

MANCHESTER AIRPORT GROUP INVESTMENTS LIMITED

2017

MAGIL ANNUAL REPORT AND ACCOUNTS

Manchester Airport Group Investments Limited  
Registered Office:  
6th Floor Olympic House  
Manchester Airport  
Manchester M90 1QX  
United Kingdom  
Registered Number 08338555

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# Strategic Report

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The directors present their strategic report for Manchester Airport Group Investments Limited ('MAGIL') for the year ended 31 March 2017.

## PRINCIPAL ACTIVITIES

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

## RESULTS, REVIEW OF BUSINESS AND FUTURE OUTLOOK

The consolidated results for the year are set out on page 15.

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

## PRINCIPAL RISKS AND UNCERTAINTIES

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

## KEY PERFORMANCE INDICATORS

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

## GOING CONCERN

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

By order of the Board.

A handwritten signature in black ink, appearing to read 'Neil Thompson'.

**Neil Thompson**

Director

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

# Corporate Governance Statement

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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. The responsibility for MAGIL's compliance with the Code is delegated to the Board of Directors of Manchester Airports Holdings Limited ('MAHL'), and further details can be found on pages 42 to 47 of the annual report and accounts for Manchester Airports Holdings Limited.

The risk profile of the MAGIL Group is consistent with that of the MAHL Group, as outlined on pages 31 to 32 of the annual report and accounts for Manchester Airports Holdings Limited, and details of MAGIL's internal controls and risk management are set out below.

## 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;
- 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 Board of the draft consolidated financial 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 MAGIL Board, the MAHL 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 MAHL 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 MAGIL 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.

## **RISK MANAGEMENT**

The management of risks rests ultimately with the MAGIL Board, notwithstanding that the MAHL 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 31 to 32 of the annual report and accounts of Manchester Airports Holdings Limited.

The Risk Assurance function, covering Risk Management, Internal Audit and Security Quality Assurance, reports directly to the Chief Financial Officer, who habitually attends every MAHL 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 MAHL Audit Committee, regularly review the process for the identification, evaluation and management of the strategic and significant corporate risks faced by the MAGIL Group. In the judgement of the MAGIL Board, progressively enhanced risk management procedures have continued to promote greater business-wide awareness of the potential sources and mitigants of risk within the MAGIL Group.

# Directors' Report for the year ended 31 March 2017

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The directors present their annual report on the affairs of Manchester Airport Group Investments Limited (the 'Company') together with the audited financial statements for the year ended 31 March 2017.

## TRANSFERS TO RESERVES

The retained profit for the year of £108.4m (2016: £171.5m) will be transferred to reserves.

## THE BOARD OF DIRECTORS

At 31 March 2017, the Board comprised:

Charlie Cornish  
Neil Thompson

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

## 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:

- (a) so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and 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 29 to these financial statements.

## EMPLOYEES

### Employment Policies

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

### Apprentices and the National Living Wage

MAGIL 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. MAGIL 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 of Manchester Airports Holdings Limited. 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).



**Neil Thompson**

Director

For and on behalf of the Board of Directors

11 July 2017

### 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 International Financial Reporting Standards (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 Group and 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 are listed on page 6, confirm that, to the best of their knowledge:

- 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.



**Neil Thompson**

Director

For and on behalf of the Board of Directors

11 July 2017

# Group Financial Statements

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

We have audited the financial statements of Manchester Airport Group Investments Limited for the year ended 31 March 2017 set out on pages 10 to 53. 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 8, 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](http://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 Airport Group Investments Limited (the 'Company') is a limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is Olympic House, Manchester Airport, Manchester, M90 1QX.

The principal activities of the Group are 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 its ability to manage its investment programme according to affordability and business performance.

At the year ended 31 March 2017, the Group had £1,295.0m (2016: £1,185.0m) of committed facilities and a net debt position of £935.5m (2016: £892.6m). The Group had financial headroom in excess of £359m at the year end, a level comfortably in excess of the Board's 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. 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 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.

### 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 22.

### GOODWILL

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

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 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
<b>Continuing operations</b>							
Revenue	1	838.4	-	838.4	778.8	-	778.8
<b>Result from operations before significant items</b>	4	<b>210.2</b>	-	<b>210.2</b>	192.6	-	192.6
<b>Significant items</b>							
Impairment of property, plant and equipment	3	-	-	-	-	(8.4)	(8.4)
Restructuring costs	3	-	(7.1)	(7.1)	-	(2.9)	(2.9)
<b>Result from operations</b>		<b>210.2</b>	<b>(7.1)</b>	<b>203.1</b>	192.6	(11.3)	181.3
Gains and losses on sales and valuation of investment properties	13	4.1	-	4.1	16.5	-	16.5
Finance income	7	5.7	-	5.7	6.7	-	6.7
Finance costs	8	(43.4)	-	(43.4)	(43.9)	-	(43.9)
<b>Result before taxation</b>		<b>176.6</b>	<b>(7.1)</b>	<b>169.5</b>	171.9	(11.3)	160.6
<b>Taxation</b>	10	<b>(20.8)</b>	1.4	<b>(19.4)</b>	(8.8)	1.7	(7.1)
<b>Result from continuing operations</b>		<b>155.8</b>	<b>(5.7)</b>	<b>150.1</b>	163.1	(9.6)	153.5

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
<b>Result for the year</b>		<b>150.1</b>	<b>153.5</b>
<b>Other comprehensive (expense)/income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement on retirement benefit liabilities	22	(49.4)	23.1
Deferred tax on remeasurement of retirement benefit liabilities	10	8.4	(4.2)
Effect of change in rate of corporation tax on deferred tax	10	(0.7)	(0.9)
<b>Other comprehensive (expense)/income for the year</b>		<b>(41.7)</b>	<b>18.0</b>
<b>Total comprehensive income for the year</b>		<b>108.4</b>	<b>171.5</b>

