chief Executive) and other senior executives within the Group, reviewing performance against those targets, and recommending any payments to be made as a result.

During the year, the Committee's work principally covered these areas.

The Chief Executive and other members of the senior executive team attend meetings with the Committee as and when appropriate. No director has any involvement in any decision relating to his or her own remuneration.

The Committee is responsible for appointing external independent consultants to advise on executive remuneration matters. This advice and assistance has been provided throughout the year by PricewaterhouseCoopers LLP who also provide advice and support to the Group in relation to the Group's pensions schemes.

Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, monitoring the balance of skills, knowledge, experience and diversity on the Board, leading the process for potential appointments to the Board, and overseeing succession planning in respect of the directors (other than the shareholder-appointed directors) and senior executives. The appointment of the Chairman is undertaken by the voting shareholders. The Committee meets at least once per year, and at other times as it sees fit. Its members are the non-executive directors and the Chairman (who is also chairman of the Committee).

During the financial year ended 31 March 2017 the Committee met twice with the focus of its work being concentrated upon:

- the design and execution of the process that culminated in the appointment of Jon Wragg and Cath Schefer to the Board. These appointments were made to bolster Board capability in relation to the retail environment (including digital retailing) and major construction projects. They were appointed following a selective market search conducted by an external headhunting agency.
- a review of succession planning among the executive team.

In respect of its people generally, 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 continues to believe 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 are the cornerstones of the MAG Diversity Programme that launched during the year. This Programme will undertake 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.

The table below shows the gender split at different levels within the Group as at 31 March 2017.

| | Male | Female | Total | % Male | % Female |
|---------------------|-------|--------|-------|--------|----------|
| Group Board | 10 | 2 | 12 | 83% | 17% |
| Executive Committee | 7 | 4 | 11 | 64% | 36% |
| Senior Management | 43 | 21 | 64 | 67% | 33% |
| Whole Company | 3,370 | 1,997 | 5,367 | 63% | 37% |

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

During the year, the Board established a formal CSR Committee, which is tasked with keeping under review the Group's CSR strategy and policies, ensuring that the impact of the Group's operations on its stakeholders is recognised, monitoring compliance with the Group's CSR policies and progress against its CSR plans and KPIs and evaluating the quality and integrity of its external CSR reporting. The Committee is chaired by Vanda Murray and its other members are Cath Schefer and Jon Wragg. The first formal meeting of the Committee was held after the year end.

The Group recognises the increasing importance of effective management of corporate responsibility and the link between it and corporate governance. The Group acknowledges its responsibilities to its shareholders, employees, customers, suppliers, the wider communities its airports serve, as well as its other stakeholders, and endeavours to inform all of them of the way it conducts, and proposes to conduct, its business. Environmental, social and ethical risks are identified and managed pursuant to the Group's risk assessment and management processes. More information about the Group's commitment to corporate responsibility can be found in the Corporate Social Responsibility Report on pages 39 to 44.

INTERNAL CONTROL

The directors are responsible for the Group's system of internal control, which aims to safeguard assets and shareholders' investment, and to ensure that proper accounting records are

maintained, that statutory and regulatory requirements are met, and that the Group's business is operated economically, effectively and efficiently. It is acknowledged that any system of internal control is most likely to manage rather than eliminate risk, and can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The Group's system of internal control has been in place throughout the year and up to the date of this Annual Report. The key elements of the internal control environment, which includes the process for preparing the consolidated financial statements, are:

- clearly defined organisational structures, schemes of delegation and lines of responsibilities;
- the involvement of qualified, professional employees with an appropriate level of experience (both in the Group's Finance function and throughout the business);
- regular meetings of the Board and of the Chief Executive's Executive Committee;
- Board approval of long term business strategies, key business objectives and annual budgets (with an annual review being undertaken to update the business strategies and key business objectives);
- preparation, and Board approval, of revised financial forecasts during the year;
- monitoring financial performance on a monthly basis against budget, and the benchmarking of key performance indicators, with remedial action being taken where appropriate;
- monitoring annual performance against business plans;
- established procedures for planning, approving and monitoring capital projects, together with post investment project appraisal;
- regular review by the Group's Finance function of each business unit including a reconciliation to the management accounts on a segmental basis;
- the review by the Audit Committee and the Board of the draft consolidated financial statements, and receipt of and consideration by the Audit Committee of reports from management and the external auditor, on significant judgements and other pertinent matters relating to those statements;
- the activities of the internal audit function (see below);
- implementation of Group-wide procedures, policies, standards and processes concerning business activities, such as financial reporting, health and safety, and human resources.

The Group has an established, independent internal audit function, the role of which is to provide impartial, objective audit, assurance and consulting activity that is designed to strengthen, improve and add value to core processes and procedures across the Group. The Internal Audit team takes a disciplined and risk-

based approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes, aimed at providing assurance that risks are being well managed, and controls are adequately designed and operating effectively. Their approach is based on professional best practice, in particular, the Chartered Institute of Internal Auditors Standards.

An annual risk-based Internal Audit Plan is developed which provides coverage of the Group's risk profile over a rolling 5-year period, with an initial focus on areas of high inherent risk and areas where the Group is heavily reliant on mitigating controls to manage the risk to an acceptable level. The plan is dynamic, and is refreshed as required, to reflect the evolution of the Group's risk profile over time. Over the course of the year, the Internal Audit team has carried out 36 reviews across areas as varied as: fire safety; background checks and ID Issue; third party information security framework; and retail partner income.

In respect of key strategic and capital projects, the overall Group Internal Audit Plan is supplemented by individual project assurance plans, which are kept under regular review, and given the prevalence of major projects across the Group, are the subject of dedicated internal audit resource.

The Internal Audit team carries out an annual self-assessment exercise to establish its effectiveness and any areas for improvement, based on the Chartered Institute of Internal Auditors Standards. The most recent exercise confirmed full compliance with those Standards.

Based on sample testing, follow-up work during the year, and management's commitment to implement agreed control improvement recommendations, the Internal Audit team concluded that the Group's system of internal controls had been designed, and were operating with sufficient effectiveness, to provide substantial assurance that the Group's risk management, control and governance objectives were achieved in respect of the year ended 31 March 2017.

On behalf of the Board, the Audit Committee has received the Director of Risk & Internal Audit's annual report and has conducted a review of the effectiveness of the system of internal control. Regular reports on control issues are presented to, and discussed with, the Audit Committee, and there is a process in place to ensure audit recommendations are fully implemented by senior executive management. All such recommendations made in the prior financial year have been implemented, together with 98% of those made in this financial year that are currently actionable. The Board, having considered the Audit Committee's review, is able to confirm that no significant failings or weaknesses have been identified in the system of internal control.

CORPORATE GOVERNANCE STATEMENT **continued**

RISK MANAGEMENT

The management of risks rests ultimately with the Board, notwithstanding that the Audit Committee performs a significant role, outlined above, relative to risk oversight. The most significant strategic, corporate and operational risks and uncertainties identified during the year, and the prevailing approach to management of these, appear on pages 36 to 37. The Risk Assurance function, covering Risk Management, Internal Audit and Security Quality Assurance, reports directly to the Chief Financial Officer, who habitually attends every Audit Committee meeting. Risk Registers are managed by individual risk owners, are updated on a regular basis, and are provided to the Risk Assurance function frequently. The holding of regular business risk workshops at a divisional level, and quarterly reviews of Group-wide risk issues by the executive directors, support this process.

The Board can confirm that it, and the Audit Committee, regularly review the process for the identification, evaluation and management of the strategic and significant corporate risks faced by the Group. In the judgement of the Board, progressively enhanced risk management procedures have continued to promote greater business-wide awareness of the potential sources and mitigants of risk within the Group.

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. Nevertheless, at the time of preparation of these financial statements, and having assessed the principal risks and the other matters discussed in connection with the viability statement set out below, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further details can be found in the Accounting Policies on pages 61 to 65.

VIABILITY STATEMENT

In accordance with the 2014 revision of the UK Corporate Governance Code, the directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 36 to 37. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2020.

The directors have determined that a three year period to 31 March 2020 constitutes an appropriate period over which to provide its viability statement. This is the period focused on by the Board during the strategic planning process and aligned to our detailed passenger projections. Whilst the directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved we believe this presents users of the Annual Report with a reasonable degree of confidence while still providing a longer-term perspective.

In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board considers annually and on a rolling basis, a three year bottom-up strategic plan. The output of this plan is used to perform Group debt and financial headroom profile analysis, and includes a review of sensitivity to 'business as usual' risks, such as profit growth, reduction in passenger numbers and working capital variances. In addition the potential impacts of the UK's decision to leave the EU, based on current consensus views, have been assessed, as well as severe but plausible events, in the overall context of the significant level of headroom in the Group's financial covenants.

During the year, the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500m revolving credit facility and £60m in standby liquidity facilities, each with a five year term, maturing in June 2021, with optional extensions. In June 2017 the Group extended the new facilities for a further year, resulting in a revised maturity date of June 2022. These new facilities will provide strong support over the next few years for the Group's growth and investment activities, including the Manchester and London Stansted Airport Transformation Programmes.

These new facilities, combined with MAG's strong credit rating, financing plan and financial covenant headroom, support the directors' positive confirmation on the viability of the Group that it will be able to continue in operation and meet its liabilities as they fall due, over the three year period to 31 March 2020.

BOARD OF DIRECTORS

CHAIRMAN

Sir Adrian Montague, CBE

Sir Adrian is currently the Chairman of Aviva plc. He is also Chairman of The Point of Care Foundation (charitable trust). Previous Chairmanships include 3i plc, Anglian Water Group, London First and British Energy. Sir Adrian was awarded a CBE in 2001 and holds a Law degree from the University of Cambridge.

EXECUTIVE DIRECTORS

Charlie Cornish

Appointed Group Chief Executive in October 2010. Prior to joining MAG, Charlie was Managing Director of Utility Solutions, the commercial business of United Utilities (UU) with operations in the UK, the Middle East, Australia, Bulgaria, Poland, Estonia and the Philippines and was a Director of UU PLC. Previously he worked for a number of manufacturing and service companies including Plessey Telecommunications, British Aerospace and ABF.

Ken O'Toole, FCA

Ken was appointed as Divisional Chief Executive of Manchester Airport in April 2016. Prior to this he was Managing Director of Manchester Airport and was appointed to the Board in February 2013. He spent six years with Ryanair Holdings Plc, initially as Head of Revenue Management and latterly as Director of New Route Development. A qualified Chartered Accountant, his previous experience includes Musgrave Group, a leading Irish and UK based retailer, and Credit Suisse First Boston.

Neil Thompson ACA, CTA

Neil joined MAG in 2005, being Commercial FD and then Corporate FD, prior to taking on the role of Chief Financial Officer in March 2011. Neil previously held senior finance roles at The MAN Group and ALSTOM, with responsibility across businesses in the UK, Europe, North America, Canada, India, Singapore and Australia. Prior to the power generation sector, Neil spent seven years in financial practice, specialising in Corporate Finance and M&A transactions, latterly with PricewaterhouseCoopers.

NON-EXECUTIVE DIRECTORS

Sir Richard Leese

Leader of the City Council of Manchester since 1996. His other roles include Chair of the Association of Rail North Partner Authorities, Chair of LGA City Regions Board and Vice Chair of the Greater Manchester Combined Authority (GMCA).

Manoj Mehta

Executive Director (Europe) for IFM Investors with responsibility for evaluating, implementing and managing European investments. Prior to this role, he held senior positions within Transport for London and the Infrastructure Advisory Group at Citigroup.

Councillor David Molyneux

David has been a local Councillor for the Ince Ward in Wigan since 1982. Since 2008 he has held the position of Deputy Leader of Wigan Council, with responsibility for Regeneration. He is an engineer by profession and in the later part of his career was a Head of Purchasing in the Aerospace Industry.

Vanda Murray OBE

Vanda holds a portfolio of non-executive directorships: Bunzl plc; Redrow plc; and Fenner plc, which she chairs. She is also Pro-Chancellor and Chair of Governors at Manchester Metropolitan University. Prior to this, she was CEO of Blick plc a FTSE quoted International support services group. She was awarded an OBE in 2002 for services to industry and to export.

