East Midlands International Airport Limited

Annual report and financial statements

Registered number 2078271

Year ended 31 March 2016

Contents

Strategic report

The directors present their strategic report of the Company for the year ended 31 March 2016.

Principal activities

The principal activities of the Company during the year were the operation and management of East Midlands International Airport. The Company's revenues were derived primarily from aircraft and passenger handling charges, together with income from aviation, commercial, car park and retail activities.

The Company is a wholly owned subsidiary of East Midlands Airport Nottingham Derby Leicester Limited, which itself, is a wholly owned subsidiary of Manchester Airports Holdings Limited.

Business review and future outlook

The results for the year are set out on page 7. The directors do not recommend the payment of a dividend for the year ended 31 March 2016 *(2015: £nil)*.

The Company intends to continue the development of East Midlands International Airport as a world-class airport to meet the requirements of users and for the benefit of the economy in the East Midlands region.

Principal risks and uncertainties

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

Key performance indicators ("KPIs")

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

By order of the board

N Thompson
Director
16 December 2016

Directors' report

The directors present their directors' report and audited financial statements of the Company for the year ended 31 March 2016.

Directors
The directors who held office during the year and up to the date of signing the financial statements were as follows:

A Cliffe
C Cornish
K O'Toole
N Thompson

Employees
The Company's employment policies are regularly reviewed and updated by the Board.

The Company is committed to providing equality of opportunity to all employees and potential employees. The Company gives full and careful consideration to applications for employment from all people regardless of their sex, ethnic origin, nationality, sexuality, age, disability or religious beliefs, bearing in mind the respective aptitudes and abilities of the applicant concerned. This also applies to training and promotion within the Company.

In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Diversity
The Company provides services for a changing and diverse society and the Board of Directors considers that to provide the best services for our customers it is essential that the Company embrace diversity in the workforce. Accordingly, the Company has a programme of activity, which aims to ensure that these objectives are achieved.

Consultation and Communication
Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. At regular intervals all employees are invited to take part in a Company-wide survey of employee views. Employees receive a written summary of the results of the survey and are given the opportunity to discuss these with their respective management teams.

The Company is constantly looking for ways to ensure that employees are able to participate and engage in the business. As part of the Trade Union arrangements, various employee forums exist for each business area. In addition, business briefings are cascaded throughout the organisation to communicate key business and operational issues.

Financial Risk Management
The Company's activities expose it to a variety of financial risks. The Company'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.

For more details of the management of these risks please refer to page 29 of the annual report and accounts for Manchester Airports Holdings Limited. The directors have not identified any additional risks specific for this Company.

Directors' report (continued)

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the 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.

Independent Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

N Thompson
Director
16 December 2016

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 Company and of the profit or loss of the Company for that period. In preparing these 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;
- 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 Company and to prevent and detect fraud and other irregularities.

KPMG LLP
One St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of East Midlands International Airport Limited

We have audited the financial statements of East Midlands International Airport Limited for the year ended 31 March 2016 set out on pages 7 to 34. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4 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 and 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 Company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of East Midlands International Airport Limited (continued)

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

21 December 2011

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

Income Statement
for the year ended 31 March 2016

	Note	**2016 £000**	2015 £000
Revenue	*2*	**56,394**	55,894
Operating costs		**(47,879)**	(48,248)
Operating profit before significant items	*3*	**8,515**	7,646
Restructuring costs	*3*	**(183)**	(556)
Profit on disposal of fixed assets	*3*	**1,421**	-
Operating profit after significant items		**9,753**	7,090
Movement in investment property fair values	*10*	**277**	1,306
Interest receivable and similar income	*6*	**-**	6
Interest payable and similar charges	*7*	**(2,085)**	(1,985)
Profit on ordinary activities before taxation	*3*	**7,945**	6,417
Tax on profit on ordinary activities	*8*	**676**	2,192
Profit for the financial year		**8,621**	8,609

The results presented above are all derived from the Company's continuing operations.