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

	Note	Attributable to equity holders of the Company			Total £m
		Share capital £m	Share premium £m	Reserves £m	
Balance at 1 April 2016		0.3	2,493.9	(318.0)	2,176.2
<b>Total comprehensive income for the year</b>					
Result for the year		-	-	150.1	150.1
Remeasurement of retirement benefit liabilities, net of tax	10, 22	-	-	(41.0)	(41.0)
Effect of change in rate of corporation tax on deferred tax	10	-	-	(0.7)	(0.7)
<b>Balance at 31 March 2017</b>		<b>0.3</b>	<b>2,493.9</b>	<b>(209.6)</b>	<b>2,284.6</b>

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

	Note	Attributable to equity holders of the Company			Total £m
		Share capital £m	Share premium £m	Reserves £m	
Balance at 1 April 2015		0.3	2,493.9	(489.5)	2,004.7
<b>Total comprehensive income for the year</b>					
Result for the year		-	-	153.5	153.5
Remeasurement of retirement benefit liabilities, net of tax	10, 22	-	-	18.9	18.9
Effect of change in rate of corporation tax on deferred tax	10	-	-	(0.9)	(0.9)
<b>Balance at 31 March 2016</b>		<b>0.3</b>	<b>2,493.9</b>	<b>(318.0)</b>	<b>2,176.2</b>

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
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	2,340.8	2,303.1
Intangible assets	12	44.5	47.0
Goodwill	12	166.3	166.3
Investment properties	13	603.3	641.3
Deferred tax assets	23	18.5	10.4
		<b>3,173.4</b>	<b>3,168.1</b>
<b>CURRENT ASSETS</b>			
Inventories	14	2.1	2.1
Trade and other receivables	15	96.1	70.7
Cash and cash equivalents	16	1.6	-
Amounts owed by group undertakings		568.8	394.3
		<b>668.6</b>	<b>467.1</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	17	(134.1)	(0.8)
Trade and other payables	21	(194.3)	(186.6)
Deferred income		(24.8)	(19.9)
Current tax liabilities		(48.7)	(33.7)
		<b>(401.9)</b>	<b>(241.0)</b>
<b>NET CURRENT ASSETS</b>			
		<b>266.7</b>	<b>226.1</b>
<b>Non-current liabilities</b>			
Borrowings	17	(803.0)	(891.8)
Retirement benefit liabilities	22	(104.6)	(52.9)
Deferred tax liabilities	23	(235.7)	(260.4)
Other non-current liabilities	24	(12.2)	(12.9)
		<b>(1,155.5)</b>	<b>(1,218.0)</b>
<b>NET ASSETS</b>			
		<b>2,284.6</b>	<b>2,176.2</b>
<b>Shareholders' equity</b>			
Share capital	25	0.3	0.3
Share premium	25	2,493.9	2,493.9
Other reserve	26	(1,249.4)	(1,249.4)
Retained earnings	26	1,039.8	931.4
<b>TOTAL EQUITY</b>			
		<b>2,284.6</b>	<b>2,176.2</b>

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

The financial statements on pages 10 to 47 were approved by the Board of Directors on 11 July 2017 and signed on its behalf by:



**Neil Thompson**

Director

For and on behalf of the Board of Directors

11 July 2017

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

	Note	2017 £m	2017 £m	2017 £m	2016 £m	2016 £m	2016 £m
		Before significant items	Significant items	After significant items	Before significant items	Significant items	After significant items
<b>Cash flows from operating activities:</b>							
Result before taxation – continuing operations		176.6	(7.1)	169.5	171.9	(11.3)	160.6
Gains and losses on sales and valuation of investment properties		(4.1)	-	(4.1)	(16.5)	-	(16.5)
Net finance income and expense		43.4	-	43.4	37.2	-	37.2
Depreciation, amortisation and impairment		137.4	-	137.4	127.2	8.4	135.6
Profit on sale of property, plant and equipment		(7.0)	-	(7.0)	(8.7)	-	(8.7)
Increase in trade and other receivables and inventories		(25.4)	-	(25.4)	3.7	-	3.7
Increase in amounts owed by group companies		(174.5)	-	(174.5)	(140.2)	-	(140.2)
Release of grants		(0.5)	-	(0.5)	(0.6)	-	(0.6)
Increase in trade and other payables		12.0	-	12.0	16.0	-	16.0
Increase in retirement benefits provision		2.3	-	2.3	2.6	-	2.6
<b>Cash generated from operations</b>		<b>160.2</b>	<b>(7.1)</b>	<b>153.1</b>	<b>192.6</b>	<b>(2.9)</b>	<b>189.7</b>
Interest paid				(41.8)			(43.0)
Tax paid				(35.2)			30.4
<b>Net cash from operating activities</b>				<b>76.1</b>			<b>116.3</b>
<b>Cash flows from investing activities</b>							
Purchase of property, plant and equipment				(174.0)			(115.4)
Proceeds (net of selling costs) from sale of property, plant and equipment and investment properties				56.2			14.1
<b>Net cash used in investing activities</b>				<b>(117.8)</b>			<b>(101.3)</b>
<b>Cash flows from financing activities</b>							
Increase in bank loan borrowings, net of debt issue costs	18			134.1			-
Repayment of loans and borrowings				(90.0)			(20.0)
<b>Net cash from/(used in) financing activities</b>				<b>44.1</b>			<b>(20.0)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	30			<b>2.4</b>			<b>(5.0)</b>
Cash and cash equivalents at beginning of the year				(0.8)			4.2
<b>Cash and cash equivalents at end of the year</b>				<b>1.6</b>			<b>(0.8)</b>

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	2016
	£m	£m
<b>Aviation income</b>	<b>407.0</b>	<b>387.4</b>
<b>Commercial income</b>		
Retail concessions	163.2	143.8
Car parking	152.1	137.6
Property and property related income	49.1	47.5
Other	67.0	62.5
<b>Total commercial income</b>	<b>431.4</b>	<b>391.4</b>
<b>Total income</b>	<b>838.4</b>	<b>778.8</b>