Robert Napier CBE FRCS (Hon)

Robert was, until December 2015, Chairman of the Homes and Communities Agency for eight years and prior to that Chairman of the Board of the Met Office. He had a business career which included being the Finance Director and then Chief Executive of Redland PLC. He has held various Non-Executive positions and is currently on the Board of the Anglian Water Group. His community involvement includes Chairmanship of the Trustees of St Mungo's, the homelessness charity.

BOARD OF DIRECTORS continued

Kieran Quinn

(ceased to be a director on 12 May 2016)

Kieran has been the elected Labour member for Droylsden East since 1994 and has been the Executive Leader of Tameside Metropolitan Borough Council since 2010. He is also the Chair of the Local Authority Pension Fund Forum and chair of the Greater Manchester Pension Fund Management Panel. Kieran also chairs and serves on the Boards of a number of local and national organisations.

Catherine Schefer

Appointed to the Board in September 2016. Cath is currently Managing Director of MWH Europe-Africa Region and MWH Pune Operation in India. Cath has more than 25 years' experience in design, construction and programme management of large infrastructure projects, having worked for both client and consulting/contracting organisations in the water utility arena. Cath is a chartered civil engineer and a Fellow of the Institution of Civil Engineers.

Christian Seymour

Head of Infrastructure (Europe) for IFM Investors with responsibility for business expansion in Europe and oversight of IFM's existing European asset portfolio. He has over 20 years of experience working for companies including Duke Energy, Santos, BHP Billiton, Bechtel and Woodside, successfully delivering large scale projects involving multidisciplinary teams.

Baroness Elizabeth Symons

(ceased to be a director on 31 December 2016)

Baroness Elizabeth Symons (Rt Hon Baroness Symons of Vernham Dean) is a senior Labour Member and a former Deputy Leader of the House of Lords. She was a Minister in the UK Government from 1997 until stepping down in 2005. Her government posts were Minister for the Middle East, Minister for International Trade, Minister for Defence Procurement and the Prime Minister's Envoy to the Gulf. She is Chairman of the Arab-British Chamber of Commerce, the Saudi-British Joint Business Council (UK side), and the British Egyptian Society. She also sits on the Advisory Boards of British Expertise and the Egyptian British Business Council. She is Head of Government Relations (International) at DLA Piper LLP, and is adviser to a number of commercial organisations including the CCC Group, Blenheim Capital, and Protection Group International.

Jonathan Wragg

Appointed to the Board in September 2016. Jon is Global Trading Director at SuperGroup plc, where he has been since 2014. Prior to SuperGroup, Jon held the position of Multichannel Director at Asda WalMart, and before that he held various roles at Shop Direct Group, including those of Trading Director and Business Development Director. Jon has broad functional experience within the retail industry, comprising both physical and digital channels. Jon holds a non-executive position at Anatwine, a digital start up.

REMUNERATION REPORT

This report sets out the principles of the remuneration policy for directors and related matters.

The objective of the remuneration policy in respect of the executive directors and senior executives is to offer remuneration packages that:

- allow the Group to attract, motivate and retain senior executives of high-calibre who are capable of delivering the Group's stretching objectives;
- link rewards to both individual and corporate performance, responsibility and contribution; and
- position the Group competitively in the principal markets (both private and listed companies) where it competes for talent.

The Committee utilises appropriate market intelligence to support this process but is, however, aware of the risk of an upward ratchet in remuneration levels through over-reliance on comparative survey data.

The commercial environment in which the Group operates continues to be demanding. In order to achieve our business goals it is critical that executives have the opportunity to be rewarded for their contribution. This is achieved via participation in incentives schemes aligned to both short and long-term performance goals. Where the goals are not met, it is also appropriate that this results in a considerably reduced level of remuneration received. Accordingly the annual and long-term incentives make up a significant part of each executive director's compensation package.

Remuneration packages comprise:

| Reward Element | Commentary |
|--------------------------|--|
| Basic Salary | Set based on a number of relevant factors including personal performance, organisational size, affordability and market conditions |
| Discretionary Incentives | Short and long-term incentives payable subject to the fulfilment of clear performance criteria. The level and focus of the incentive plans are examined on an ongoing basis by the Committee to both drive individual performance and create shareholder value |
| Pension | All executive directors and senior executives are invited to participate in the Group's pension scheme |
| Additional benefits | Other benefits include a car cash allowance, or an equivalent car, in addition to permanent health insurance, private health insurance, critical illness cover and death-in-service life cover |

EXECUTIVE DIRECTORS' BASIC SALARIES AND INCENTIVES

Basic Salary

The basic salaries of executive directors are reviewed annually, referenced to personal performance, Group size and performance, responsibility levels, affordability and competitive market practice.

To assist in market comparison, PricewaterhouseCoopers provides data and independent advice on remuneration levels in companies considered to be comparable in terms of market capitalisation, industry sector and revenue, although the Committee is careful not to place excessive reliance on such data.

Short Term Incentive Plan

The executive directors are eligible to participate in the MAG Executive Directors Short Term Incentive Plan (STIP). Subject to satisfactory personal, strategic and financial Group performance, the executive directors can earn a maximum incentive of 120% of base salary and 75% of base salary for senior executives.

For executive directors, any incentive payable up to 80% of base salary is paid in cash, whilst the remaining element above 80% is deferred to be released to the directors two years after the initial payment, subject to their continued employment. For senior executives any incentive payable up to 60% of base salary is paid in cash, whilst the remaining element above 60% is deferred for two years, subject to continued employment.

REMUNERATION REPORT **continued**

Long-term Incentive Plan

Executive directors also participate in a long-term incentive plan (LTIP) where an incentive of up to 150% of base salary for executive directors and up to 100% of base salary for senior executives can be paid. Awards under the LTIP scheme are subject to the achievement of a combination of financial and business health targets measured over a three year period.

In addition to the challenging performance targets, the Committee retains discretion to reduce STIP and LTIP awards in part or in full, in exceptional circumstances.

CLAWBACK

In line with best practice, a clawback provision is included in the STIP. This provision enables the Group to reduce awards or reclaim payments made, in the event of a material misstatement or error in the financial results, where the Group has made an error in calculating the amount of award, or where there has been gross misconduct on the part of the participant.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The Group's policy is that directors will be employed with a notice period of twelve months.

EXTERNAL DIRECTORSHIPS

Executive directors are not permitted to accept external directorships without the prior approval of the Board.

NON-EXECUTIVE DIRECTORS

The Chairman and independent non-executive directors receive fees for their services but do not participate in any of the incentive or benefit schemes of the Group, including pensions. The shareholder-appointed non-executive directors do not receive any fees for their services.

The Remuneration Committee recommends the remuneration for non-executive directors excluding the Chairman. The voting shareholders determine the remuneration for the Chairman, and approve the fees of the independent non-executive directors.

The Board's current policy with regard to independent non-executive directors is that appointments are on fixed terms of either one, two or three years, with a notice period of one month.

RETIREMENT BENEFITS

The Company provides pension benefits to eligible employees through legacy defined benefit arrangements or the MAG Defined Contribution Pension Scheme, which is a defined contribution (DC) arrangement. The DC arrangement is available for newly eligible employees and provides money purchase pension benefits.

A salary sacrifice arrangement for the payment of employee pension contributions (called SMARTpension) was introduced in March 2010 in order to reduce National Insurance contributions payable by the Company and its pension schemes' members.

The Company is not compensating any member of the schemes for any additional tax which is payable as a result of changes to government policy. However, since the lowering of the Annual Allowance threshold, members of the DC arrangement have the opportunity to voluntarily give up some of their pension contributions in order to avoid incurring Annual Allowance tax charges. To the extent that contributions are given up voluntarily, the Company may pay a discretionary cash supplement in lieu of the pension provision given up.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

The Directors present their annual report on the affairs of Manchester Airports Holdings Limited (the 'Company') together with the audited financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (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, airport-based commercial and retail activities, and property.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated results for the year under review commence on page 66. The Company intends to continue its development of the Group as an operator of high quality airports and airport facilities both within the UK and overseas, meeting the increasing demand for air travel and with a reputation for quality, customer service, value for money and a sustainable approach to development. A more detailed review of the Group's principal activities, results and future developments is provided in the Strategic Report, the Chief Executive's Operating Review and the Financial Review.

DIVIDENDS AND TRANSFERS TO RESERVES

The retained loss for the year of £46.7m (2016: profit of £34.1m) after dividends paid of £124.2m (2015: £100.6m) will be transferred from (2016: to) reserves.

THE BOARD OF DIRECTORS

At 31 March 2017, the Board comprised:

| | |
|---------------------|-------------------|
| Sir Adrian Montague | David Molyneux |
| Vanda Murray | Manoj Mehta |
| Robert Napier | Christian Seymour |
| Cath Schefer | Charlie Cornish |
| Jon Wragg | Ken O'Toole |
| Sir Richard Leese | Neil Thompson |

Kieran Quinn ceased to be a director of the Company on 12 May 2016 and Baroness Elizabeth Symons ceased to be a director of the Company on 31 December 2016. Cath Schefer and Jon Wragg were each appointed as a director of the Company on 29 September 2016.

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.

CONFLICTS OF INTEREST

The Company has procedures in place for managing conflicts of interest. Should a director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they should notify the Board in writing as soon as reasonably practicable. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

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 of any associated companies, 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:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- 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 is to be interpreted, in accordance with the provisions of section 418 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 32 to these financial statements.

RISK MANAGEMENT

The Board as a whole, including the Audit Committee members, consider the nature and extent of the risk management framework, and the risk profile that is acceptable in order to achieve the Group's strategic objectives. The Audit Committee has reviewed the work done by management, the Committee itself and the Board, on the assessment of the Group's principal risks, including their impact on the prospects of the Company.

The most significant strategic, corporate and operational risks and uncertainties, and the prevailing approach to their management, are detailed on pages 36 to 37.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017 **continued**

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.

Apprentices and the National Living Wage

MAG remains fully supportive of apprenticeships. It increased its intake during the financial year and is currently exploring the possibility of widening its apprenticeships offer for the 2018 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 that 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 increasingly 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 CSR Report. In addition, briefings in relation to key business and operational developments are cascaded throughout the organisation, 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, 178 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.

These payment practices apply 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 2017 was 26 days (2016: 21 days), which has been calculated in accordance with the average number of days between invoice date and the payment of the invoice.

MODERN SLAVERY ACT 2015

Our principal reference point 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 the 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 during the year totalled £1.0m (2016: £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

Written resolutions relating to the reappointment of KPMG LLP as auditor, and to the authority of the directors to fix the auditor's remuneration, are to be put before the Company's voting shareholders for execution in the short term (and in the case of the former resolution, within the relevant period prescribed by statute).



Charlie Cornish

Chief Executive
MAG

For and on behalf of the Board of Directors
of the Company

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 Group's and 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 comply 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.

Each of the directors, whose names and functions are listed on pages 48 to 50, confirm that, to the best of their knowledge (and having received confirmation in the same terms from the Audit Committee):

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- the Parent Company financial statements, which have been prepared in accordance with UK Accounting Standards and applicable law, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Parent Company; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.



Charlie Cornish

Chief Executive
MAG

For and on behalf of the Board of Directors
11 July 2017

Group Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER AIRPORTS HOLDINGS LIMITED

We have audited the financial statements of Manchester Airports Holdings Limited for the year ended 31 March 2017 set out on pages 61 to 106. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 59, the directors are responsible for the preparation of the 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 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 financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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; or
- a Corporate Governance Statement has not been prepared by the Company.



Nicola Quayle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square, Manchester M2 3AE
11 July 2017

ACCOUNTING POLICIES

GENERAL INFORMATION

Manchester Airports Holdings 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 set out within the Directors' Report. These consolidated financial statements were approved for issue by the Board of Directors on 11 July 2017.

