

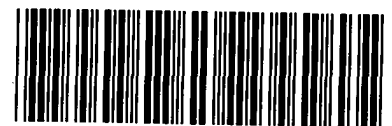
East Midlands International Airport
Limited

Annual report and financial statements

Registered number 2078271

Year ended 31 March 2015

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Strategic report

The directors present their strategic report of the Company for the year ended 31 March 2015.

Principal activities

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

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

Business review and future outlook

The results for the year are set out on page 7. The directors do not recommend the payment of a dividend for the year ended 31 March 2015 (2014: £nil).

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

Principal risks and uncertainties

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

Key performance indicators ("KPIs")

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

By order of the board



N Thompson

Director

8 September 2015

Directors' report

The directors present their directors' report and audited financial statements of the Company for the year ended 31 March 2015.

Directors

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

A Cliffe
C Cornish
K O'Toole
N Thompson

Employees

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

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

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

Diversity

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

Consultation and Communication

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

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

Financial Risk Management

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

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

For more details of the management of these risks please refer to note 24 of the annual report and accounts for Manchester Airports Holdings Limited. The directors have not identified any additional risks specific for this Company.

Political and charitable contributions

The Company made no political or charitable donations during the year or in the prior year.

Directors' report (continued)

Disclosure of information to auditor

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

Independent Auditor

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

By order of the board

A handwritten signature in black ink, appearing to read 'N Thompson', written in a cursive style.

N Thompson
Director
8 September 2015

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



KPMG LLP

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

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

We have audited the financial statements of East Midlands International Airport Limited for the year ended 31 March 2015 set out on pages 7 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

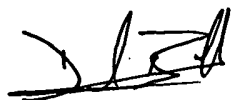
In our opinion the information given in the Strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

 9 September 2015

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

Profit and Loss Account
for the year ended 31 March 2015

| | <i>Note</i> | 2015 £000 | 2014 £000 |
|--|-------------|----------------------------|--------------|
| Turnover | 2 | 55,894 | 51,354 |
| Operating costs | | (48,248) | (45,660) |
| Operating profit before significant items | 3 | 7,646 | 5,694 |
| Restructuring costs | 3 | (556) | - |
| Operating profit after significant items | | 7,090 | 5,694 |
| Other interest receivable and similar income | 6 | 2,806 | 2,100 |
| Interest payable and similar charges | 7 | (4,085) | (4,085) |
| Profit on ordinary activities before taxation | 3 | 5,811 | 3,709 |
| Tax on profit on ordinary activities | 8 | 1,735 | 186 |
| Profit for the financial year | | 7,546 | 3,895 |

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

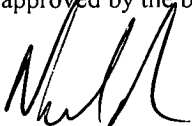
The notes on pages 10 to 23 form an integral part of these financial statements.

Balance Sheet
at 31 March 2015

| | <i>Note</i> | 2015 £000 | 2015 £000 | 2014 £000 | 2014 £000 |
|--|-------------|----------------------------|----------------------------|-----------------|--------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 224,562 | | 224,286 |
| Current assets | | | | | |
| Stocks | 10 | 77 | | 106 | |
| Debtors | 12 | 66,952 | | 67,715 | |
| Cash at bank and in hand | | 55 | | 182 | |
| | | <u>67,084</u> | | <u>68,003</u> | |
| Creditors: amounts falling due within one year | 13 | (24,545) | | (34,342) | |
| Net current assets | | | 42,539 | | 33,661 |
| Total assets less current liabilities | | | 267,101 | | 257,947 |
| Creditors: amounts falling due after more than one year | 14 | | (17,614) | | (17,614) |
| Provisions for liabilities | 15 | | (1,207) | | (746) |
| Net assets excluding pension liabilities | | | 248,280 | | 239,587 |
| Pension liabilities | 19 | | (11,200) | | (7,280) |
| Net assets including pension liabilities | | | 237,080 | | 232,307 |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 17,614 | | 17,614 |
| Revaluation reserve | 17 | | 96,376 | | 97,959 |
| Profit and loss account | 17 | | 123,089 | | 116,734 |
| Shareholders' funds | | | 237,080 | | 232,307 |

The notes on pages 10 to 23 form an integral part of these financial statements.