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 <sup>3</sup>	Consolidated
	£m	£m	£m	£m	£m	£m	£m
<b>Revenue</b>							
External sales	445.1	294.1	62.4	29.9	10.1	(3.2)	<b>838.4</b>
Inter-segment sales <sup>4</sup>	(0.6)	-	-	(2.6)	-	3.2	-
<b>Total revenue</b>	<b>444.5</b>	<b>294.1</b>	<b>62.4</b>	<b>27.3</b>	<b>10.1</b>	<b>-</b>	<b>838.4</b>
<b>Result</b>							
Segment operating profit/(loss) before significant items	89.9	85.7	13.3	27.5	(0.8)	(5.4)	<b>210.2</b>
Significant items	-	-	-	(1.2)	-	(5.9)	<b>(7.1)</b>
Segment operating profit/(loss) after significant items	89.9	85.7	13.3	26.3	(0.8)	(11.3)	<b>203.1</b>
Gains and losses on sales and valuation of investment properties							<b>4.1</b>
Finance income							<b>5.7</b>
Finance costs							<b>(43.4)</b>
<b>Result before taxation</b>							<b>169.5</b>

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

2. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

2017 continued	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group, consolidation and other <sup>3</sup>	Consolidated
	£m	£m	£m	£m	£m	£m	£m
<b>Other information</b>							
Segment assets	1,419.5	969.9	244.5	(Note 1)	18.1	1,190.0	3,842.0
Segment liabilities	(185.9)	(252.3)	(36.0)	(Note 1)	(15.1)	(1,068.1)	(1,557.4)
Capital expenditure	111.1	44.8	18.9	(Note 1)	0.5	-	175.3
Depreciation	65.3	58.6	9.6	(Note 1)	1.4	-	134.9
Amortisation	2.5	-	-	(Note 1)	-	-	2.5
Taxation	3.0	17.8	2.0	(Note 1)	0.1	(3.5)	19.4
<b>Result – geographical location<sup>2</sup></b>							
Segment operating profit/(loss) before significant items	117.4	85.7	13.3	(Note 2)	(0.8)	(5.4)	210.2
<b>2016</b>							
	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group, consolidation and other <sup>3</sup>	Consolidated
	£m	£m	£m	£m	£m	£m	£m
<b>Revenue</b>							
External sales	395.6	285.6	60.2	29.3	11.3	(3.2)	778.8
Inter-segment sales <sup>4</sup>	(0.6)	-	-	(2.6)	-	3.2	-
Total revenue	395.0	285.6	60.2	26.7	11.3	-	778.8
<b>Result</b>							
Segment operating profit/(loss) before significant items	85.2	78.4	12.5	23.0	0.5	(7.0)	192.6
Significant items	-	-	(0.2)	(1.2)	(8.6)	(1.3)	(11.3)
Segment operating profit/(loss) after significant items	85.2	78.4	12.3	21.8	(8.1)	(8.3)	181.3
Gains and losses on sales and valuation of investment properties							16.5
Finance income							6.7
Finance costs							(43.9)
<b>Result before taxation</b>							<b>160.6</b>
<b>Other information</b>							
Segment assets	1,128.4	1,010.7	329.6	(Note 1)	75.4	1,091.1	3,635.2
Segment liabilities	(268.6)	(161.6)	(71.2)	(Note 1)	(9.3)	(948.5)	(1,459.2)
Capital expenditure	65.0	42.6	8.7	(Note 1)	0.7	-	117.0
Depreciation	58.8	54.6	8.5	1.6	1.2	-	124.7
Amortisation	2.5	-	-	(Note 1)	-	-	2.5
Taxation	8.6	16.6	1.8	(Note 1)	(0.8)	(19.1)	7.1

## 2. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

2016 continued	Manchester Airport	London Stansted Airport	East Midlands Airport	MAG Property	Bournemouth Airport	Group, consolidation and other <sup>3</sup>	Consolidated
	£m	£m	£m	£m	£m	£m	£m
<b>Result – geographical location<sup>2</sup></b>							
Segment operating profit/(loss) before significant items	95.6	84.0	14.5	(Note 2)	6.6	(8.1)	192.6

### 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 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 17 Borrowings.
- Sales between segments are at arm's length.

## 3. SIGNIFICANT ITEMS

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

### NOTES:

- Impairment of property, plant and equipment**  
In the prior year an impairment provision of £8.4m was made against the carrying values 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 11.
- 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
<b>Revenue</b>	<b>838.4</b>	<b>778.8</b>
Wages and salaries <sup>1</sup>	(157.1)	(146.2)
Social security costs	(15.0)	(12.4)
Pension costs	(13.4)	(14.0)
<b>Employee benefit costs</b>	<b>(185.5)</b>	<b>(172.6)</b>
Depreciation and amortisation	(137.4)	(127.2)
Profit on disposal of property plant and equipment and investment property	7.0	8.7
Other operating charges <sup>2</sup>	(312.3)	(295.1)
<b>Result from operations before significant items</b>	<b>210.2</b>	<b>192.6</b>

### NOTES:

- Wages and salary costs are disclosed before exceptional costs amounting to £0.8m (2016: £0.7m), which are reported separately – see Note 3.
- Other operating charges includes maintenance, rent, rates, utility costs and other operating expenses.

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

### 5. EMPLOYEE INFORMATION

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

	2017 Number	2016 Number
<b>By location</b>		
Manchester Airport	3,045	2,817
London Stansted Airport	1,451	1,385
East Midlands Airport	542	540
Bournemouth Airport	146	164
	<b>5,184</b>	<b>4,906</b>

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

### 6. DIRECTORS' EMOLUMENTS

Charlie Cornish and Neil Thompson were directors of Manchester Airports Holdings Limited (MAHL) during the year, and their remuneration is disclosed in its financial statements. The directors do not believe it is possible to apportion their remuneration to individual companies within Manchester Airport Group Investments Limited group based on services provided. For ease of reference, however, the remuneration disclosures in the financial statements of Manchester Airports Holdings Limited are set out below, although these include the remuneration of directors of Manchester Airports Holdings Limited who are not directors of Manchester Airport Group Investments Limited.