BASIS OF PREPARATION

These consolidated financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards ('IFRSs') as adopted 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 2017, the Group had £1,546.9m (2016: £1,436.9m) of committed facilities and a net debt position of £1,171.9m (2016: £1,143.0m). The Group had financial headroom in excess of £374m at the year end, a level comfortably in excess of the internal compliance target. During the year the Group completed the refinancing of its revolving credit and liquidity facilities, comprising a £500m revolving credit facility and £60m in standby liquidity facilities, each with a five year term, maturing in June 2022 following a one year extension exercised in June 2017, with optional extensions. The facilities replace similar facilities that were due to mature in February 2018. These new facilities provide 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 2017 the Group had complied with both of the covenants and as a result of the Group's prudent financial policy

there is significant covenant headroom. The financial covenants are not impacted by the recent 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 relating to 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 2016:

- 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

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 2017.

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 financial statements as their effective dates fall in periods beginning on or after 1 April 2017.

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

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

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

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

- IFRS 9 ‘Financial Instruments’ – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition

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

- IFRS 15 ‘Revenue from Contracts with Customers’

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

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

- IFRS 16 ‘Leases’

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

BASIS OF CONSOLIDATION

These consolidated financial statements 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, are recognised at point of departure;
- aircraft departure and arrival charges levied according to weight and time of departure/arrival, are recognised at point of departure;
- aircraft parking charges based upon a combination of weight and time parked, are recognised at point of departure;
- car parking income is 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 to obtain benefits from its activities. For acquisitions completed before 1 April 2010, attributable costs of the acquisition formed part of goodwill. For acquisitions completed on or after 1 April 2010, attributable costs of acquisition are expensed in the income statement in the period incurred.

Goodwill arising on acquisitions represents the difference between the fair value of the consideration given over the fair value of the assets, liabilities and contingent liabilities 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 asset is brought into use.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful economic life of the specific asset to which it relates, from the date that it is 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, and includes 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 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 as 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. The 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 to either 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 the fair value of investment properties are recognised in the statement for the period in which they arise. Gains or losses on the 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.

ACCOUNTING POLICIES **continued**

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.

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 relating to 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 for 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.

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 are 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 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 which 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 2017 (2016: 20%).

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 as an 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, together with 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 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', 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 plan trustees). To the extent that 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. They also include 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, or, as the case may be, voting shareholders.

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 2017 by Deloitte LLP, Strutt and Parker and Meller Braggins. 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 year end, 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 25.

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 2017

| | Note | 2017 £m Total Before significant items | 2017 £m Significant items | 2017 £m Total After significant items | 2016 £m Total Before significant items | 2016 £m Significant items | 2016 £m Total After significant items |
|--|------|---|------------------------------------|--|---|------------------------------------|--|
| Continuing operations | | | | | | | |
| Revenue | 1 | 839.6 | - | 839.6 | 778.8 | - | 778.8 |
| Result from operations before significant items | 4 | 205.5 | - | 205.5 | 186.9 | - | 186.9 |
| Significant items | | | | | | | |
| Impairment of property, plant and equipment | 3 | - | - | - | - | (8.4) | (8.4) |
| Restructuring costs | 3 | - | (7.1) | (7.1) | - | (2.9) | (2.9) |
| Result from operations | | 205.5 | (7.1) | 198.4 | 186.9 | (11.3) | 175.6 |
| Share of result of associate | 14 | 0.1 | - | 0.1 | (0.7) | - | (0.7) |
| Gains and losses on sales and valuation of investment properties | 15 | 4.1 | - | 4.1 | 16.5 | - | 16.5 |
| Finance costs | 7 | (73.5) | - | (73.5) | (74.2) | - | (74.2) |
| Result before taxation | | 136.2 | (7.1) | 129.1 | 128.5 | (11.3) | 117.2 |
| Taxation | 9 | (11.3) | 1.4 | (9.9) | (2.2) | 1.7 | (0.5) |
| Result from continuing operations | | 124.9 | (5.7) | 119.2 | 126.3 | (9.6) | 116.7 |
| Earnings per share expressed in pence per share – | 11 | | | | | | |
| Continuing operations | | | | 37.64 | | | 36.85 |

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

| | Note | 2017 £m | 2016 £m |
|---|------|---------------|--------------|
| Result for the year | | 119.2 | 116.7 |
| Other comprehensive (expense)/income | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurement of retirement benefit liabilities | 25 | (49.4) | 23.1 |
| Deferred tax on remeasurement of retirement benefit liabilities | 9 | 8.4 | (4.2) |
| Effect of change in rate of corporation tax on deferred tax | 9 | (0.7) | (0.9) |
| Other comprehensive (expense)/income for the year | | (41.7) | 18.0 |
| Total comprehensive income for the year | | 77.5 | 134.7 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

| | Note | Attributable to equity holders of the Company | | | Total |
|---|-------|---|---------------------|----------------|----------------|
| | | Share capital £m | Share premium £m | Reserves £m | £m |
| Balance at 1 April 2016 | | 316.7 | 687.2 | 584.8 | 1,588.7 |
| Total comprehensive income for the year | | | | | |
| Result for the year | | - | - | 119.2 | 119.2 |
| Remeasurement of retirement benefit liabilities, net of tax | 9, 25 | - | - | (41.0) | (41.0) |
| Effect of change in rate of corporation tax on deferred tax | 9 | - | - | (0.7) | (0.7) |
| | | - | - | 77.5 | 77.5 |
| Transactions with owners recorded directly in equity | | | | | |
| Dividends paid to equity holders | 10 | - | - | (124.2) | (124.2) |
| Balance at 31 March 2017 | | 316.7 | 687.2 | 538.1 | 1,542.0 |

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

| | Note | Attributable to equity holders of the Company | | | Total |
|---|-------|---|---------------------|----------------|----------------|
| | | Share capital £m | Share premium £m | Reserves £m | £m |
| Balance at 1 April 2015 | | 316.7 | 687.2 | 550.7 | 1,554.6 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | | - | - | 116.7 | 116.7 |
| Remeasurement of retirement benefit liabilities, net of tax | 9, 25 | - | - | 18.9 | 18.9 |
| Effect of change in rate of corporation tax on deferred tax | 9 | - | - | (0.9) | (0.9) |
| | | - | - | 134.7 | 134.7 |
| Transactions with owners recorded directly in equity | | | | | |
| Dividends paid to equity holders | 10 | - | - | (100.6) | (100.6) |
| Balance at 31 March 2016 | | 316.7 | 687.2 | 584.8 | 1,588.7 |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2017

| | Note | 2017 £m | 2016 £m |
|--------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 2,361.1 | 2,325.7 |
| Intangible assets | 13 | 44.5 | 47.0 |
| Goodwill | 13 | 166.3 | 166.3 |
| Investment in associate | 14 | 15.0 | 13.1 |
| Investment properties | 15 | 603.3 | 641.3 |
| Deferred tax assets | 26 | 18.5 | 10.4 |
| | | 3,208.7 | 3,203.8 |
| CURRENT ASSETS | | | |
| Inventories | 16 | 2.1 | 2.1 |
| Trade and other receivables | 17 | 96.3 | 75.7 |
| Cash and cash equivalents | 18 | 16.7 | 0.3 |
| | | 115.1 | 78.1 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Borrowings | 19 | (134.1) | - |
| Trade and other payables | 24 | (196.1) | (191.5) |
| Deferred income | | (24.5) | (19.9) |
| Current tax liabilities | | (20.1) | (12.3) |
| | | (374.8) | (223.7) |
| NET CURRENT LIABILITIES | | (259.7) | (145.6) |
| Non-current liabilities | | | |
| Borrowings | 19 | (1,054.5) | (1,143.3) |
| Retirement benefit liabilities | 25 | (104.6) | (52.9) |
| Deferred tax liabilities | 26 | (235.7) | (260.4) |
| Other non-current liabilities | 27 | (12.2) | (12.9) |
| | | (1,407.0) | (1,469.5) |
| NET ASSETS | | 1,542.0 | 1,588.7 |
| Shareholders' equity | | | |
| Share capital | 28 | 316.7 | 316.7 |
| Share premium | 28 | 687.2 | 687.2 |
| Retained earnings | 29 | 538.1 | 584.8 |
| TOTAL EQUITY | | 1,542.0 | 1,588.7 |

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

The financial statements on pages 61 to 100 were approved by the Board of Directors on 11 July 2017 and signed on its behalf by:



Charlie Cornish
Group Chief Executive
MAG

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

| Note | 2017 £m Before significant items | 2017 £m Significant items | 2017 £m After significant items | 2016 £m Before significant items | 2016 £m Significant items | 2016 £m After significant items |
|---|--|------------------------------------|---|--|------------------------------------|---|
| Cash flows from operating activities: | | | | | | |
| Result before taxation – continuing operations | 136.2 | (7.1) | 129.1 | 128.5 | (11.3) | 117.2 |
| Movement in investment property fair values | (4.1) | - | (4.1) | (16.5) | - | (16.5) |
| Share of result of associate | (0.1) | - | (0.1) | 0.7 | - | 0.7 |
| Net finance income and expense | 73.5 | - | 73.5 | 74.2 | - | 74.2 |
| Depreciation and amortisation | 137.7 | - | 137.7 | 130.8 | 8.4 | 139.2 |
| Profit on sale of property, plant and equipment | (7.0) | - | (7.0) | (10.6) | - | (10.6) |
| Increase in trade and other receivables and inventories | (20.5) | - | (20.5) | (1.0) | - | (1.0) |
| Release of grants | (0.5) | - | (0.5) | (0.6) | - | (0.6) |
| Increase in trade and other payables | 10.2 | - | 10.2 | 17.2 | - | 17.2 |
| Increase in retirement benefits provision | 2.3 | - | 2.3 | 2.6 | - | 2.6 |
| Cash generated from operations | 327.7 | (7.1) | 320.6 | 325.3 | (2.9) | 322.4 |
| Interest paid | | | (72.6) | | | (73.2) |
| Tax paid | | | (35.2) | | | (30.4) |
| Net cash from operating activities | | | 212.8 | | | 218.8 |
| Cash flows from investing activities | | | | | | |
| Purchase of property, plant and equipment | | | (171.9) | | | (123.7) |
| Investment in associate | | | (1.9) | | | (6.5) |
| Proceeds from transfer of assets to associate | | | - | | | 3.2 |
| Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties | | | 57.5 | | | 18.8 |
| Net cash used in investing activities | | | (116.3) | | | (108.2) |
| Cash flows from financing activities | | | | | | |
| Increase in bank loan borrowings, net of debt issue costs | 20 | | 134.1 | | | - |
| Repayment of loans and borrowings | | | (90.0) | | | (20.0) |
| Dividends paid to shareholders | | | (124.2) | | | (100.6) |
| Net cash used in financing activities | | | (80.1) | | | (120.6) |
| Net increase/(decrease) in cash and cash equivalents | 33 | | 16.4 | | | (10.0) |
| Cash and cash equivalents at beginning of the year | | | 0.3 | | | 10.3 |
| Cash and cash equivalents at end of the year | | | 16.7 | | | 0.3 |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. REVENUE

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

| | 2017 £m | 2016 £m |
|--------------------------------------|--------------|--------------|
| Aviation income | 407.0 | 387.4 |
| Commercial income | | |
| Retail concessions | 164.4 | 143.8 |
| Car parking | 152.1 | 137.6 |
| Property and property related income | 49.1 | 47.5 |
| Other | 67.0 | 62.5 |
| Total commercial income | 432.6 | 391.4 |
| Total income | 839.6 | 778.8 |

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

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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

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

| 2017 | 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 | 445.1 | 294.1 | 62.4 | 29.9 | 10.1 | (2.0) | 839.6 |
| Inter-segment sales ⁴ | (0.6) | - | - | (2.6) | - | 3.2 | - |
| Total revenue | 444.5 | 294.1 | 62.4 | 27.3 | 10.1 | 1.2 | 839.6 |
| Result | | | | | | | |
| Segment operating profit/(loss) before significant items | 89.9 | 85.7 | 13.3 | 27.5 | (0.8) | (10.1) | 205.5 |
| Significant items | - | - | - | (1.2) | - | (5.9) | (7.1) |
| Segment operating profit/(loss) after significant items | 89.9 | 85.7 | 13.3 | 26.3 | (0.8) | (16.0) | 198.4 |
| Share of result of associate | | | | | | | 0.1 |
| Gains and losses on sales and valuation of investment properties | | | | | | | 4.1 |
| Finance costs | | | | | | | (73.5) |
| Result before taxation | | | | | | | 129.1 |