The notes on pages 11 to 34 form an integral part of these financial statements.

Other Comprehensive Income
for year ended 31 March 2016

	2016 £000	2015 £000
Profit for the year	**8,621**	8,609
Other comprehensive income / (expense)		
Remeasurement of the net defined benefit liability	**2,700**	(4,400)
Income tax on other comprehensive income /(expense)	**(486)**	880
Effect of change in rate of corporation tax on deferred tax	**(280)**	-
Other comprehensive income/ (expense) for the year, net of income tax	**1,934**	(3,520)
Total comprehensive income for the year	**10,555**	5,089

The notes on pages 11 to 34 form an integral part of these financial statements.

Statement of Financial Position
at 31 March 2016

	Note	**2016**	**2016**	2015	2015
		£000	**£000**	£000	£000
Non-current assets					
Tangible fixed assets	*9*		**208,174**		211,820
Investment properties	*10*		**13,019**		12,742
Deferred tax assets	*16*		**2,245**		2,800
			223,438		227,362
Current assets					
Inventories	*11*	**123**		77	
Trade and other receivables	*13*	**76,050**		66,952	
Cash at bank and in hand		**-**		55	
		76,173		67,084	
Current liabilities: Trade and other payables	*14*	**(24,193)**		(24,546)	
Net current assets			**51,980**		42,538
Total assets less current liabilities			**275,418**		269,900
Non-current liabilities	*15*		**(17,614)**		(17,614)
Provisions for liabilities					
Deferred tax	*16*		**(25,002)**		(27,839)
Pension liabilities	*21*		**(11,800)**		(14,000)
			(36,802)		(41,839)
Net assets			**221,002**		210,447
Capital and reserves					
Called up share capital	*17*		**17,614**		17,614
Revaluation reserve	*18*		**70,265**		69,744
Retained earnings	*18*		**133,123**		123,089
Shareholders' funds			**221,002**		210,447

The notes on pages 11 to 34 form an integral part of these financial statements.

These financial statements of East Midland International Airport Limited, registered number, 2078271 were approved by the board of directors on 16 December 2016 and were signed on its behalf by:

N Thompson
Director

Statement of Changes in Equity

2016	**Called up Share capital**	**Revaluation reserve**	**Retained earnings**	**Total equity**
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2015	17,614	69,744	123,089	210,447
Total comprehensive income / (expense) for the period				
Profit for the year	-	-	8,621	8,621
Other comprehensive (expense) / income (see note 18)	-	521	1,413	1,934
Total comprehensive (expense) / income for the period	-	521	10,034	10,555
Balance at 31 March 2016	**17,614**	**70,265**	**133,123**	**221,002**

2015	**Called up Share capital**	**Revaluation reserve**	**Retained earnings**	**Total equity**
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2014	17,614	71,010	116,734	205,358
Total comprehensive income / (expense) for the period				
Profit for the year	-	-	8,609	8,609
Other comprehensive expense (see note 18)	-	(1,266)	(2,254)	(3,520)
Total comprehensive (expense) / income for the period	-	(1,266)	6,355	5,089
Balance at 31 March 2015	**17,614**	**69,744**	**123,089**	**210,447**

The notes on pages 11 to 34 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

East Midlands International Airport Ltd (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. 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 £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company, including the impact of restatement of prior year comparatives and transition date figures, is provided in note 24.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Lease incentives – for leases commenced before 1 April 2014 the Company continued to account for lease incentives under previous UK GAAP.

The Company's ultimate parent undertaking, Manchester Airports Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Manchester Airports Holdings Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Olympic House, Manchester Airport, M90 1QX.

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

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The Company has taken advantage of section 33.1A of FRS 102 and not disclosed transactions with fellow Group companies.

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 Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention
The financial statements are prepared on the historical cost basis with the exception of certain assets and liabilities, namely investment properties and defined benefit scheme assets and liabilities, which are stated at their fair value at each statement of financial position date.