These financial statements of East Midland International Airport Limited, registered number, 2078271 were approved by the board of directors on 8 September 2015 and were signed on its behalf by:



N Thompson
Director

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2015

| | 2015 £000 | 2014 £000 |
|---|----------------|--------------|
| Profit for the financial year | 7,546 | 3,895 |
| Unrealised surplus on revaluation of properties | 1,306 | 482 |
| Actuarial (loss)/gain recognised in the pension scheme | (5,100) | 2,400 |
| Deferred tax arising on (losses)/gains in the pension scheme | 1,020 | (480) |
| Effect of tax rate change in deferred tax arising on loss in the pension scheme | - | (339) |
| | <hr/> | <hr/> |
| Total recognised gains and losses relating to the financial year | 4,772 | 5,958 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note of Historical Cost Profits and Losses
for the year ended 31 March 2015

| | 2015 £000 | 2014 £000 |
|---|---------------|--------------|
| Reported profit on ordinary activities before taxation | 5,811 | 3,709 |
| Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount | 2,889 | 2,889 |
| | <hr/> | <hr/> |
| Historical cost profit on ordinary activities before taxation | 8,700 | 6,598 |
| | <hr/> | <hr/> |
| Historical cost profit for the year retained after taxation and dividends | 10,435 | 6,784 |
| | <hr/> <hr/> | <hr/> <hr/> |

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 March 2015

| | 2015 £000 | 2014 £000 |
|--|----------------|--------------|
| Profit for the financial year | 7,546 | 3,895 |
| Other recognised (losses)/gains relating to the year (net) | (4,080) | 1,581 |
| Unrealised surplus on revaluation of investment properties | 1,306 | 482 |
| | <hr/> | <hr/> |
| Net addition to shareholders' funds | 4,772 | 5,958 |
| Opening shareholders' funds | 232,307 | 226,349 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 237,079 | 232,307 |
| | <hr/> <hr/> | <hr/> <hr/> |

The notes on pages 10 to 23 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently throughout the year in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act and applicable accounting standards in the United Kingdom, and under the historical cost accounting rules.

The Company is exempt by virtue of s228 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

Under FRS 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Manchester Airports Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of Manchester Airports Holdings Limited, within which this Company is included, can be obtained from the address given in note 21.

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

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

After making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

Tangible fixed assets and depreciation

Tangible fixed assets constitute the Group's operational asset base including terminal, airfield, car parking, land, plant, and owner occupied property assets. Investment properties held to earn rentals or for capital growth are accounted for separately under SSAP 19 'Investment properties'. Fixed assets are stated at cost or deemed cost less accumulated depreciation. Cost includes directly attributable own labour.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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

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.

Notes (continued)

1 Accounting policies (continued)

Assets under construction, which principally relate to airport infrastructure are not depreciated until such time that they are available for use. If there are indications of impairment in the carrying value then the recoverable amount is estimated and compared to the carrying amount. Recoverable amount is determined as the value that will ultimately be capitalised as an asset, based upon FRS 15 recognition and capitalisation criteria.

Impairment of fixed assets

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income-generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Investment properties

In accordance with Statement of Standard Accounting Practice ('SSAP') 19 'Accounting for Investment Properties', investment properties are revalued annually by an Independent Property Valuer, with the surplus or deficit being transferred to a revaluation reserve. Permanent deficits are written off to the profit and loss account to the extent that such deficits exceed the balance sheet standing to the credit of the investment revaluation reserve.

No provision is made for depreciation of investment properties. This departure from the requirements of the Companies Act 2006, which requires all properties to be depreciated is, in the opinion of the Directors, necessary for the financial statements to show a true and fair view in accordance with applicable Accounting Standards. It is not possible to quantify the depreciation that would otherwise have been charged.