2. BUSINESS AND GEOGRAPHICAL SEGMENTS *continued*

| 2017 <i>continued</i> | 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 | 1,404.6 | 969.9 | 244.5 | (Note 1) | 18.1 | 686.7 | 3,323.8 |
| Segment liabilities | (178.5) | (252.3) | (36.0) | (Note 1) | (15.1) | (1,299.9) | (1,781.8) |
| Capital expenditure | 111.1 | 44.8 | 18.9 | (Note 1) | 0.5 | 3.7 | 179.0 |
| Depreciation | 65.3 | 58.6 | 9.6 | (Note 1) | 1.4 | 0.3 | 135.2 |
| Amortisation | 2.5 | - | - | (Note 1) | - | - | 2.5 |
| Taxation | 3.0 | 17.8 | 2.0 | (Note 1) | 0.1 | (13.0) | 9.9 |
| Result – geographical location² | | | | | | | |
| Segment operating profit/(loss) before significant items | 117.4 | 85.7 | 13.3 | (Note 2) | (0.8) | (10.1) | 205.5 |
| 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 | 21.1 | 0.5 | (10.8) | 186.9 |
| 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 | 19.9 | (8.1) | (12.1) | 175.6 |
| Share of result of associate | | | | | | | (0.7) |
| Gains and losses on sales and valuation of investment properties | | | | | | | 16.5 |
| Finance costs | | | | | | | (74.2) |
| Result before taxation | | | | | | | 117.2 |
| Other information | | | | | | | |
| Segment assets | 1,167.8 | 1,010.7 | 329.6 | (Note 1) | 75.4 | 698.4 | 3,281.9 |
| Segment liabilities | (261.2) | (161.6) | (71.2) | (Note 1) | (9.3) | (1,189.9) | (1,693.2) |
| Capital expenditure | 73.3 | 42.6 | 8.7 | (Note 1) | 0.7 | - | 125.3 |
| Depreciation | 58.8 | 54.6 | 8.5 | 5.2 | 1.2 | - | 128.3 |
| Amortisation | 2.5 | - | - | (Note 1) | - | - | 2.5 |
| Taxation | 0.6 | 16.6 | 1.8 | (Note 1) | (0.8) | (17.7) | 0.5 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 continued

2. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

| 2016 continued | 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 location² | | | | | | | |
| Segment operating profit/(loss) before significant items | 93.7 | 84.0 | 14.5 | (Note 2) | 6.6 | (11.9) | 186.9 |

NOTES:

- 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.
- For management accounting purposes MAG reports property income and profit on sale of property assets (excluding London Stansted) within the MAG Property division. For statutory purposes property income and profit on disposal of property assets is reported in the subsidiary companies depending on the geographical location of the investment properties and property, plant and equipment. The table shows how profit from operations would appear with property reported by geographical location.
- Group, consolidation and other includes Group, Head Office, MAG-USA, and other subsidiary companies and balances arising on consolidation, which are not specific to the other main operating divisions. Assets include goodwill and fair value adjustments arising on consolidation. Liabilities include borrowings, further details of which are in Note 19 Borrowings.
- Sales between segments are at arm's length.

3. SIGNIFICANT ITEMS

| | 2017 £m | 2016 £m |
|--|------------|-------------|
| Recorded in result from operations: | | |
| Impairment of property, plant and equipment ¹ | - | 8.4 |
| Exceptional costs ² | 7.1 | 2.9 |
| Total significant items | 7.1 | 11.3 |

NOTES:

- Impairment of property, plant and equipment**
In the prior year an impairment provision of £8.4m was made against the carrying amount of property, plant and equipment at Bournemouth Airport. The impairment was calculated on a value-in-use basis, and further details are set out in Note 12.
- Exceptional costs**
Exceptional costs of £7.1m (2016: £2.9m) include the costs of a number of restructuring programmes across the Group, costs incurred on the implementation of new systems that do not meet the criteria for capitalisation, and M&A activity.

4. RESULT FROM OPERATIONS

| | 2017 £m | 2016 £m |
|--|----------------|----------------|
| Turnover | 839.6 | 778.8 |
| Wages and salaries ¹ | (159.1) | (147.8) |
| Social security costs | (15.3) | (12.4) |
| Pension costs | (13.4) | (14.0) |
| Employee benefit costs | (187.8) | (174.2) |
| Depreciation and amortisation | (137.7) | (130.8) |
| Profit on disposal of property, plant, equipment and investment property | 7.0 | 10.6 |
| Other operating charges ² | (315.6) | (297.5) |
| Result from operations before significant items | 205.5 | 186.9 |

NOTES:

1 Wages and salary costs are disclosed before exceptional costs amounting to £0.8m (2016: £0.7m), which are reported separately – see Note 3.

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

5. EMPLOYEE INFORMATION

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

| | 2017 Number | 2016 Number |
|-------------------------|----------------|----------------|
| By location | | |
| Manchester Airport | 3,049 | 2,819 |
| London Stansted Airport | 1,451 | 1,385 |
| East Midlands Airport | 542 | 540 |
| Bournemouth Airport | 146 | 164 |
| | 5,188 | 4,908 |

Manchester Airport includes Group, Head Office and MAG-USA, as well as operational employees.

6. DIRECTORS' EMOLUMENTS

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 55 to 56 in the Remuneration Report.

| | 2017 £m | 2016 £m |
|------------------------------|------------|------------|
| Directors' emoluments | | |
| Aggregate emoluments | 5.3 | 4.8 |

An amount of £71,498 (2016: £88,933) was paid into money purchase schemes in respect of three directors (2016: two). Included within the amounts above is £1.7m (2016: £1.7m paid in July 2016) payable in July 2017 relating to the 2014-2017 LTIP after certain targets were met over the three year period. As the financial performance in relation to the 2015 and 2016 LTIP is so uncertain at this stage, no value is attributed to any prospective awards under those plans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 *continued*

6. DIRECTORS' EMOLUMENTS *continued*

| | 2017 | 2016 |
|------------------------------------|------|------|
| | £m | £m |
| Key management compensation | | |
| Aggregate emoluments | 9.1 | 8.7 |

Key management for the Group are the Board of Directors and members of the Executive Committee (EXCO) who control and direct the Group's operational activities and resources. Included within the amounts above is £2.7m payable in July 2017 relating to the 2014-2017 LTIP (2016: £2.8m paid in July 2016 in relation to the 2013-2016 LTIP) after certain targets were met over the three year period. As the financial performance in relation to the 2015 and 2016 plans is so uncertain at this stage, no value is attributed above to any prospective awards under those plans.

| | 2017 | 2016 |
|-----------------------------------|------|------|
| | £m | £m |
| Highest paid director | | |
| Aggregate emoluments and benefits | 2.0 | 2.0 |

7. FINANCE COSTS

| | | 2017 | 2016 |
|--|------|-------------|-------------|
| | Note | £m | £m |
| Interest payable on bank loans and overdrafts | | 4.0 | 4.5 |
| Interest payable on bonds | | 36.9 | 36.9 |
| Interest payable on other borrowings | | 30.3 | 30.3 |
| Interest cost on defined benefit pension schemes | 25 | 1.8 | 2.5 |
| Amortisation of issue costs on financing | | 0.5 | - |
| Total finance costs | | 73.5 | 74.2 |

8. RESULT BEFORE TAXATION

| | Note | 2017 | 2016 |
|---|------|-------|--------|
| | | £m | £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 | | 25.9 | 22.7 |
| Release of capital based grants | | (0.4) | (0.6) |
| Depreciation of property, plant and equipment: | | | |
| Owned assets – continuing operations | 12 | 135.2 | 128.3 |
| Amortisation of intangible assets | 13 | 2.5 | 2.5 |
| Profit on disposal of property, plant and equipment and investment properties | | (7.0) | (10.6) |
| Significant items | 3 | 7.1 | 11.3 |
| Gains and losses on sales and valuation of investment properties | 15 | (4.1) | (16.5) |
| Employee benefit costs | 4 | 187.8 | 174.2 |

8. RESULT BEFORE TAXATION *continued*

| | 2017 £m | 2016 £m |
|---|------------|------------|
| Auditor's remuneration: | | |
| Audit of these financial statements | 0.1 | 0.1 |
| Amounts receivable by the Company's Auditor and its associates in respect of: | | |
| Audit of subsidiaries' financial statements | 0.2 | 0.1 |
| Other services relating to taxation | 0.1 | 0.2 |
| Total Auditor's remuneration | 0.4 | 0.4 |

Impairment of property, plant and equipment and restructuring costs have been shown as significant items on the face of the consolidated income statement. Further details of these items are shown in Note 3 Significant items.

A description of the work of the Audit Committee is set out in the Corporate Governance Report and includes an explanation of how Auditor objectivity and independence is safeguarded when non audit services are provided by the Auditor.

9. TAXATION

ANALYSIS OF CHARGE IN THE PERIOD

| | 2017 £m Before significant items | 2017 £m Significant items | 2017 £m After significant items | 2016 £m Before significant items | 2016 £m Significant items | 2016 £m After significant items |
|---|--|------------------------------------|---|--|------------------------------------|---|
| Current taxation | | | | | | |
| UK corporation tax on profits for the year | 41.4 | (1.4) | 40.0 | 35.9 | (0.8) | 35.1 |
| Adjustment in respect of prior year | (5.2) | - | (5.2) | 0.5 | - | 0.5 |
| Total current taxation | 36.2 | (1.4) | 34.8 | 36.4 | (0.8) | 35.6 |
| Deferred taxation | | | | | | |
| Temporary differences arising in the year | (6.4) | - | (6.4) | (4.0) | (0.9) | (4.9) |
| Adjustment in respect of prior year | (4.2) | - | (4.2) | (1.3) | - | (1.3) |
| Effect of change in rate of corporation tax | (14.3) | - | (14.3) | (28.9) | - | (28.9) |
| Total ordinary deferred taxation | (24.9) | - | (24.9) | (34.2) | (0.9) | (35.1) |
| Total taxation charge/(credit) | 11.3 | (1.4) | 9.9 | 2.2 | (1.7) | 0.5 |

TAXATION ON ITEMS CHARGED TO EQUITY

| | 2017 £m | 2016 £m |
|--|------------|------------|
| Deferred taxation on remeasurement of retirement benefit liabilities | (8.4) | 4.2 |
| Effect of change in rate of corporation tax | 0.7 | 0.9 |
| | (7.7) | 5.1 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 **continued**

9. TAXATION **continued**

FACTORS AFFECTING THE TAXATION CHARGE FOR THE YEAR

The total taxation charge for the year ended 31 March 2017 is lower (2016: lower) than the standard rate of corporation taxation in the UK of 20% (2016: 20%). The differences are explained below.

| | 2017 £m Before significant items | 2017 £m Significant items | 2017 £m After significant items | 2016 £m Before significant items | 2016 £m Significant items | 2016 £m After significant items |
|--|--|------------------------------------|---|--|------------------------------------|---|
| Result before taxation | 136.2 | (7.1) | 129.1 | 128.5 | (11.3) | 117.2 |
| Result before taxation multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%) | 27.2 | (1.4) | 25.8 | 25.7 | (2.3) | 23.4 |
| Effect of: Origination and reversal of temporary differences | (1.9) | - | (1.9) | (0.2) | (0.1) | (0.3) |
| Non-taxable items | 9.7 | - | 9.7 | 6.4 | 0.7 | 7.1 |
| Adjustments to prior year taxation charge | (9.4) | - | (9.4) | (0.8) | - | (0.8) |
| Effect of change in rate of corporation tax | (14.3) | - | (14.3) | (28.9) | - | (28.9) |
| Total taxation debit/(credit) | 11.3 | (1.4) | 9.9 | 2.2 | (1.7) | 0.5 |

The Finance Bill 2016 was substantively enacted on 6 September 2016 and included a reduction in the rate of corporation tax to 17% from 1 April 2020. Deferred tax balances at 31 March 2017 have therefore been calculated at 17%, unless they are expected to unwind earlier than 1 April 2020, in which case the deferred tax balances have been calculated at the prevailing rate at the time the unwind is expected.