1.2 Going concern
The Company is able to rely on the Group for financial support. Manchester Airports Holdings Limited has confirmed that it will continue to provide financial and other support to the Company, for at least the next twelve months from the date of approval of the financial statements, to the extent necessary to enable the Company to continue to trade and in particular will not seek repayment of the amounts currently made available.

The following paragraphs set out a summary of the going concern status of Manchester Airports Holdings Limited.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and considering all available information, 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 Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities

1.3 Foreign Currency
The Company financial statements are presented in pound sterling and rounded to thousands. The Company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within other operating costs.

1.4 Classification of financial instruments issued by the Company
In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Basic financial instruments

Trade and other receivables / payables
Trade and other receivables are recognised initially at transaction price less attributable transaction costs. Trade and other payables are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade receivables. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries
Investments in subsidiaries are carried at cost less impairment with changes recognised in other comprehensive income.

1.6 Revenue

Revenue, which excludes value added tax, represents amounts received and receivable by the Company for services provided in the normal course of business, rent receivable and income from commercial concessions.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the services; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below

The following revenue recognition criteria apply to the Company's main income streams:

- Various passenger charges for handling and security based upon the number of departing passengers, recognised at point of departure;
- Aircraft departure charges levied according to weight, recognised at point of departure;
- Aircraft parking charges based upon a combination of weight and time parked, recognised at time of parking;
- Car parking income recognised at the point of parking for Short and Long Stay parking. Contract parking 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;
- Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term; and
- Development profits are recognised upon legal completion of contracts.

1.7 Tangible fixed assets

Tangible fixed assets constitute the Company's operational asset base including terminal, airfield, car parking, land, plant, and owner occupied property assets. Investment properties held to earn rentals or for capital growth are accounted for separately. Fixed assets are stated at cost or deemed cost less accumulated depreciation. Cost includes directly attributable own labour.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Notes *(continued)*

1 Accounting policies *(continued)*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. No depreciation is provided on freehold land. Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

The estimated useful lives are as follows:

Freehold and long leasehold property	-	10 - 50 years
Runways, taxiways and aprons	-	10 - 75 years
Main services	-	7 - 50 years
Plant and machinery	-	5 - 25 years
Motor vehicles	-	3 - 7 years
Fixtures, fittings, tools and equipment	-	5 – 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and included in 'Other operating costs'.

1.8 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the income statement in the period that they arise; and
ii. no depreciation is provided in respect of investment properties applying the fair value model

All investment properties are valued by an independent property valuer as at the statement of financial position date. These valuations were prepared in accordance with the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors.

1.9 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Impairment excluding stocks, investment properties and deferred tax assets

Financial assets (including trade and other receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Non-financial assets
The carrying amounts of the Company's non-financial assets, other than investment property, and deferred tax 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. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution plans and other long term employee benefits

The Company operates a defined contribution pension scheme for all qualifying employees. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit plans

The Company participates in a defined benefit pension scheme. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the income statement as employee costs, except where included in the cost of an asset, comprises:
(a) the increase in pension benefit liability arising from employee service during the period; and
(b) the cost of plan introductions, benefit changes, curtailments and settlements.

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 recognised in the income statement as 'interest costs'.

Annual bonus plan

The Company operates a number of annual bonus plans for employees. An expense is recognised in the income statement when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Lease incentives received are recognised in the income statement over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance charges. Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method.

1.13 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 Company's underlying financial performance.

Such items include impairment of assets, major reorganisation of businesses and integration costs associated with significant acquisitions.

1.14 Taxation

Tax on the income statement for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. For investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.15 Critical Accounting Estimates and Judgements

In applying the Company's accounting policies, the Company has made estimates and judgements, concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may, however, differ from the estimates calculated and management believe that the following are the more significant judgements impacting these financial statements.

Investment Properties
Investment properties were valued at fair value at 31 March 2016 by Deloitte LLP. The valuations were prepared in accordance with FRS102 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 Company's liability for pension obligations at year end and future returns on pension scheme assets and charges to the income statement. The factors have been determined in consultation with the Company'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 Company'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 21.