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 50 to 51 of the annual report and accounts for Manchester Airports Holdings Limited.

	2017 £m	2016 £m
<b>Directors' emoluments</b>		
Aggregate emoluments	<b>5.3</b>	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.

	2017 £m	2016 £m
<b>Key management compensation</b>		
Aggregate emoluments	<b>9.1</b>	8.7

Key management for the MAHL Group are the MAHL Board of Directors and members of the Executive Committee (EXCO) who control and direct the MAHL 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 MAHL's 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 £m	2016 £m
<b>Highest paid director</b>		
Aggregate emoluments and benefits	<b>2.0</b>	2.0

## 7. FINANCE INCOME

	2017 £m	2016 £m
Interest receivable from Group undertakings	5.7	6.7
<b>Total finance income</b>	<b>5.7</b>	<b>6.7</b>

Finance income relates to interest on outstanding loan balances with fellow Group companies outside the MAGIL Group. Interest is calculated at a rate of 1.5% per annum above base.

## 8. FINANCE COSTS

	Note	2017 £m	2016 £m
Interest payable on bank loans and overdrafts		4.2	4.5
Interest payable on bonds		36.9	36.9
Interest cost on defined benefit pension schemes	22	1.8	2.5
Amortisation of issue costs on financing		0.5	-
<b>Total finance costs</b>		<b>43.4</b>	<b>43.9</b>

## 9. RESULT BEFORE TAXATION

	Note	2017 £m	2016 £m
<b>Result before taxation has been arrived at after charging/(crediting):</b>			
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	11	134.9	124.7
Amortisation of intangible assets	12	2.5	2.5
Profit on disposal of property, plant and equipment and investment properties		(7.0)	(8.7)
Significant items	3	7.1	11.3
Gains and losses on sales and valuation of investment properties	13	(4.1)	(16.5)
Employee benefit costs	4	185.5	172.6
<b>Auditor's remuneration:</b>			
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
<b>Total Auditor's remuneration</b>		<b>0.4</b>	<b>0.4</b>

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 is shown in Note 3 Significant items.

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

10. 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
<b>Current taxation</b>						
UK corporation tax on profits for the year	46.8	(1.4)	45.4	42.5	(0.8)	41.7
Adjustment in respect of prior year	(1.3)	-	(1.3)	0.5	-	0.5
<b>Total current taxation</b>	<b>45.5</b>	<b>(1.4)</b>	<b>44.1</b>	<b>43.0</b>	<b>(0.8)</b>	<b>42.2</b>
<b>Deferred taxation</b>						
Temporary differences arising in the year	(6.2)	-	(6.2)	(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)
<b>Total ordinary deferred taxation</b>	<b>(24.7)</b>	<b>-</b>	<b>(24.7)</b>	<b>(34.2)</b>	<b>(0.9)</b>	<b>(35.1)</b>
<b>Total taxation charge/(credit)</b>	<b>20.8</b>	<b>(1.4)</b>	<b>19.4</b>	<b>8.8</b>	<b>(1.7)</b>	<b>7.1</b>

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
	<b>(7.7)</b>	<b>5.1</b>

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
<b>Result before taxation</b>	<b>176.6</b>	<b>(7.1)</b>	<b>169.5</b>	<b>171.9</b>	<b>(11.3)</b>	<b>160.6</b>
Result before taxation multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	35.3	(1.4)	33.9	34.4	(2.3)	32.1
Effect of: Lower than standard rate used for deferred tax temporary differences	(1.9)	-	(1.9)	(0.2)	(0.1)	(0.3)
Non-taxable items	7.2	-	7.2	4.3	0.7	5.0
Adjustments to prior year taxation charge	(5.5)	-	(5.5)	(0.8)	-	(0.8)
Effect of change in rate of corporation tax	(14.3)	-	(14.3)	(28.9)	-	(28.9)
<b>Total taxation debit/(credit)</b>	<b>20.8</b>	<b>(1.4)</b>	<b>19.4</b>	<b>8.8</b>	<b>(1.7)</b>	<b>7.1</b>

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.