10. DIVIDENDS

| | 2017 £m | 2016 £m |
|--|-------------|-------------|
| Final dividend for the year ended 31 March 2016 of 24.38 pence (2016: 19.58 pence) per share | 77.2 | 62.0 |
| Interim dividend for the year ended 31 March 2017 of 14.84 pence (2016: 12.19 pence) per share | 47.0 | 38.6 |
| Amounts recognised as distributions to equity holders in the year | 124.2 | 100.6 |
| Dividends not recognised at the end of the reporting period | 93.9 | 77.2 |

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend for the year ended 31 March 2017 of 29.65 pence (2016: 24.38 pence) per share

11. EARNINGS PER SHARE

Earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The Group does not have any dilutive equity instruments in issue, therefore diluted earnings per share is the same as basic earnings per share.

| | 2017 | | | 2016 | | |
|--|----------------|---|------------------------------|----------------|---|------------------------------|
| | Earnings £m | Weighted average number of shares m | Per share amount Pence | Earnings £m | Weighted average number of shares m | Per share amount Pence |
| EPS attributable to ordinary shareholders – before significant items | 124.9 | 316.7 | 39.44 | 126.3 | 316.7 | 39.88 |
| EPS attributable to ordinary shareholders – continuing operations | 119.2 | 316.7 | 37.64 | 116.7 | 316.7 | 36.85 |

12. PROPERTY, PLANT AND EQUIPMENT

| 2017 | 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 2016 | 215.0 | 481.6 | 2,039.2 | 597.5 | 118.9 | 3,452.2 |
| Additions | - | - | - | - | 179.0 | 179.0 |
| Reclassification | - | 0.3 | 42.9 | 53.4 | (96.6) | - |
| Reclassification to investment properties (Note 15) | - | - | - | - | (2.0) | (2.0) |
| Disposals | - | (3.2) | (8.1) | (17.4) | - | (28.7) |
| At 31 March 2017 | 215.0 | 478.7 | 2,074.0 | 633.5 | 199.3 | 3,600.5 |
| Depreciation | | | | | | |
| At 1 April 2016 | 69.8 | 189.8 | 418.0 | 448.9 | - | 1,126.5 |
| Charge for the year | - | 14.9 | 69.1 | 51.2 | - | 135.2 |
| Disposals | - | (3.2) | (1.7) | (17.4) | - | (22.3) |
| At 31 March 2017 | 69.8 | 201.5 | 485.4 | 482.7 | - | 1,239.4 |
| Carrying amount | | | | | | |
| At 31 March 2017 | 145.2 | 277.2 | 1,588.6 | 150.8 | 199.3 | 2,361.1 |
| Carrying amount | | | | | | |
| At 31 March 2016 | 145.2 | 291.8 | 1,621.2 | 148.6 | 118.9 | 2,325.7 |
| 2016 | | | | | | |
| Cost | | | | | | |
| At 1 April 2015 | 219.4 | 451.3 | 2,030.3 | 545.8 | 96.5 | 3,343.3 |
| Additions | - | - | - | - | 125.3 | 125.3 |
| Reclassification | - | 32.2 | 13.6 | 52.0 | (97.8) | - |
| Reclassification to investment properties (Note 15) | (2.2) | - | - | - | (1.9) | (4.1) |
| Disposals | (2.2) | (1.9) | (4.7) | (0.3) | - | (9.1) |
| Transfer to associate | - | - | - | - | (3.2) | (3.2) |
| At 31 March 2016 | 215.0 | 481.6 | 2,039.2 | 597.5 | 118.9 | 3,452.2 |
| Depreciation | | | | | | |
| At 1 April 2015 | 66.3 | 147.5 | 375.4 | 403.8 | - | 993.0 |
| Charge for the year | 3.6 | 41.8 | 39.5 | 43.4 | - | 128.3 |
| Impairment | - | 2.3 | 4.1 | 2.0 | - | 8.4 |
| Disposals | (0.1) | (1.8) | (1.0) | (0.3) | - | (3.2) |
| At 31 March 2016 | 69.8 | 189.8 | 418.0 | 448.9 | - | 1,126.5 |
| Carrying amount | | | | | | |
| At 31 March 2016 | 145.2 | 291.8 | 1,621.2 | 148.6 | 118.9 | 2,325.7 |
| At 31 March 2015 | 153.1 | 303.8 | 1,654.9 | 142.0 | 96.5 | 2,350.3 |

The carrying amount of land not depreciated as at 31 March 2017 is £57.4m (2016: £57.4m).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 continued

12. PROPERTY, PLANT AND EQUIPMENT continued

Impairment

In last year's financial statements, as a result of challenging conditions at Bournemouth Airport, particularly the withdrawal of Flybe with effect from April 2016, and the loss of the Royal Mail cargo contract during the second half of that year, the Group revised its expectations about future activity levels.

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

Key assumptions for the value-in-use calculation were 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 estimated based on past experience and available information at the time.

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

13. INTANGIBLE ASSETS

| | Goodwill £m | Other intangible assets £m | Total £m |
|-------------------------|----------------|-------------------------------|--------------|
| Cost | | | |
| At 1 April 2016 | 166.3 | 50.5 | 216.8 |
| Additions | - | - | - |
| At 31 March 2017 | 166.3 | 50.5 | 216.8 |
| Amortisation | | | |
| At 1 April 2016 | - | 3.5 | 3.5 |
| Charge for the year | - | 2.5 | 2.5 |
| At 31 March 2017 | - | 6.0 | 6.0 |
| Carrying amount | | | |
| At 31 March 2017 | 166.3 | 44.5 | 210.8 |
| At 31 March 2016 | 166.3 | 47.0 | 213.3 |

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.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board covering five years. The Group used detailed longer term forecasts to review a period for a further twenty five years. A terminal value is calculated beyond that point. The discount rates used in the cash flow forecasts have been estimated based on pre-tax rates that reflect the Group's current market assessment of the time value of money and the risks specific to the cash generating unit. In determining the discount rates, the Group has sought to arrive at a 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 0.79 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 6.5% (2016: 6.4%). The long term growth rate used in calculating the terminal value was 2.5%.

13. INTANGIBLE ASSETS *continued*

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 the airport 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.

14. INVESTMENT IN ASSOCIATE

2017

| | £m |
|-------------------------------------|-------------|
| Cost and carrying value | |
| At 1 April 2016 | 13.1 |
| Investment in associate | 1.8 |
| Group's share of associate's result | 0.1 |
| At 31 March 2017 | 15.0 |

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

Included within the investment in associate balance is an amount of £3.3m (2016 : £3.5m) relating to MAG's own costs incurred in the setting up of its share in Airport City. This will be released to the consolidated income statement on a proportional basis on the sale of plots within the Airport City development.

Airport City, a partnership with three other partners to develop part of the land around Manchester Airport for hotels, offices and logistics and advanced manufacturing, was formally constituted on 8 October 2014. The directors have applied IFRS 10 'Consolidated Financial Statements' and IAS 28 Revised 'Investment in Associates' in classifying the Group's 50% share in Airport City as an Associate, determining that MAG has significant influence over Airport City by virtue of its shareholding, but not control given that all key matters require a super-majority of more than 79.9%, such that MAG plus all but one other party must be in agreement to exercise control.

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

| | 2017 £m | 2016 £m |
|---|-------------|--------------|
| Current assets | 32.8 | 27.5 |
| Current liabilities | (9.4) | (8.5) |
| Net assets | 23.4 | 19.0 |
| Group's share of associate's net assets | 11.7 | 9.5 |
| Revenue | 12.2 | - |
| Result for the year | 0.1 | (1.4) |
| Group's share of associate's result for the year | 0.1 | (0.7) |

As part of its investment in Airport City, the Group has agreed to pay an equity contribution up to a maximum of £30m if required.

Airport City has no significant contingent liabilities to which the Group is exposed, and there are no restrictions that would prevent the transfer of funds to the Group (2016: none).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 *continued*

15. INVESTMENT PROPERTIES

| 2017 | Investment properties £m |
|--|-------------------------------------|
| Valuation | |
| At 1 April 2016 | 641.3 |
| Reclassification from assets in the course of construction (Note 12) | 2.0 |
| Disposals | (45.4) |
| Revaluation | 5.4 |
| At 31 March 2017 | 603.3 |
| Carrying amount | |
| At 31 March 2017 | 603.3 |
| At 31 March 2016 | 641.3 |
| 2016 | Investment properties £m |
| Valuation | |
| At 1 April 2015 | 622.9 |
| Reclassification from assets in the course of construction (Note 12) | 1.9 |
| Reclassification from operational assets (Note 12) | 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 |

Investment properties

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

Under IAS 40 a fair value method has been adopted to revalue Investment Properties that become occupied by the Group and are transferred to property, plant and equipment.

The rental income earned by the Group from its investment property amounted to £37.2m (2016: £37.2m). Direct operating expenses arising on the investment property in the year amounted to £4.6m (2016: £3.7m), which includes £0.6m (2016: £0.6m) of operating costs where no income was derived.

Gains and losses on sales and valuation of investment properties reported in the consolidated income statement of £4.1m in the year (2016: £16.5m) comprise £5.4m of valuation gains (2016: gains of £16.5m), and losses on sale of £1.3m (2016: £nil).

16. INVENTORIES

| | 2017 £m | 2016 £m |
|-------------|------------|------------|
| Consumables | 2.1 | 2.1 |
| | 2.1 | 2.1 |

17. TRADE AND OTHER RECEIVABLES

| | 2017 | 2016 |
|-----------------------------------|-------------|-------------|
| | £m | £m |
| Trade receivables | 50.8 | 41.4 |
| Other receivables | 0.2 | 1.0 |
| Prepayments and accrued income | 44.8 | 28.0 |
| Amounts receivable from associate | 0.5 | 5.3 |
| | 96.3 | 75.7 |

The average credit period taken on sales is 19 days (2016: 16 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £2.7m (2016: £2.5m). 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:

| | 2017 | 2016 |
|-----------------------|------------|------------|
| | £m | £m |
| Debt due over 90 days | 2.7 | 2.5 |
| Total | 2.7 | 2.5 |

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

| | £m |
|--|------------|
| Balance at 1 April 2016 | 2.5 |
| Increase in allowance for impaired receivables | 0.3 |
| Provision utilised | (0.1) |
| Balance at 31 March 2017 | 2.7 |

The creation and release of provisions for impaired receivables have been included in 'operating expenses' in the consolidated 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:

| | 2017 | 2016 |
|-------------------|------------|------------|
| | £m | £m |
| Less than 60 days | - | - |
| 60 to 90 days | - | - |
| Over 90 days | 2.7 | 2.5 |
| Total | 2.7 | 2.5 |

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 23.