Notes *(continued)*

2 Analysis of revenue

	2016	2015
	£000	£000
By activity		
Aviation	**25,026**	25,998
Car parking	**15,058**	14,854
Retail concessions	**10,576**	9,731
Other	**5,734**	5,311
	56,394	55,894

All of the Company's revenue arises in the United Kingdom and details of the revenue generated by each of the Company's key activities are disclosed above.

3 Notes to the income statement

	2016	2015
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets:	**8,596**	8,441
Hire of plant and machinery - operating leases	**41**	37
Restructuring costs *(1)*	**183**	556
Gain on disposal of fixed assets	**(1,421)**	-

(1) Restructuring costs of £183,000 have been incurred in respect of a restructuring programme.

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 is instead disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Manchester Airports Holdings Limited.

4 Remuneration of directors

C Cornish, K O'Toole, A Cliffe and N Thompson were directors of East Midlands International Airport Limited during the year. Their remuneration was paid by Manchester Airports Holdings Limited and is disclosed in aggregate in its financial statements. The directors do not believe it is possible to apportion their remuneration to individual companies within the Manchester Airports Holdings Limited group based on services provided.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2016	2015
Operational	**533**	526
Management and administrative	**7**	6
	540	532

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	**14,014**	13,789
Social security costs	**1,192**	1,194
Other pension costs	**1,399**	1,483
	16,605	16,466

6 Interest receivable and similar income

	2016 £000	2015 £000
Other interest receivable	-	6
	-	6

7 Interest payable and similar charges

	2016 £000	2015 £000
Interest payable on shares classified as liabilities	**1,585**	1,585
Net interest expense on defined benefit liabilities *(see note 21)*	**500**	400
	2,085	1,985

Of the above amount £1,585,000 *(2015: £1,585,000)* was payable to Group undertakings.

Notes *(continued)*

8 Taxation

Total tax expense recognised in the income statement

	2016		2015	
	£000	**£000**	£000	£000
UK Corporation tax				
Current tax on income for the period	**2,372**		3	
Adjustments in respect of prior periods	**-**		(2,239)	
Total current tax		**2,372**		(2,236)
Deferred tax (see note 15)				
Origination/reversal of timing differences	**(225)**		(40)	
Adjustment in respect of previous years	**(43)**		84	
Effect of change in rate of Corporation Tax	**(2,780)**		-	
Total deferred tax		**(3,048)**		44
Tax on profit on ordinary activities		**(676)**		(2,192)

Total tax expense/(income) included in other comprehensive income

	2016	2015
	£000	£000
Deferred tax		
Origination/reversal of timing differences	**486**	(880)
Effect of change in rate of Corporation tax	**280**	-
Total tax expense/(income) included in other comprehensive income	**766**	(880)

Total tax expense recognised in the income statement, other comprehensive income and equity

	2016 Current tax £000	**2016 Deferred tax £000**	**2016 Total tax £000**	2015 Current tax £000	2015 Deferred tax £000	2015 Total tax £000
Recognised in the income statement	2,372	(3,048)	(676)	(2,236)	44	(2,192)
Recognised in other comprehensive income	-	766	766	-	(880)	(880)
Total tax	**2,372**	**(2,282)**	**90**	**(2,236)**	**(836)**	**(3,072)**

Notes *(continued)*

8 Taxation (continued)

Reconciliation of effective tax rate

	2016 £000	2015 £000
Current tax reconciliation		
Profit for the year	**8,621**	8,609
Total tax credit	**676**	2,192
Profit on ordinary activities before tax	**7,945**	6,417
Current tax at 20% *(2015: 21%)*	**1,589**	1,348
Effects of:		
Expenses not deductible for tax purposes	**533**	1,027
Losses relived from other group companies	**-**	(2,414)
Adjustments to tax charge in respect of previous periods	**(43)**	(2,215)
Lower than standard rate used for deferred tax temporary differences	**25**	2
Effect of change in rate of corporation tax	**(2,780)**	-
Total current tax credit included in the income statement	**(676)**	(2,236)

Factors that may affect future current and total tax charges

The impact of the revaluation depreciation will usually result in overall higher current taxation as a percentage of pre-taxation profits.