## 11. 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
<b>Cost</b>						
At 1 April 2016	192.5	481.6	2,039.2	597.5	108.0	3,418.8
Additions	-	-	-	-	175.3	175.3
Transfer from fellow group company	-	-	4.4	-	-	4.4
Reclassification	-	0.3	43.0	48.0	(91.3)	-
Reclassification to investment properties (Note 13)	-	-	-	-	(2.0)	(2.0)
Disposals	-	(3.2)	(8.1)	(16.2)	-	(27.5)
<b>At 31 March 2017</b>	<b>192.5</b>	<b>478.7</b>	<b>2,078.5</b>	<b>629.3</b>	<b>190.0</b>	<b>3,569.0</b>
<b>Depreciation</b>						
At 1 April 2016	59.0	189.8	418.0	448.9	-	1,115.7
Charge for the year	-	14.9	69.2	50.8	-	134.9
Disposals	-	(3.2)	(1.8)	(17.4)	-	(22.4)
<b>At 31 March 2017</b>	<b>59.0</b>	<b>201.5</b>	<b>485.4</b>	<b>482.3</b>	<b>-</b>	<b>1,228.2</b>
<b>Carrying amount</b>						
<b>At 31 March 2017</b>	<b>133.5</b>	<b>277.2</b>	<b>1,593.1</b>	<b>147.0</b>	<b>190.0</b>	<b>2,340.8</b>
<b>Carrying amount</b>						
At 31 March 2016	133.5	291.8	1,621.2	148.6	108.0	2,303.1
<b>2016</b>						
	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
<b>Cost</b>						
At 1 April 2015	196.3	451.3	2,030.3	545.8	93.4	3,317.1
Additions	-	-	-	-	117.0	117.0
Reclassification	-	32.2	11.4	52.0	(95.6)	-
Reclassification to investment properties (Note 13)	(2.2)	-	-	-	(1.9)	(4.1)
Disposals	(1.6)	(1.9)	(2.5)	(0.3)	-	(6.3)
Transfer to associate	-	-	-	-	(4.9)	(4.9)
<b>At 31 March 2016</b>	<b>192.5</b>	<b>481.6</b>	<b>2,039.2</b>	<b>597.5</b>	<b>108.0</b>	<b>3,418.8</b>
<b>Depreciation</b>						
At 1 April 2015	59.1	147.5	375.4	403.8	-	985.8
Charge for the year	-	41.8	39.5	43.4	-	124.7
Impairment	-	2.3	4.1	2.0	-	8.4
Disposals	(0.1)	(1.8)	(1.0)	(0.3)	-	(3.2)
<b>At 31 March 2016</b>	<b>59.0</b>	<b>189.8</b>	<b>418.0</b>	<b>448.9</b>	<b>-</b>	<b>1,115.7</b>
<b>Carrying amount</b>						
<b>At 31 March 2016</b>	<b>133.5</b>	<b>291.8</b>	<b>1,621.2</b>	<b>148.6</b>	<b>108.0</b>	<b>2,303.1</b>
At 31 March 2015	137.2	303.8	1,654.9	142.0	93.4	2,331.3

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

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

### 11. PROPERTY, PLANT AND EQUIPMENT continued

#### Impairment

In last year's financial statements, as a result of challenging conditions at Boumemouth 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%.

### 12. INTANGIBLE ASSETS

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

#### 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%.

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

### 13. INVESTMENT PROPERTIES

2017	Investment properties £m
<b>Cost or valuation</b>	
At 1 April 2016	641.3
Reclassification from assets in the course of construction (Note 11)	2.0
Disposals	(45.4)
Revaluation	5.4
<b>At 31 March 2017</b>	<b>603.3</b>
<b>Carrying amount</b>	
<b>At 31 March 2017</b>	<b>603.3</b>
<b>At 31 March 2016</b>	<b>641.3</b>
2016	Investment properties £m
<b>Cost or valuation</b>	
At 1 April 2015	622.9
Reclassification from assets in the course of construction (Note 11)	1.9
Reclassification from operational assets (Note 11)	2.2
Disposals	(2.2)
Revaluation	16.5
<b>At 31 March 2016</b>	<b>641.3</b>
<b>Carrying amount</b>	
<b>At 31 March 2016</b>	<b>641.3</b>
<b>At 31 March 2015</b>	<b>622.9</b>

#### 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 valuations 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).

### 14. INVENTORIES

	2017	2016
	£m	£m
Consumables	2.1	2.1
	<b>2.1</b>	<b>2.1</b>

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

**15. TRADE AND OTHER RECEIVABLES**

	2017	2016
	£m	£m
Trade receivables	50.7	41.4
Other receivables	0.5	1.2
Prepayments and accrued income	44.9	28.1
	<b>96.1</b>	<b>70.7</b>

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 are as follows:

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

The creation and release of provisions for impaired receivables have been included in other operating charges 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 20.

**16. CASH AND CASH EQUIVALENTS**

	2017	2016
	£m	£m
Cash at bank and in hand	1.6	-
	<b>1.6</b>	<b>-</b>

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

## 17. BORROWINGS

	Note	2017 £m	2016 £m
Bank overdraft		-	0.8
Bank loans	18	134.1	89.4
Bonds	19	803.0	802.4
		<b>937.1</b>	<b>892.6</b>
Borrowings are repayable as follows:			
<b>In one year or less, or on demand</b>			
Bank loans	18	134.1	0.8
		<b>134.1</b>	<b>0.8</b>
<b>In more than one year, but no more than two years</b>			
Bank loans		-	89.4
		-	89.4
<b>In more than two years, but no more than five years</b>			
Bank loans		-	-
<b>In more than five years – due other than by instalments</b>			
Bonds		803.0	802.4
		<b>803.0</b>	<b>802.4</b>
Non Current Borrowings		<b>803.0</b>	<b>891.8</b>
<b>Total borrowings</b>		<b>937.1</b>	<b>892.6</b>

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 2024.

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

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

18. BANK LOANS

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

NOTE:

<sup>1</sup> Issue costs arising in relation to obtaining finance are amortised over the duration of the financing as part of the effective interest rate.

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

19. BONDS

	2017 £m	2016 £m
<b>Repayable other than by instalments</b>		
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)
	<b>803.0</b>	<b>802.4</b>

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

## 20. FINANCIAL INSTRUMENTS

### Risk management

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

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

### Interest rate risk

The Group actively manages its exposure to interest rate risk through determining the optimum profile and mix of funding between fixed and floating rates that is most appropriate to the Group's 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 and 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, MAGIL had £1,295.0m (2016: £1,185.0m) of committed facilities (excluding the Amended and Restated LF Agreement) and a net debt position of £935.5m (2016: £892.6m). MAGIL had financial headroom of £359.6m (2016: £294.2m) at the year end, a level comfortably in excess of the internal compliance target. Under existing facilities and based on the Board-approved business plan MAGIL

is forecast to have financial headroom in excess of the minimum Treasury Policy target of £100.0m throughout 2018.

### Foreign Exchange Risk

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

### Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns 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 nonperformance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used.

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

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

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

### Financial liabilities

#### (a) Interest rate profile of financial liabilities

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

	2017	2016
	£m	£m
Fixed rate financial liabilities	803.0	802.4
Floating rate financial liabilities	134.1	89.4
	<b>937.1</b>	<b>891.8</b>

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).