18. CASH AND CASH EQUIVALENTS

| | 2017 | 2016 |
|--------------------------|-------------|------------|
| | £m | £m |
| Cash at bank and in hand | 16.7 | 0.3 |
| | 16.7 | 0.3 |

The directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 **continued**

19. BORROWINGS

| | Note | 2017 £m | 2016 £m |
|--|------|----------------|----------------|
| Bank loans | 20 | 134.1 | 89.4 |
| Bonds | 21 | 803.0 | 802.4 |
| Other borrowings | 22 | 251.5 | 251.5 |
| | | 1,188.6 | 1,143.3 |
| Borrowings are repayable as follows: | | | |
| In one year or less, or on demand | | | |
| Bank loans | 20 | 134.1 | - |
| | | 134.1 | - |
| In more than one year, but no more than two years | | | |
| Bank loans | | - | 89.4 |
| | | - | 89.4 |
| In more than two years, but no more than five years | | | |
| Bank loans | | - | - |
| In more than five years – due other than by instalments | | | |
| Bonds | 21 | 803.0 | 802.4 |
| Other borrowings | 22 | 251.5 | 251.5 |
| | | 1,054.5 | 1,053.9 |
| Non current borrowings | | 1,054.5 | 1,143.3 |
| Total borrowings | | 1,188.6 | 1,143.3 |

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

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

During the period the Group completed the refinancing of its revolving credit and liquidity facilities, comprising the £500.0m ACF Agreement and the £60.0m LF Agreement, each with a five year term, maturing in 2021, with optional extensions. In June 2017 the Group extended the new facilities for a further year, resulting in a revised maturity date of June 2022. The £90.0m balance on the Secured Senior Term Facility (forming part of the Initial ACF Agreement) was repaid from this new facility. The ACF Agreement and LF Agreement were both extended in June 2017, resulting in a revised maturity of June 2022.

The ACF Agreement comprises a £500.0m Senior Secured Revolving Credit Facility (2016: £300.0m).

The LF Agreement has total facilities of £60.0m and is sized to cover 12 months' interest on secured debt. The LF Agreement is a 364-day revolving facility with a five year term on each annual renewal.

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

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

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

20. BANK LOANS

| | 2017 £m | 2016 £m |
|---|--------------|-------------|
| Secured Senior Term Facility | - | 90.0 |
| Secured Revolving Credit Facility | 137.0 | - |
| Less: unamortised debt issue costs ¹ | (2.9) | (0.6) |
| | 134.1 | 89.4 |

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 2017 the Group had £348.0m (2016: £285.0m) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £500.0m Senior Secured Revolving Credit Facility (£137.0m drawn at 31 March 2017), less certain carve-outs in respect of ancillary facilities of £15.0m. The Group also had access to £10.0m of overdraft facilities.

Interest on the overdraft, ACF and LF is linked to LIBOR plus a margin (dependent on facility).

See Note 19 for further information on financial liabilities, including maturity analysis.

21. BONDS

| | 2017 £m | 2016 £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 | (1.9) | (2.0) |
| Less: unamortised debt issue costs | (5.1) | (5.6) |
| | 803.0 | 802.4 |

See Note 19 for further information on financial liabilities, including maturity analysis.

22. OTHER BORROWINGS

| | 2017 £m | 2016 £m |
|-------------------------------------|--------------|--------------|
| Repayable other than by instalments | | |
| Shareholders' loans | 251.9 | 251.9 |
| Less: unamortised debt issue costs | (0.4) | (0.4) |
| | 251.5 | 251.5 |

The Shareholders' loans bear interest at 12% and expire on 9 February 2055. The loans are unsecured.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 **continued**

23. 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 by determining the optimum profile and mix of funding between fixed and floating rates that is most appropriate to the Group's cash flows, 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 2017, MAG had £1,546.9m (2016: £1,436.9m) of committed facilities (excluding the Amended and Restated LF Agreement) and a net debt position of £1,171.9m (2016: £1,143.0m). MAG had financial headroom of £374.7m (2016: £295.3m) 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 MAG is forecast to have financial headroom in excess of the minimum Treasury Policy target of £100.0m throughout 2018.

Financial liabilities

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2017 was as follows:

| | 2017 £m | 2016 £m |
|-------------------------------------|----------------|----------------|
| Fixed rate financial liabilities | 1,054.5 | 1,053.9 |
| Floating rate financial liabilities | 134.1 | 89.4 |
| | 1,188.6 | 1,143.3 |

The Term Facility bore an interest rate based on LIBOR (either 3 month or 6 month) plus a credit margin. The overdrafts bear interest at Bank of England Base Rate plus a credit margin. The Revolving Credit Facility bears interest based on LIBOR plus a credit margin (where LIBOR can vary, at the Group's discretion, between 1 week and 12 months).

Foreign exchange risk

The Group is not materially exposed to foreign exchange risk as all material transactions and financial instruments are in pounds sterling. As the Group looks to grow operations in the USA in the future, where the income and expenditure do not naturally offset, it may consider the use of currency hedges to manage any exposure to foreign exchange risk.

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 for 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 non-performance 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 17 Trade and Other Receivables.

23. FINANCIAL INSTRUMENTS *continued*

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

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

| | 2017 £m | 2016 £m |
|----------------------------|------------|------------|
| Impact on income statement | (1.2) | (1.0) |
| Impact on equity | - | - |
| | (1.2) | (1.0) |

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

| | 2017 | 2016 |
|--|---------|---------|
| Weighted average annual interest rate | 6.26% | 6.26% |
| Weighted average period for which interest rate is fixed | 18yr 6m | 19yr 6m |

The weighted average period for non-interest bearing liabilities as at 31 March 2017 was 1 year (2016: 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 2017 to the contract maturity date.

| | 2017 £m | 2016 £m |
|---|------------|------------|
| In one year or less, or on demand | 203.8 | 69.0 |
| In more than one year but not more than two years | 66.5 | 159.6 |
| In more than two years but not more than five years | 199.4 | 199.4 |
| In more than five years | 2,345.6 | 2,412.1 |
| | 2,815.3 | 2,840.1 |

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 2017, the Group had an undrawn committed borrowing facility available amounting to £348.0m (2016: £285.0m).

| | 2017 Floating rate £m | 2016 Floating rate £m |
|---------------------------------|-----------------------------|-----------------------------|
| Expiring in less than one year | - | - |
| Expiring in one to two years | - | 285.0 |
| Expiring in more than two years | 348.0 | - |
| | 348.0 | 285.0 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 continued

23. 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 2017 and 2016. 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 | 2017 Carrying amount £m | 2017 Fair value £m | 2016 Carrying amount £m | 2016 Fair value £m |
|---|------|----------------------------------|--------------------------|----------------------------------|--------------------------|
| Financial liabilities: | | | | | |
| Instruments held at amortised cost | | | | | |
| Bank loans and overdrafts | 20 | (134.1) | (134.1) | (89.4) | (89.4) |
| Trade payables | 24 | (42.0) | (42.0) | (30.0) | (30.0) |
| Bonds | 21 | (803.0) | (995.7) | (802.4) | (922.8) |
| Other borrowings | 22 | (251.5) | (374.4) | (251.5) | (341.3) |
| | | (1,230.6) | (1,546.2) | (1,173.3) | (1,383.5) |
| Financial assets: | | | | | |
| Instruments held at amortised cost | | | | | |
| Cash at bank and in hand | 18 | 16.7 | 16.7 | 0.3 | 0.3 |
| Trade receivables | 17 | 50.8 | 50.8 | 41.4 | 41.4 |
| Other assets held at fair value | | | | | |
| Investment properties | 15 | 603.3 | 603.3 | 641.3 | 641.3 |
| | | 670.8 | 670.8 | 683.0 | 683.0 |
| Net financial liabilities | | (559.8) | (875.4) | (490.3) | (700.5) |

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.

Investment properties carried at fair value have been measured by a level 3 valuation method.

23. 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 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. |
| Investment properties | The fair values of investment properties are based on an income capitalisation methodology. |

(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 2017 £m | Carrying amount 2016 £m |
|--------------------------|-------------------------------|-------------------------------|
| Trade receivables | 50.8 | 41.4 |
| Cash at bank and in hand | 16.7 | 0.3 |
| Credit exposure | 67.5 | 41.7 |

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in Note 17.

24. TRADE AND OTHER PAYABLES

| | 2017 £m | 2016 £m |
|------------------------------------|------------|------------|
| Trade payables | 42.0 | 30.0 |
| Other taxation and social security | 5.2 | 10.8 |
| Other payables | 8.3 | 5.1 |
| Accruals | 140.1 | 144.6 |
| Amount owing to associate | 0.1 | 0.4 |
| Capital-based grants | 0.4 | 0.6 |
| | 196.1 | 191.5 |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 **continued**

25. 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 income of £3.5m (2016: £3.3m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2017, there was £nil (2016: £nil) of contributions due in respect of the current reporting period that had not been paid over to the schemes.

Defined benefit schemes

The Group operates 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 from 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 of each scheme.

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2017 amounted to £9.6m (2016: £10.5m) and there were no one-off contributions during this period (2016: £nil).

Total employees' pension contributions for defined benefit schemes across the Group during the year ended 31 March 2017 amounted to £2.6m (2016: £2.8m) and there were no one-off contributions during this period (2016: £nil).

Actuarial gains or losses are recognised immediately in the statement of comprehensive income, included within 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 £5.2m (2016: £5.4m) 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 2016 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 2016 was £17,325m (previous valuation in 2013: £12,590m). The funding level of the scheme as measured using the actuarial method of valuation was 93% (previous valuation in 2013: 91%).

The principal assumptions used in the 2016 valuation were as follows:

| | |
|-----------------------------------|-----------------|
| Salary increase | 2.90% per annum |
| Pensions increase/Price inflation | 2.10% per annum |

The costs of providing pensions are charged to the income statement on a consistent basis over a term agreed between the 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 was set up 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

The aggregate market value of the assets in the EMIA scheme at the date of that actuarial valuation was £48.4m, which represented approximately

25. RETIREMENT BENEFITS *continued*

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 its 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 | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Rate of increase in salaries | 3.35% | 3.05% | 3.35% | 3.05% | 2.00% | 2.00% | N/A | N/A |
| Rate of increase of pensions in payment | 2.35% | 2.05% | 2.35% | 2.05% | 2.35% | 2.05% | 2.35% | 2.05% |
| Discount rate | 2.65% | 3.60% | 2.70% | 3.70% | 2.65% | 3.65% | 2.60% | 3.55% |
| Inflation assumption | 2.35% | 2.05% | 2.35% | 2.05% | 2.35% | 2.05% | 2.35% | 2.05% |
| Life expectancy from 65 | | | | | | | | |
| Longevity at age 65 for current pensioners | | | | | | | | |
| Males | 20.9 years | 20.9 years | 23.1 years | 24.5 years | 23.4 years | 23.7 years | 21.1 years | 21.3 years |
| Females | 23.3 years | 23.4 years | 25.7 years | 27.6 years | 25.5 years | 26.0 years | 23.3 years | 26.6 years |
| Longevity at age 45 for current members | | | | | | | | |
| Males | 22.3 years | 22.8 years | 24.1 years | 25.8 years | 24.5 years | 25.1 years | 22.2 years | 22.6 years |
| Females | 24.7 years | 25.7 years | 26.9 years | 29.2 years | 26.6 years | 27.5 years | 24.5 years | 25.1 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. |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 continued

25. RETIREMENT BENEFITS continued

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

| | Fair value of scheme assets £m | Present value of defined benefit obligation £m | (Deficit)/Surplus in the scheme £m |
|--------------------------|--------------------------------------|--|--|
| GMPP¹ | | | |
| 2017 | 435.2 | (489.4) | (54.2) |
| 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) |
| MAG (STAL) | | | |
| 2017 | 161.4 | (189.2) | (27.8) |
| 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 | | | |
| 2017 | 59.9 | (82.5) | (22.6) |
| 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) |
| AVPS² | | | |
| 2017 | 4.0 | (4.0) | - |
| 2016 | 3.5 | (3.5) | - |
| 2015 | 3.6 | (3.6) | - |
| 2014 | 3.1 | (3.1) | - |
| 2013 | 3.5 | (3.5) | - |
| Total² | | | |
| 2017 | 660.5 | (765.1) | (104.6) |
| 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) |

NOTES:

1 The figures as shown represent the proportion of the scheme that is attributable to the Group. £6.6m (2016: £6.1m) of the liabilities are unfunded.