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

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

Deferred tax balances at 31 March 2016 have therefore been calculated at 18%, unless they are expected to unwind earlier than 1 April 2020, in which case the deferred tax balances have been calculated at the prevailing rate at the time the unwind is expected. The effect of a further 1% reduction to the rate of corporation tax when deferred tax liabilities reverse would be an additional credit of £1,264,000.

Notes *(continued)*

9 Tangible fixed assets

	Freehold land and property £000	Long leasehold property £000	Airport infrastructure £000	Plant fixtures and equipment £000	Assets in the course of construction £000	Total £000
Cost						
At beginning of year	34,735	105,477	198,580	57,018	5,161	400,971
Additions	-	-	-	-	8,741	8,741
Reclassification	-	57	2,299	1,679	(4,035)	-
Disposals	(2,204)	-	(2,228)	-	-	(4,432)
At end of year	32,531	105,534	198,651	58,697	9,867	405,280
Depreciation						
At beginning of year	-	61,859	77,140	50,152	-	189,151
Charge for year	-	2,027	3,180	3,389	-	8,596
Disposals		-	(641)			(641)
At end of year	-	63,886	79,679	53,541	-	197,106
Net book value						
At 31 March 2016	**32,531**	**41,648**	**118,972**	**5,156**	**9,867**	**208,174**
At 31 March 2015	34,735	43,618	121,440	6,866	5,161	211,820

10 Investment Properties

	Investment properties £000
Balance at 1 April 2015	12,742
Revaluations	277
Net book value	
At 31 March 2016	**13,019**
Historical cost net book value	4,768

The fair value of the Company's commercial investment property at 31 March 2016 has been arrived at on the basis of a valuation carried out at that date by Deloitte LLP. The valuers are independent and are not connected with the Company. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

The existing use value of land and buildings includes notional directly attributable acquisition costs. The open market value of land and buildings is determined before the deduction of expected selling costs.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in the revenue accounting policy on page 13.

Notes *(continued)*

11 Inventories

	2016 £000	2015 £000
Raw materials and consumables	**123**	77
	123	77

12 Fixed asset investments

	Shares in Subsidiary Undertakings £
Cost	
At beginning and end of year	4
Net book value	
At 31 March 2016 and March 2015	**4**

At 31 March 2016 the Company held investments in the following subsidiary undertakings:

Subsidiary undertakings	Country of incorporation	Principal Activity	Class and percentage of shares held
East Midlands Airport Property Investments (Hotels) Limited	England and Wales	Investment property company	100% ordinary
East Midlands Airport Property Investments (Industrial) Limited	England and Wales	Investment property company	100% ordinary
East Midlands Airport Property Investments (Offices) Limited	England and Wales	Investment property company	100% ordinary
East Midlands Airport Core Property Investments Limited	England and Wales	Investment property company	100% ordinary

Notes *(continued)*

13 Trade and other receivables

	2016 £000	2015 £000
Trade receivables	**2,511**	3,744
Amounts owed by group undertakings	**70,345**	61,282
Other receivables	**282**	201
Prepayments and accrued income	**2,912**	1,725
	76,050	66;952

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

14 Trade and other payables

	2016 £000	2015 £000
Bank overdraft	**1,371**	-
Trade payables	**4,222**	3,044
Amounts owed to group undertakings	**-**	3,582
Taxation and social security	**3,371**	1,426
Other payables	**990**	1,428
Accruals and deferred income	**14,239**	15,066
	24,193	24,546

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15 Other non-current liabilities

	2016 £000	2015 £000
Preference shares classified as liabilities	**17,614**	17,614
	17,614	17,614

The 9% cumulative redeemable preference shares have no fixed redemption date. They are to be repaid, fully or in part, by the giving of a least one-month's notice by either the Company or a shareholder. No premium is payable on redemption. The preference shares have no voting rights attached.