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

**20. 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	2016
	£m	£m
Impact on Income Statement	(1.4)	(1.0)
Impact on equity	-	-
	<b>(1.4)</b>	<b>(1.0)</b>

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

	2017	2016
Weighted average annual interest rate	4.47%	4.47%
Weighted average period for which interest rate is fixed	12yr 6 m	13yr 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	2016
	£m	£m
In one year or less, or on demand	173.2	38.8
In more than one year but not more than two years	36.2	129.3
In more than two years but not more than five years	108.7	108.7
In more than five years	1,096.2	1,132.4
	<b>1,414.3</b>	<b>1,409.2</b>

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	2016
	Floating rate	Floating rate
	£m	£m
Expiring in less than one year	-	-
Expiring in one to two years	-	285.0
Expiring in more than two years	348.0	-
	<b>348.0</b>	<b>285.0</b>

## 20. FINANCIAL INSTRUMENTS continued

### (d) Fair values versus carrying amounts of financial instruments

The following table provides a comparison, by category, of the carrying amounts and the fair values of the Group's financial instruments as at 31 March 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
<b>Financial liabilities:</b>					
<b>Instruments held at amortised cost</b>					
Bank loans and overdrafts	17	(134.1)	(134.1)	(90.2)	(90.2)
Trade payables	21	(42.0)	(42.0)	(30.0)	(30.0)
Bonds	19	(803.0)	(995.7)	(802.4)	(922.8)
		(979.1)	(1,171.8)	(922.6)	(1,043.0)
<b>Financial assets:</b>					
<b>Instruments held at amortised cost</b>					
Cash at bank and in hand	16	1.6	1.6	-	-
Trade receivables	15	50.7	50.7	41.4	41.4
<b>Other assets held at fair value</b>					
Investment properties	13	603.3	603.3	641.3	641.3
		655.6	655.6	682.7	682.7
<b>Net financial liabilities</b>		<b>(323.5)</b>	<b>(516.2)</b>	<b>(239.9)</b>	<b>(360.3)</b>

### 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.

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

### 20. FINANCIAL INSTRUMENTS continued

#### Summary of methods and assumptions used for determining fair values

Bonds	The fair value of publicly listed bonds is based on market prices or, if not available, brokers' quotes. The carrying value is net of unamortised issue costs.
Bank loans	The fair value of the bank loans approximates to the carrying value given their floating rate basis and interest 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 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	Carrying amount 2016
	£m	£m
Trade receivables	50.7	41.4
Cash at bank and in hand	1.6	-
Credit exposure	<u>52.3</u>	<u>41.4</u>

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

### 21. TRADE AND OTHER PAYABLES

	2017	2016
	£m	£m
Trade payables	42.0	30.0
Other taxation and social security	5.2	12.5
Other payables	9.6	5.1
Accruals	137.1	138.4
Capital-based grants	0.4	0.6
	<u>194.3</u>	<u>186.6</u>

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

## 22. RETIREMENT BENEFITS

### Defined contribution schemes

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

The total cost charged to income of £3.3m (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 year that had not been paid over to the schemes.

### Defined benefit schemes

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

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

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

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

### 22. 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:

	GMPP		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. GMPP, 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' 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).

## 22. 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
<b>GMPP<sup>1</sup></b>			
<b>2017</b>	<b>435.2</b>	<b>(489.4)</b>	<b>(54.2)</b>
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)
<b>MAG (STAL)</b>			
<b>2017</b>	<b>161.4</b>	<b>(189.2)</b>	<b>(27.8)</b>
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)
<b>EMIA</b>			
<b>2017</b>	<b>59.9</b>	<b>(82.5)</b>	<b>(22.6)</b>
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)
<b>AVPS<sup>2</sup></b>			
<b>2017</b>	<b>4.0</b>	<b>(4.0)</b>	-
2016	3.5	(3.5)	-
2015	3.6	(3.6)	-
2014	3.1	(3.1)	-
2013	3.5	(3.5)	-
<b>Total<sup>2</sup></b>			
<b>2017</b>	<b>660.5</b>	<b>(765.1)</b>	<b>(104.6)</b>
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.

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

22. RETIREMENT BENEFITS continued

Plan Assets

	GMPF (1)		MAG (STAL) (2)		EMIA (3)		AVPS (4)		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £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 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Opening position as at 1 April *	(603.3)	(639.3)	551.3	566.7	(52.0)	(72.6)
<b>Included in the income statement</b>						
Current service cost of defined benefit schemes	(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)
<b>Amount recognised in the statement of comprehensive income (SOCl)</b>						
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
<b>Cash flows</b>						
Contributions	(2.6)	(2.8)	12.2	13.3	9.6	10.5
Benefits paid	20.8	21.1	(20.8)	(21.1)	-	-
Impact of asset ceiling	(0.9)	(0.9)	-	-	(0.9)	(0.9)
<b>Closing position as at 31 March</b>	(765.1)	(604.2)	660.5	551.3	(104.6)	(52.9)

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

## 22. RETIREMENT BENEFITS continued

### Movement in net defined benefit liability – GMPF scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
<b>Opening position as at 1 April</b>	<b>(402.6)</b>	<b>(432.5)</b>	<b>363.1</b>	<b>377.7</b>	<b>(39.5)</b>	<b>(54.8)</b>
<b>Included in the income statement</b>						
Current service cost of defined benefit schemes	(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)
	<b>(17.5)</b>	<b>(17.6)</b>	<b>12.9</b>	<b>12.2</b>	<b>(4.6)</b>	<b>(5.4)</b>
<b>Amount recognised in the statement of comprehensive income (SOI)</b>						
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
	<b>(85.9)</b>	<b>31.1</b>	<b>70.6</b>	<b>(15.8)</b>	<b>(15.3)</b>	<b>15.3</b>
<b>Cash flows</b>						
Contributions	(1.2)	(1.2)	6.4	6.6	5.2	5.4
Benefits Paid	17.8	17.6	(17.8)	(17.6)	-	-
<b>Closing Position as at 31 March</b>	<b>(489.4)</b>	<b>(402.6)</b>	<b>435.2</b>	<b>363.1</b>	<b>(54.2)</b>	<b>(39.5)</b>

The scheme liabilities have a duration of approximately 18 years.