2 The AVPS has a surplus of £0.9m (2016: £0.9m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

25. RETIREMENT BENEFITS *continued*

Plan Assets

| | GMPF (1) | | MAG (STAL) (2) | | EMIA (3) | | AVPS (4) | | Total | |
|----------------------------------|----------|-------|----------------|-------|----------|------|----------|------|-------|-------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Equities and other growth assets | 316.6 | 266.1 | 121.6 | 97.4 | 35.6 | 31.7 | 0.6 | 0.6 | 474.4 | 395.8 |
| Corporate bonds | 39.6 | 31.0 | 39.3 | 33.6 | 15.3 | 13.5 | 2.9 | 2.8 | 97.1 | 80.9 |
| Government bonds | 28.8 | 28.8 | - | - | - | - | - | - | 28.8 | 28.8 |
| Index linked gilts | - | - | - | - | - | - | - | - | - | - |
| Property | 24.8 | 21.6 | - | - | 6.1 | 5.3 | - | - | 30.9 | 26.9 |
| Other | 25.4 | 15.6 | 0.5 | 0.8 | 2.9 | 2.4 | 0.5 | 0.1 | 29.3 | 18.9 |
| Fair value of assets | 435.2 | 363.1 | 161.4 | 131.8 | 59.9 | 52.9 | 4.0 | 3.5 | 660.5 | 551.3 |

Movement in net defined benefit liability – ALL schemes

| | Defined benefit obligation | | Fair value of scheme assets | | Net defined benefit liability | |
|---|----------------------------|---------|-----------------------------|--------|-------------------------------|--------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | £m | £m | £m | £m | £m | £m |
| Opening position as at 1 April * | (603.3) | (639.3) | 551.3 | 566.7 | (52.0) | (72.6) |
| Included in the income statement | | | | | | |
| Current service cost of defined benefit scheme | (8.9) | (9.5) | (1.2) | (0.9) | (10.1) | (10.4) |
| Past service cost | - | (0.1) | - | - | - | (0.1) |
| Interest (cost)/income | (21.6) | (21.1) | 19.8 | 18.6 | (1.8) | (2.5) |
| | (30.5) | (30.7) | 18.6 | 17.7 | (11.9) | (13.0) |
| Amount recognised in the statement of comprehensive income (SOCl) | | | | | | |
| Actual return less expected return on pension scheme assets | - | - | 99.2 | (25.3) | 99.2 | (25.3) |
| Experience (loss)/gain arising on scheme liabilities | (4.9) | 5.9 | - | - | (4.9) | 5.9 |
| Remeasurement (loss)/gain due to financial assumption changes | (176.6) | 38.6 | - | - | (176.6) | 38.6 |
| Remeasurement gain due to demographic assumption changes | 32.9 | 3.9 | - | - | 32.9 | 3.9 |
| | (148.6) | 48.4 | 99.2 | (25.3) | (49.4) | 23.1 |
| Cash flows | | | | | | |
| Contributions | (2.6) | (2.8) | 12.2 | 13.3 | 9.6 | 10.5 |
| Benefits paid | 20.8 | 21.1 | (20.8) | (21.1) | - | - |
| | (0.9) | (0.9) | - | - | (0.9) | (0.9) |
| Closing position as at 31 March | (765.1) | (604.2) | 660.5 | 551.3 | (104.6) | (52.9) |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 continued

25. RETIREMENT BENEFITS continued

Movement in net defined benefit liability – GMPF scheme

| | Defined benefit obligation | | Fair value of scheme assets | | Net defined benefit liability | |
|---|----------------------------|----------------|-----------------------------|--------------|-------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | £m | £m | £m | £m | £m | £m |
| Opening position as at 1 April | (402.6) | (432.5) | 363.1 | 377.7 | (39.5) | (54.8) |
| Included in the income statement | | | | | | |
| Current service cost of defined benefit scheme | (3.3) | (3.5) | - | - | (3.3) | (3.5) |
| Past service cost | - | (0.1) | - | - | - | (0.1) |
| Interest (cost)/income | (14.2) | (14.0) | 12.9 | 12.2 | (1.3) | (1.8) |
| | (17.5) | (17.6) | 12.9 | 12.2 | (4.6) | (5.4) |
| Amount recognised in the statement of comprehensive income (SOC) | | | | | | |
| Actual return less expected return on pension scheme assets | - | - | 70.6 | (15.8) | 70.6 | (15.8) |
| Experience (loss)/gain arising on scheme liabilities | (4.2) | 5.6 | - | - | (4.2) | 5.6 |
| Remeasurement (loss)/gain due to financial assumption changes | (95.0) | 22.9 | - | - | (95.0) | 22.9 |
| Remeasurement gain due to demographic assumption changes | 13.3 | 2.6 | - | - | 13.3 | 2.6 |
| | (85.9) | 31.1 | 70.6 | (15.8) | (15.3) | 15.3 |
| Cash flows | | | | | | |
| Contributions | (1.2) | (1.2) | 6.4 | 6.6 | 5.2 | 5.4 |
| Benefits paid | 17.8 | 17.6 | (17.8) | (17.6) | - | - |
| Closing position as at 31 March | (489.4) | (402.6) | 435.2 | 363.1 | (54.2) | (39.5) |

The scheme liabilities have a duration of approximately 18 years.

25. RETIREMENT BENEFITS *continued*

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

| | Defined benefit obligation | | Fair value of scheme assets | | Net defined benefit liability | |
|---|----------------------------|----------------|-----------------------------|--------------|-------------------------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | £m | £m | £m | £m | £m | £m |
| Opening position as at 1 April | (133.4) | (134.9) | 131.8 | 130.3 | (1.6) | (4.6) |
| Included in the income statement | | | | | | |
| Current service cost of defined benefit scheme | (4.8) | (5.1) | (0.8) | (0.5) | (5.6) | (5.6) |
| Past service cost | - | - | - | - | - | - |
| Interest (cost)/income | (5.0) | (4.7) | 4.9 | 4.5 | (0.1) | (0.2) |
| | (9.8) | (9.8) | 4.1 | 4.0 | (5.7) | (5.8) |
| Amount recognised in the statement of comprehensive income (SOC) | | | | | | - |
| Actual return less expected return on pension scheme assets | - | - | 22.6 | (6.3) | 22.6 | (6.3) |
| Experience (loss)/gain arising on scheme liabilities | (1.1) | - | - | - | (1.1) | - |
| Remeasurement (loss)/gain due to financial assumption changes | (60.9) | 10.5 | - | - | (60.9) | 10.5 |
| Remeasurement gain due to demographic assumption changes | 15.7 | 0.8 | - | - | 15.7 | 0.8 |
| | (46.3) | 11.3 | 22.6 | (6.3) | (23.7) | 5.0 |
| Cash flows | | | | | | |
| Contributions | (1.1) | (1.2) | 4.3 | 5.0 | 3.2 | 3.8 |
| Benefits paid | 1.4 | 1.2 | (1.4) | (1.2) | - | - |
| Closing position as at 31 March | (189.2) | (133.4) | 161.4 | 131.8 | (27.8) | (1.6) |

The scheme liabilities have a duration of approximately 25 years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 continued

25. RETIREMENT BENEFITS continued

Movement in net defined benefit liability – EMIA scheme

| | Defined benefit obligation | | Fair value of scheme assets | | Net defined benefit liability | |
|--|----------------------------|---------------|-----------------------------|-------------|-------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | £m | £m | £m | £m | £m | £m |
| Opening position as at 1 April | (64.7) | (69.1) | 52.9 | 55.1 | (11.8) | (14.0) |
| Included in the income statement | | | | | | |
| Current service cost of defined benefit scheme | (0.8) | (0.9) | (0.4) | (0.4) | (1.2) | (1.3) |
| Past service cost | - | - | - | - | - | - |
| Interest (cost)/income | (2.3) | (2.3) | 1.9 | 1.8 | (0.4) | (0.5) |
| | (3.1) | (3.2) | 1.5 | 1.4 | (1.6) | (1.8) |
| Amount recognised in the statement of comprehensive income (SOCl) | | | | | | |
| Actual return less expected return on pension scheme assets | - | - | 5.5 | (3.1) | 5.5 | (3.1) |
| Experience gain arising on scheme liabilities | 0.4 | 0.3 | - | - | 0.4 | 0.3 |
| Remeasurement (loss)/gain due to financial assumption changes | (20.1) | 5.0 | - | - | (20.1) | 5.0 |
| Remeasurement gain due to demographic assumption changes | 3.8 | 0.5 | - | - | 3.8 | 0.5 |
| | (15.9) | 5.8 | 5.5 | (3.1) | (10.4) | 2.7 |
| Cash flows | | | | | | |
| Contributions | (0.3) | (0.4) | 1.5 | 1.7 | 1.2 | 1.3 |
| Benefits paid | 1.5 | 2.2 | (1.5) | (2.2) | - | - |
| Closing position as at 31 March | (82.5) | (64.7) | 59.9 | 52.9 | (22.6) | (11.8) |

The scheme liabilities have a duration of approximately 20 years.

25. RETIREMENT BENEFITS *continued*

Movement in net defined benefit asset – AVPS scheme

| | Defined benefit obligation | | Fair value of scheme assets | | Net defined benefit asset | |
|---|----------------------------|--------------|-----------------------------|------------|---------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | £m | £m | £m | £m | £m | £m |
| Opening position as at 1 April | (2.6) | (2.8) | 3.5 | 3.6 | 0.9 | 0.8 |
| Included in the income statement | | | | | | |
| Current service cost of defined benefit scheme | - | - | - | - | - | - |
| 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 (SOI) | | | | | | |
| Actual return less expected return on pension scheme assets | - | - | 0.5 | (0.1) | 0.5 | (0.1) |
| Experience gain/(loss) arising on scheme liabilities | - | - | - | - | - | - |
| Remeasurement (loss)/gain due to financial assumption changes | (0.6) | 0.2 | - | - | (0.6) | 0.2 |
| Remeasurement gain due to demographic assumption changes | 0.1 | - | - | - | 0.1 | - |
| | (0.5) | 0.2 | 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 | (3.1) | (2.6) | 4.0 | 3.5 | 0.9 | 0.9 |

The AVPS has a surplus of £0.9m (2016: £0.9m). 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 2017 **continued**

25. RETIREMENT BENEFITS **continued**

History of experience gains and losses

| | GMPF | | MAG (STAL) | | EMIA | | AVPS | | Total | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2017 £m | 2016 £m | 2017 £m | 2016 £m | 2017 £m | 2016 £m | 2017 £m | 2016 £m | 2017 £m | 2016 £m |
| Difference between actual and expected returns on assets amount | 70.6 | (15.8) | 22.6 | (6.3) | 5.5 | (3.1) | 0.5 | (0.1) | 99.2 | (25.3) |
| % of scheme assets | 16.2% | (4.4%) | 14.0% | (4.8%) | 9.2% | (5.9%) | 12.5% | (2.9%) | 15.0% | (4.6%) |
| Experience (loss)/gain on liabilities amount | (4.2) | 5.6 | (1.1) | - | 0.4 | 0.3 | - | - | (4.9) | 5.9 |
| % of scheme liabilities | (0.9%) | 1.4% | (0.6%) | - | 0.5% | 0.5% | - | - | (0.6%) | 1.0% |
| Total amount recognised in SOCI | (15.3) | 15.3 | (23.7) | 5.0 | (10.4) | 2.7 | - | 0.1 | (49.4) | 23.1 |
| % of scheme liabilities | (3.1%) | 3.8% | (12.5%) | (3.7%) | (12.6%) | 4.2% | - | 3.8% | (6.5%) | 3.8% |

The estimated amount of contributions expected to be paid to the schemes during the financial year to 31 March 2018 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 |
|---|------------|------------|------------|------------|------------|
| | 2017 £m | 2017 £m | 2017 £m | 2017 £m | 2017 £m |
| 0.5% increase in real discount rate | (39.7) | (24.2) | (8.5) | (0.3) | (72.7) |
| 0.5% decrease in real discount rate | 44.9 | 28.8 | 9.9 | 0.4 | 84.0 |
| 0.5% increase in rate of RPI inflation | 41.4 | 25.0 | 6.0 | 0.4 | 72.8 |
| 0.5% decrease in rate of RPI inflation | (37.2) | (23.0) | (6.0) | (0.3) | (66.5) |
| 0.5% increase in the salary increase rate | 7.4 | 10.0 | - | - | 17.4 |
| 0.5% decrease in the salary increase rate | (7.0) | (9.4) | - | - | (16.4) |
| 1 yr increase in life expectancy | 13.6 | 6.2 | 2.4 | 0.1 | 22.3 |
| 1 yr decrease in life expectancy | (13.6) | (6.2) | (2.4) | (0.1) | (22.3) |