Notes *(continued)*

16 Provisions for liabilities

2016	Differences between accumulated depreciation and capital allowances	Short term timing differences	Deferred tax on investment properties	Deferred tax asset on pension liability	Net tax assets / (liabilities)
	£000	£000	£000	£000	£000
At 1 April 2015	(1,454)	247	(26,632)	2,800	**(25,039)**
(Charge)/credit to income	(49)	(126)	3,133	90	**3,048**
Charge to equity	-	-	-	(766)	**(766)**
At 31 March 2016	**(1,503)**	**121**	**(23,499)**	**2,124**	**(22,757)**

2015	Differences between accumulated depreciation and capital allowances	Short term timing differences	Deferred tax on investment properties	Deferred tax asset on pension liability	Net tax assets / (liabilities)
	£000	£000	£000	£000	£000
At 1 April 2014	(1,048)	302	(26,949)	1,820	(25,875)
(Charge)/credit to income	(406)	(55)	317	-	(144)
Credit to equity	-	-	-	980	980
At 31 March 2015	(1,454)	247	(26,632)	2,800	(25,039)

	2016	2015
	£000	£000
Deferred tax liabilities	**(25,002)**	(28,086)
Deferred tax assets	**2,245**	3,047
	(22,757)	25,039

17 Called up share capital

	2016	2015
	£000	£000
Allotted, called up and fully paid		
17,614,008 Ordinary shares of £1 each	**17,614**	17,614
	17,614	17,614

Notes *(continued)*

18 Reserves

2016	Revaluation reserve £000	Retained earnings £000
At beginning of year	69,744	123,089
Profit for the year	-	8,621
Revaluation of investment property	277	(277)
Deferred tax arising on revaluation of investment property	(50)	50
Remeasurement of the net defined benefit liability	-	2,214
Effect of change in rate of corporation tax	2,663	(2,943)
Depreciation transfer to the income statement	(2,369)	2,369
At end of year	**70,265**	**133,123**

2015	Revaluation reserve £000	Retained earnings £000
At beginning of year	71,010	116,734
Profit for the year	-	8,609
Revaluation of investment property	1,306	(1,306)
Deferred tax arising on revaluation of investment property	(261)	261
Remeasurement of the net defined benefit liability	-	(3,520)
Depreciation transfer to the income statement	(2,311)	2,311
At end of year	**69,744**	**123,089**

19 Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2016 £000	2015 £000
Contracted	**2,154**	563

Notes *(continued)*

20 Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2016	2015
	Other	Other
	£000	£000
Operating leases which expire:		
Within one year	**41**	28
In the second to fifth years inclusive	**28**	20
Over five years	**-**	-
	69	48

Leases as a lessor

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2016	2015
	£000	£000
Operating leases which expire:		
Within one year	**125**	192
In the second to fifth years inclusive	**249**	312
Over five years	**230**	291
	604	795

Income from investment properties is included within other income (see note 2).

Notes *(continued)*

21 Pension schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £304,000 *(2015: 218,000).*

Contributions amounting to £nil *(2015: £121,000)* were payable to the schemes at the year end and are included in payables.

Defined benefit scheme

An actuarial valuation of the EMIA scheme, using the projected unit basis, was carried out at 31 March 2016 by PwC, independent consulting actuaries. The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed Group policy throughout the periods shown.