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

22. RETIREMENT BENEFITS continued

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

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
<b>Opening position as at 1 April</b>	<b>(133.4)</b>	<b>(134.9)</b>	<b>131.8</b>	<b>130.3</b>	<b>(1.6)</b>	<b>(4.6)</b>
<b>Included in the income statement</b>						
Current service cost of defined benefit schemes	(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)
	<b>(9.8)</b>	<b>(9.8)</b>	<b>4.1</b>	<b>4.0</b>	<b>(5.7)</b>	<b>(5.8)</b>
<b>Amount recognised in the statement of comprehensive income (SOCl)</b>						
Actual return less expected return on pension scheme assets	-	-	22.6	(6.3)	22.6	(6.3)
Experience (loss) 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
	<b>(46.3)</b>	<b>11.3</b>	<b>22.6</b>	<b>(6.3)</b>	<b>(23.7)</b>	<b>5.0</b>
<b>Cash flows</b>						
Contributions	(1.1)	(1.2)	4.3	5.0	3.2	3.8
Benefits paid	1.4	1.2	(1.4)	(1.2)	-	-
<b>Closing Position as at 31 March</b>	<b>(189.2)</b>	<b>(133.4)</b>	<b>161.4</b>	<b>131.8</b>	<b>(27.8)</b>	<b>(1.6)</b>

The scheme liabilities have a duration of approximately 25 years.

## 22. RETIREMENT BENEFITS continued

### Movement in net defined benefit liability – EMIA scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
<b>Opening position as at 1 April</b>	<b>(64.7)</b>	<b>(69.1)</b>	<b>52.9</b>	<b>55.1</b>	<b>(11.8)</b>	<b>(14.0)</b>
<b>Included in the income statement</b>						
Current service cost of defined benefit schemes	(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)
	<b>(3.1)</b>	<b>(3.2)</b>	<b>1.5</b>	<b>1.4</b>	<b>(1.6)</b>	<b>(1.8)</b>
<b>Amount recognised in the statement of comprehensive income (SOCl)</b>						
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
	<b>(15.9)</b>	<b>5.8</b>	<b>5.5</b>	<b>(3.1)</b>	<b>(10.4)</b>	<b>2.7</b>
<b>Cash flows</b>						
Contributions	(0.3)	(0.4)	1.5	1.7	1.2	1.3
Benefits paid	1.5	2.2	(1.5)	(2.2)	-	-
<b>Closing Position as at 31 March</b>	<b>(82.5)</b>	<b>(64.7)</b>	<b>59.9</b>	<b>52.9</b>	<b>(22.6)</b>	<b>(11.8)</b>

The scheme liabilities have a duration of approximately 20 years.

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

22. 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
<b>Opening position as at 1 April</b>	<b>(2.6)</b>	<b>(2.8)</b>	<b>3.5</b>	<b>3.6</b>	<b>0.9</b>	<b>0.8</b>
<b>Included in the income statement</b>						
Current service cost of defined benefit schemes	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Interest (cost)/income	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.1</b>	-	-
	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.1</b>	-	-
<b>Amount recognised in the statement of comprehensive income (SOCl)</b>						
Actual return less expected return on pension scheme assets	-	-	<b>0.5</b>	<b>(0.1)</b>	<b>0.5</b>	<b>(0.1)</b>
Experience gain/loss arising on scheme liabilities	-	-	-	-	-	-
Remeasurement (loss)/gain due to financial assumption changes	<b>(0.6)</b>	0.2	-	-	<b>(0.6)</b>	0.2
Remeasurement gain due to demographic assumption changes	<b>0.1</b>	-	-	-	<b>0.1</b>	-
	<b>(0.5)</b>	0.2	<b>0.5</b>	<b>(0.1)</b>	-	0.1
<b>Cash flows</b>						
Contributions	-	-	-	-	-	-
Benefits paid	<b>0.1</b>	0.1	<b>(0.1)</b>	<b>(0.1)</b>	-	-
<b>Closing Position as at 31 March</b>	<b>(3.1)</b>	<b>(2.6)</b>	<b>4.0</b>	<b>3.5</b>	<b>0.9</b>	<b>0.9</b>

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.

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

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

**23. 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)
<b>At 31 March 2017</b>	<b>111.8</b>	<b>85.3</b>	<b>(17.8)</b>	<b>38.6</b>	<b>(0.7)</b>	<b>217.2</b>
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
<b>At 31 March 2016</b>	<b>120.9</b>	<b>95.1</b>	<b>(10.4)</b>	<b>43.4</b>	<b>1.0</b>	<b>250.0</b>

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
	<b>(217.2)</b>	<b>(250.0)</b>

**24. OTHER NON-CURRENT LIABILITIES**

	2017 £m	2016 £m
Accruals and deferred income	4.7	5.1
Capital-based grants	7.5	7.8
	<b>12.2</b>	<b>12.9</b>

## 25. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (‘000)	Ordinary shares of £1 each		Total £m
		Share capital £m	Share premium £m	
Issued, called up and fully paid				
At 31 March 2016	300	0.3	2,493.9	2,494.2
At 31 March 2017	300	0.3	2,493.9	2,494.2

## 26. RESERVES

	Other reserve £m	Retained earnings £m	Total £m
At 1 April 2016	(1,249.4)	931.4	(318.0)
Remeasurement of retirement benefit liabilities	-	(49.4)	(49.4)
Deferred tax on remeasurement of retirement benefit liabilities	-	8.4	8.4
Effect of change in rate of corporation tax on deferred tax	-	(0.7)	(0.7)
Result for the year	-	150.1	150.1
<b>At 31 March 2017</b>	<b>(1,249.4)</b>	<b>1,039.8</b>	<b>(209.6)</b>
		<b>2017</b>	<b>2016</b>
		<b>£m</b>	<b>£m</b>
<b>Reconciliation of movements in shareholders' funds:</b>			
Opening shareholders' funds		2,176.2	2,004.7
Total recognised income for the year		108.4	171.5
Equity shareholders' funds as at 31 March		<b>2,284.6</b>	<b>2,176.2</b>

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

### 27. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	2017	2016
	£m	£m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<b>27.3</b>	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 the 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).