26. DEFERRED TAXATION

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

| | 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 2016 | 120.9 | 95.1 | (10.4) | 43.4 | 1.0 | 250.0 |
| (Credit)/charge to income | (9.1) | (9.8) | 0.5 | (4.5) | (1.7) | (24.6) |
| (Credit) to equity | - | - | (7.9) | (0.3) | - | (8.2) |
| At 31 March 2017 | 111.8 | 85.3 | (17.8) | 38.6 | (0.7) | 217.2 |
| 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 |

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:

| | 2017 £m | 2016 £m |
|--------------------------|----------------|----------------|
| Deferred tax liabilities | (235.7) | (260.4) |
| Deferred tax assets | 18.5 | 10.4 |
| | (217.2) | (250.0) |

27. OTHER NON-CURRENT LIABILITIES

| | 2017 £m | 2016 £m |
|------------------------------|-------------|-------------|
| Accruals and deferred income | 4.7 | 5.1 |
| Capital-based grants | 7.5 | 7.8 |
| | 12.2 | 12.9 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 **continued**

28. SHARE CAPITAL AND SHARE PREMIUM

| | Number of shares | Ordinary shares of £1 each | | Total £m |
|----------------------------------|------------------|----------------------------|---------------------|-------------|
| | | Share capital £m | Share premium £m | |
| Issued, called up and fully paid | | | | |
| At 31 March 2016 | 316.7 | 316.7 | 687.2 | 1,003.9 |
| At 31 March 2017 | 316.7 | 316.7 | 687.2 | 1,003.9 |

29. RESERVES

| | Retained earnings £m |
|---|-------------------------|
| At 1 April 2016 | 584.8 |
| Remeasurement of retirement benefit liabilities | (49.4) |
| Deferred tax on remeasurement of retirement benefit liabilities | 8.4 |
| Effect of change in rate of corporation tax on deferred tax | (0.7) |
| Result for the year | 119.2 |
| Dividends paid in the year | (124.2) |
| At 31 March 2017 | 538.1 |

| | 2017 £m | 2016 £m |
|--|------------|------------|
| Reconciliation of movements in shareholders' funds: | | |
| Opening shareholders' funds | 1,588.7 | 1,554.6 |
| Total recognised income for the year | 77.5 | 134.7 |
| Dividends paid in the year | (124.2) | (100.6) |
| Equity shareholders' funds as at 31 March | 1,542.0 | 1,588.7 |

30. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

| | 2017 £m | 2016 £m |
|--|------------|------------|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | 27.8 | 30.3 |

A contingent liability exists under Part 1 of the Land Compensation Act 1973 relating to claims that may be made, and have already been made, by individual property owners in respect of alleged diminution in the value of their homes as a result of development works carried out at London Stansted Airport in the 1997-2007 period. Any claims made will raise complex matters of expert evidence in relation to historic noise levels and property values in the immediate vicinity of the airport and, accordingly, both the existence of any liability for the Group and, were such liability to be demonstrated, the extent of it, remain uncertain. In any event, it is the directors' opinion, based on professional advice to date, that any liability incurred will not be material to the Group.

In addition the Group has performance bonds and other items arising in the normal course of business amounting to £2.4m at 31 March 2017 (2016: £2.6m). As part its investment in Airport City the Group has agreed to pay an equity contribution up to a maximum of £30m if required.

31. OPERATING LEASE ARRANGEMENTS

At 31 March 2017 the Group had commitments under non-cancellable operating leases which expire as follows:

| | 2017 | 2017 | 2016 | 2016 |
|--|------|-------|------|-------|
| | Land | Other | Land | Other |
| | £m | £m | £m | £m |
| Expiring within one year | 3.0 | 8.2 | 2.8 | 7.8 |
| Expiring in more than one year but within five years | 10.6 | 35.6 | 10.9 | 28.6 |
| Expiring in over five years | 56.5 | 220.2 | 57.0 | 216.3 |
| | 70.1 | 264.0 | 70.7 | 252.7 |

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 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 on 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 £11.0m (2016: £10.4m). 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 £8.1m (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 £10.6m (2016: £10.2m). The lease expires in 2083.

32. RELATED PARTY TRANSACTIONS

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

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

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

As at 31 March 2017 the amount of loans outstanding owed to MCC by the Group was £83.2m (2016: £83.2m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2016: £nil) to MCC during the year and paid interest of £10.0m (2016: £10.0m).

As at 31 March 2017 the amount of loans outstanding owed to the other nine councils (each of which is a related party to Manchester Airports Holdings Limited by virtue of its shareholding) by the Group was £79.4m (2016: £79.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2016: £nil) to the other nine councils during the year and paid interest of £9.5m (2016: £9.5m).

Included in external charges are charges for rent and rates amounting to £30.1m (2016: £26.7m) and other sundry charges of £0.4m (2016: £0.4m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

Transactions involving IFM

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

As at 31 March 2017 the amount of loans outstanding owed to IFM by the Group was £89.4m (2016: £89.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2016: £nil) to IFM during the year and paid interest of £10.7m (2016: £10.7m).

Transactions involving associate

As at 31 March 2017 the amounts owing were £0.1m (2016: £0.4m) and amounts owed were £0.5m (2016: £5.3m). No assets (2016: £3.2m) were transferred to the associate from the Group during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 continued

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

| | 2016 | Cash flow | Other non-cash movements | 2017 |
|--|-----------|-----------|-----------------------------|-----------|
| | £m | £m | £m | £m |
| Cash at bank and in hand | 0.3 | 16.4 | - | 16.7 |
| Cash on short term deposit | - | - | - | - |
| Cash and cash equivalents disclosed on the statement of financial position | 0.3 | 16.4 | - | 16.7 |
| Overdrafts | - | - | - | - |
| Total cash and cash equivalents (including overdrafts) | 0.3 | 16.4 | - | 16.7 |
| Current debt | - | (134.1) | - | (134.1) |
| Non-current debt | (1,143.3) | 90.0 | (1.2) | (1,054.5) |
| Net debt | (1,143.0) | (27.7) | (1.2) | (1,171.9) |

Company Financial Statements

ACCOUNTING POLICIES

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

- statement of cash flows and related notes;
- key management personnel compensation; and
- related parties
- reconciliation of the number of shares outstanding from the beginning to the end of the period

Furthermore, as the consolidated financial statements of Manchester Airports Holdings Limited 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.

Amounts owed to subsidiary undertakings

Intercompany 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 2017

| | Note | 2017 £m | 2016 £m |
|--|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investments | 3 | 2,253.1 | 2,253.1 |
| | | 2,253.1 | 2,253.1 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 4 | (386.2) | (256.3) |
| NET CURRENT LIABILITIES | | (386.2) | (256.3) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,866.9 | 1,996.8 |
| NET ASSETS | | 1,866.9 | 1,996.8 |
| Shareholders' equity | | | |
| Share capital | 5 | 316.6 | 316.6 |
| Share premium | | 687.2 | 687.2 |
| Retained earnings | | 863.1 | 993.0 |
| TOTAL EQUITY | | 1,866.9 | 1,996.8 |

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

The financial statements on pages 101 to 106 were approved by the Board of Directors on 11 July 2017 and signed on its behalf by:



Sir Adrian Montague, CBE
Chairman, MAG



Charlie Cornish
Chief Executive, MAG

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

| | Share capital | Share premium | Retained earnings | Total |
|---|---------------|---------------|-------------------|----------------|
| | £m | £m | £m | £m |
| Balance at 1 April 2016 | 316.6 | 687.2 | 993.0 | 1,996.8 |
| Total comprehensive expense for the year | | | | |
| Result for the year | - | - | (5.7) | (5.7) |
| Transactions with owners recorded directly in equity | | | | |
| Dividends paid | - | - | (124.2) | (124.2) |
| Balance at 31 March 2017 | 316.6 | 687.2 | 863.1 | 1,866.9 |

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

| | Share capital | Share premium | Retained earnings | Total |
|---|---------------|---------------|-------------------|----------------|
| | £m | £m | £m | £m |
| Balance at 1 April 2015 | 316.6 | 687.2 | 993.0 | 1,996.8 |
| Total comprehensive expense for the year | | | | |
| Result for the year | - | - | (4.2) | (4.2) |
| Transactions with owners recorded directly in equity | | | | |
| Dividends paid | - | - | (100.6) | (100.6) |
| Balance at 31 March 2016 | 316.6 | 687.2 | 888.2 | 1,892.0 |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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 as noted on page 75.

2. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION OF 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.

3. INVESTMENTS

| | Subsidiary undertakings £m |
|---|-------------------------------|
| Cost and net book value | |
| At 31 March 2017 and 31 March 2016 | 2,253.1 |

4. TRADE AND OTHER PAYABLES

| | 2017 £m | 2016 £m |
|---|--------------|--------------|
| Amounts owed to subsidiary undertakings | 386.2 | 256.3 |
| | 386.2 | 256.3 |

Amounts owed to subsidiary undertakings represents a loan from Manchester Airport PLC, which was interest bearing at 31 March 2017, with interest charged at a rate of 1.5% (2016: 1.5%) above base rate per annum.

5. CALLED UP SHARE CAPITAL

| | Number (m) | 2017 £m | 2016 £m |
|---|------------|--------------|--------------|
| Issued, called up and fully paid | | | |
| Ordinary shares of £1 each | 316.6 | 316.6 | 316.6 |
| | | 316.6 | 316.6 |

In addition to the 316.6m non-voting ordinary shares, the Company has also issued 10 A shares and 10 B shares, which carry equal voting rights but do not carry any rights to receive dividends or distributions.

Non-voting ordinary shares carry equal rights to receive dividends and distributions.

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 City (Asset Manager) Limited (Note 1) | Ordinary £1 shares | 50% | | Property holding company |
| Airport City (General Partner) Limited (Note 1) | Ordinary £1 shares | 50% | | Property holding company |
| Airport City Limited Partnership (Note 1) | Ordinary £1 shares | 50% | | Property holding limited partnership |
| Airport City Management Company (South) Limited | Ordinary £1 shares | 100% | | Property management company |
| Airport City (Manchester) Limited | Ordinary £1 shares | 100% | 100% | Property holding company |
| Airport City (Manchester) Investments Limited | Ordinary £1 shares | 100% | | Property holding company |
| 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 Limited and 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% | | |
| EMIA Pension Trustee Limited | Ordinary £1 shares | 100% | 100% | Pension trustee |
| Manchester Airport Aviation Services Limited | Ordinary £1 shares | 100% | | Investment holding company |
| Manchester Airport Finance Holdings Limited | Ordinary £1 shares | 100% | 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 Investments Limited | Ordinary £1 shares | 100% | | Investment holding company |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 **continued**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 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 Group US Holdings Inc* | Ordinary \$0.01 shares | 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 |
| Manchester Airport Ventures Limited | Ordinary £1 shares | 100% | | Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited |
| MAG Investments US Limited | Ordinary £1 shares | 100% | | Investment holding company |
| MAG Overseas Investments Limited | Ordinary £1 shares | 100% | 100% | Investment holding company |
| MAG US Lounge Management LLC * | N/A | 100% | | Non trading |
| MAG US Parking Management LLC * | N/A | 100% | | Non trading |
| MAG US Terminal Management LLC * | N/A | 100% | | Non trading |
| MAG DC Pension Trustee Limited | Ordinary £1 shares | 100% | 100% | Pension trustee |
| MAG Pension Trustee Limited | Ordinary £1 shares | 100% | 100% | Pension trustee |
| 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% | | |

NOTE:

1. These reflect the Group's 50% investment in Airport City shown within the Group Financial statements as an investment in associate.

All the above companies operate in their country of incorporation or registration, which is England and Wales, or where indicated (*), is the United States of America.





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