	2016 £000	2015 £000
Present value of funded defined benefit obligations	**(64,700)**	(69,100)
Fair value of plan assets	**52,900**	55,100
Deficit	**(11,800)**	(14,000)

Movements in present value of defined benefit obligation

	2016 £000	2015 £000
At 1 April	**(69,100)**	(57,600)
Current service cost	**(900)**	(700)
Interest cost	**(2,300)**	(2,500)
Actuarial gains/(losses)	**5,800**	(9,300)
Contributions by members	**(400)**	(400)
Net benefits paid out	**2,200**	1,400
At 31 March	**(64,700)**	(69,100)

Notes *(continued)*

21 Pension schemes *(continued)*

Movements in fair value of plan assets

	2016 **£000**	2015 £000
At 1 April	**55,100**	48,500
Expected return on plan assets	**1,800**	2,100
Actuarial (losses)/gains	**(3,100)**	4,900
Contributions by employer	**1,300**	1,100
Contributions by members	**400**	400
Benefits paid	**(2,200)**	(1,400)
Administration expenses	**(400)**	(500)
At 31 March	**52,900**	55,100

Expense recognised in the income statement

	2016 **£000**	2015 £000
Current service cost	**900**	700
Administration expenses	**400**	500
Interest on net defined benefit liability	**500**	400
Total	**1,800**	1,600

The expense is recognised in the following line items in the income statement:

	2016 **£000**	2015 £000
Operating costs	**1,300**	1,200
Interest payable and similar charges	**500**	400
	1,800	1,600

The total amount recognised in other comprehensive income in respect of remeasurments: actuarial gains is £2,700,000 (2015: loss of £4,400,000).
The fair value of the plan assets and the return on those assets were as follows:

	2016 **Fair value** **£000**	2015 Fair value £000
Equities	**31,700**	33,200
Corporate bonds	**13,500**	13,600
Property	**5,300**	5,900
Other	**2,400**	2,400
	52,900	55,100

Notes *(continued)*

21 Pension schemes *(continued)*

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2016	2015
	%	%
Discount rate	**3.65**	3.30
Future salary increases	**2.00**	2.00
Inflation assumption	**2.05**	2.05

The mortality assumptions are based on the S1NXA standard mortality tables allowing for medium cohort 1% minimum mortality improvements. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 23.7 years (male), 26.0 years (female).
- Future retiree upon reaching 65: 25.1 years (male), 27.5 years (female).

Experience adjustments

	2016	2015
	£000	£000
Experience adjustments on scheme liabilities	**300**	2,600
Experience adjustments on scheme assets	**(3,100)**	4,200

The Company expects to contribute approximately £1.3m to its defined benefit plans in the next financial year.

22 Contingent liabilities

Under the Common Terms Agreement signed on 14 February 2014, the Company and a number of its fellow subsidiaries have entered into a security agreement with the Group's bondholders and bankers. The bonds and bank loans are secured by a fixed and floating charge over substantially all of the Group's assets.

23 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of East Midlands Airport Nottingham Derby Leicester Limited. The smallest Group in which the results of the Company are consolidated is that headed by Manchester Airport Group Investments Limited. The Company's ultimate parent is Manchester Airports Holdings Limited. The consolidated financial statements of this Group are available to the public and may be obtained from Company Secretary at Olympic House, Manchester Airport, Manchester M90 1QX, or via the website at www.magworld.co.uk.

24 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its FRS 102 statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance including the impact of restatement of prior year comparative and transition date figures is set out in the following tables and the notes that accompany the tables.

Notes *(continued)*

24 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Reconciliations provided shall, to the extent practicable, distinguish the correction of errors from changes in accounting policies.