### 28. 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
	<b>70.1</b>	<b>264.0</b>	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 29. 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.

## 29. RELATED PARTY TRANSACTIONS

### Transactions involving The Council of the City of Manchester and the nine other Greater Manchester local authorities

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

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 the other local authorities, each of which is a related party to Manchester Airport Group Investments Limited through its shareholding in Manchester Airport Holdings Limited, the ultimate parent company.

### Transactions involving IFM

Industry Funds Management ((IFM), through its subsidiary, is a related party to Manchester Airport Group Investments Limited as IFM owns 35.5% of the share capital of Manchester Airports Holdings Limited, the ultimate parent company. During the year the MAGIL Group did not enter into any transactions with IFM.

### Transactions involving Manchester Airports Holdings Limited

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

As at 31 March 2017 the amount of loans outstanding owed by MAHL was £379.5m (2016: £256.3m), relating to cash transferred by the MAGIL Group to MAHL for dividend payments made by MAHL to its shareholders, and interest on the unpaid balance. Included within finance income is interest on loans outstanding owed by MAHL of £5.7m (2016: £6.7m).

### Transactions involving Manchester Airport Finance Holdings Limited (MAFHL)

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

As at 31 March 2017 the amount of loans outstanding owed by MAFHL was £113.5m (2016: £83.2m), relating to interest payments on shareholder loans held outside of the MAGIL Group.

### Transactions involving Airport City (Manchester) Limited

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

As at 31 March 2017 the balance outstanding owed by Airport City (Manchester) Limited was £54.4m (2016: £50.1m), relating to the transfer of assets and funding. During the year the MAGIL Group provided funds and transferred assets with a combined carrying value of £4.3m (2016: £9.8m).

### Transactions involving MAG Investments US Limited and its subsidiaries (MAG US)

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

As at 31 March 2017 the balance outstanding owed by MAG US was £13.0m (2016: £4.9m), relating to funding provided by the MAGIL Group. During the year the MAGIL Group provided funding of £8.1m (2016: £4.9m).

## 30. 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	(0.8)	2.4	-	1.6
Cash on short term deposit	-	-	-	-
Cash and cash equivalents disclosed on the statement of financial position	(0.8)	2.4	-	1.6
Overdrafts	-	-	-	-
Total cash and cash equivalents (including overdrafts)	(0.8)	2.4	-	1.6
Current debt	-	(134.1)	-	(134.1)
Non-current debt	(891.8)	90.0	(1.2)	(803.0)
Net debt	(892.6)	(41.7)	(1.2)	(935.5)

# Company Financial Statements

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## ACCOUNTING POLICIES

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

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

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') as issued in August 2014. The amendments to 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;
- related parties; and
- reconciliation of the number of shares outstanding from the beginning to the end of the period.

Furthermore, as the consolidated financial statements of Manchester Airport Group Investments 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.

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

	Note	2017 £m	2016 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	3	2,494.2	2,494.2
		<b>2,494.2</b>	<b>2,494.2</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>2,494.2</b>	<b>2,494.2</b>
<b>NET ASSETS</b>			
		<b>2,494.2</b>	<b>2,494.2</b>
<b>Shareholders' equity</b>			
Share capital	4	0.3	0.3
Share premium		2,493.9	2,493.9
Retained earnings		-	-
<b>TOTAL EQUITY</b>		<b>2,494.2</b>	<b>2,494.2</b>

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

The financial statements on pages 48 to 53 were approved by the Board of Directors on 11 July 2017 and signed on its behalf by:



**Neil Thompson**

Director

For and on behalf of the Board of Directors

11 July 2017

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

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 April 2016	0.3	2,493.9	-	2,494.2
<b>Total comprehensive income/(expense) for the year</b>				
Result for the year	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>0.3</b>	<b>2,493.9</b>	<b>-</b>	<b>2,494.2</b>

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

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 April 2015	0.3	2,493.9	-	2,494.2
<b>Total comprehensive income/(expense) for the year</b>				
Result for the year	-	-	-	-
<b>Balance at 31 March 2016</b>	<b>0.3</b>	<b>2,493.9</b>	<b>-</b>	<b>2,494.2</b>

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 in the consolidated financial statements of the Company's ultimate parent, Manchester Airports Holdings Limited.

### 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. As shown in the statement of changes in equity, the result for the year was £nil (2016: £nil).

### 3. INVESTMENTS

	Subsidiary undertakings £m
Cost and net book value	
<b>At 31 March 2017 and 31 March 2016</b>	<b>2,494.2</b>

### 4. CALLED UP SHARE CAPITAL

	Number ('000)	2017 £m	2016 £m
<b>Issued, called up and fully paid</b>			
Ordinary shares of £1 each	300	0.3	0.3
		<b>0.3</b>	<b>0.3</b>

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

5. SUBSIDIARY UNDERTAKINGS

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

## 5. 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 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
Ringway Developments PLC	Ordinary £1 shares	100%		Property holding company
Ringway Handling Limited	Ordinary £1 shares	100%		Non trading
Ringway Handling Services Limited	Ordinary £1 shares	100%		Non trading
Stansted Airport Limited	Ordinary £1 shares	100%		Airport operator
Worknorth Limited	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		
Worknorth II Limited	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		

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