Reconciliation of equity

	Note	Old UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000	**Old UK GAAP £000**	**Effect of transition to FRS 102**	**FRS 102 £000**
Non-current assets							
Tangible fixed assets		210,344	-	210,344	**211,820**	**-**	**211,820**
Investment properties		13,019		13,019	**12,742**		**12,742**
Deferred tax asset	*a*	-	1,820	1,820	**-**	**2,800**	**2,800**
		224,286	1,820	226,106	**224,562**	**2,800**	**227,362**
Current assets							
Inventories		106	-	106	**77**	**-**	**77**
Trade and other payables		67,715	-	67,715	**66,952**	**-**	**66,952**
Cash at bank and in hand		182	-	182	**55**	**-**	**55**
		68,003	-	68,003	**67,084**	**-**	**67,084**
Current liabilities		(34,342)	-	(34,342)	**(24,546)**	**-**	**(24,546)**
Net current assets		33,661	-	33,661	**42,538**	**-**	**42,538**
Non-current liabilities		(17,614)	-	(17,614)	**(17,614)**	**-**	**(17,614)**
Provisions for liabilities							
Deferred tax liability	*b*	(746)	(26,949)	(27,695)	**(1,207)**	**(26,632)**	**(27,839)**
Pension liability	*a*	(7,280)	(1,820)	(9,100)	**(11,200)**	**(2,800)**	**(14,000)**
		(8,026)	(28,769)	(36,795)	**(12,407)**	**(29,432)**	**(41,839)**
Net assets		232,307	(26,949)	205,358	**237,079**	**(26,632)**	**210,447**
Capital and reserves							
Called up share capital		17,614	-	17,614	**17,614**	**-**	**17,614**
Revaluation reserve	*b*	97,959	(26,949)	71,010	**96,376**	**(26,632)**	**69,744**
Retained earnings		116,734	-	116,734	**123,089**	**-**	**123,089**
Shareholders' equity		232,307	(26,949)	205,358	**237,079**	**(26,632)**	**210,447**

Notes *(continued)*

24 Explanation of transition to FRS 102 from Adopted old UK GAAP *(continued)*

Notes to the reconciliation of equity

a) Deferred tax asset on the pension liability was previously netted off the pension liability under old UK GAAP. The pension liability has now been presented gross, with the corresponding deferred tax asset presented within non-current assets in accordance with FRS 102.

b) Deferred tax on the potential sale of investment properties at their market values and revaluation of operational assets was not recognised under old UK GAAP. This has now been recognised in the deferred tax liabilities in accordance with FRS 102.

c) As a first-time adopter of FRS 102 the Company has taken advantage of a transitional exemption to continue to account for lease incentives whose term commenced before the date of transition on the same basis as applied before the transition date. Lease incentives, entered into after the date of transition (1 April 2014) which were being spread up to the first break clause under old UK GAAP are now spread over the term of the lease under FRS 102, of which there is no impact.

Notes *(continued)*

24 Explanation of transition to FRS 102 from Adopted old UK GAAP *(continued)*

Reconciliation of profit for comparative

	Note	Old UK GAAP £000	2015 Effect of transition to FRS 102 £000	FRS 102 £000
Revenue		55,894	-	55,894
Operating costs		(48,248)	-	(48,248)
Operating profit before significant items		7,646	-	7,646
Restructuring costs		(556)	-	(556)
Operating profit		7,090		7,090
Movement in investment property fair values	d	-	1,306	1,306
Other interest receivable and similar income	e	2,806	(2,800)	6
Interest payable and similar charges	e	(4,085)	2,100	(1,985)
Profit on ordinary activities before taxation		5,811	606	6,417
Tax on profit on ordinary activities	f	1,735	457	2,192
Profit for the year		7,546	1,063	8,609

Notes to the reconciliation of profit

d) Under old UK GAAP, changes in the fair value of investment properties were taken to the statement of total recognised gains and losses (being movements on a revaluation reserve). These have now been recognised in the income statement, in accordance with FRS 102.

e) The amendment to FRS102 has changed the accounting for defined benefit schemes and termination benefits. The interest cost and expected return on scheme assets used under old UK GAAP have been replaced with a 'net interest' amount which is calculated by applying a discount rate to the net defined benefit obligation. This amendment has a corresponding impact on actuarial gains and losses recognised in the statement of other comprehensive income, with no overall change to the net retirement benefit liability in the statement of changes in equity. Furthermore, certain costs previously recorded as part of service charges are now presented separately within administrative expenses.

f) The current year taxation impact of transition to FRS 102, as described above in (d-e).