Investments

Investments in subsidiary undertakings are stated at cost less amounts written off.

Leases

Leases are classified according to the substance of the agreement. Where substantially all the risks and rewards of ownership are transferred to the Company, a lease is classified as a finance lease. All other leases are classified as operating leases.

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any benefits received by the Company 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.

Notes (continued)

1 Accounting policies (continued)

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Significant Items

Significant items are material items of income and expense that, because of the unusual nature or frequency of the events giving rise to them, merit separate presentation to allow an understanding of the Company's underlying financial performance.

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

Turnover

Turnover, which excludes value added tax, represents amounts received and receivable by the Company for services provided in the normal course of business, rent receivable and income from commercial concessions. The following revenue recognition criteria apply to the Company's main income streams:

- Various passenger charges for handling and security based upon the number of departing passengers, recognised at point of departure;
- Aircraft departure charges levied according to weight, recognised at point of departure;
- Aircraft parking charges based upon a combination of weight and time parked, recognised at time of parking;
- Car parking income recognised at the point of parking for Short and Long Stay parking. Contract parking recognised over the period to which it relates on a straight-line basis;
- Concession income from retail and commercial concessionaires is recognised in the period to which it relates on an accruals basis;
- Development profits are recognised upon legal completion of contracts.

Notes (continued)

2 Analysis of turnover

| | 2015 £000 | 2014 £000 |
|--------------------|---------------|---------------|
| <i>By activity</i> | | |
| Aviation | 25,998 | 24,451 |
| Car parking | 14,854 | 13,139 |
| Retail concessions | 9,731 | 8,630 |
| Other | 5,311 | 5,134 |
| | <u>55,894</u> | <u>51,354</u> |

3 Notes to the profit and loss account

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i> | | |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | 8,441 | 7,203 |
| Hire of plant and machinery - operating leases | 37 | 27 |
| Restructuring costs | 556 | - |
| | <u>9,034</u> | <u>7,230</u> |

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

4 Remuneration of directors

A Cliffe, C Cornish, K O'Toole and N Thompson were directors of a number of subsidiary companies of The Manchester Airport Group PLC and The Manchester Airport Group PLC paid their remuneration. The directors do not believe it is possible to apportion their remuneration to individual companies within The Manchester Airport Group PLC based on services provided.

The remuneration paid to other directors, principally providing services to the Company in 2014 was £288,000 and the company made contributions to a money purchase pension scheme on behalf of the directors of £11,000. In 2015, there were no other directors other than those mentioned above.

Notes *(continued)*

5 Staff numbers and costs

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

| | Number of employees | |
|-------------------------------|---------------------|------------|
| | 2015 | 2014 |
| Operational | 531 | 532 |
| Management and administrative | 1 | 2 |
| | <u>532</u> | <u>534</u> |

The aggregate payroll costs of these persons were as follows:

| | 2015 | 2014 (restated) |
|-----------------------|---------------|--------------------|
| | £000 | £000 |
| Wages and salaries | 13,789 | 12,678 |
| Social security costs | 1,194 | 1,062 |
| Other pension costs | 1,483 | 1,033 |
| | <u>16,466</u> | <u>14,773</u> |

The comparative value for wages and salaries has been restated to correctly align the costs with the associated headcount.

6 Other interest receivable and similar income

| | 2015 | 2014 |
|--|--------------|--------------|
| | £000 | £000 |
| Expected return on pension scheme assets | 2,800 | 2,100 |
| Other interest receivable | 6 | - |
| | <u>2,806</u> | <u>2,100</u> |

7 Interest payable and similar charges

| | 2015 | 2014 |
|--|--------------|--------------|
| | £000 | £000 |
| Interest payable on shares classified as liabilities | 1,585 | 1,585 |
| Interest on pension scheme liabilities | 2,500 | 2,500 |
| | <u>4,085</u> | <u>4,085</u> |

Of the above amount £1,585,000 (2014: £1,585,000) was payable to Group undertakings.

Notes (continued)

8 Taxation

Analysis of charge in the year

| | 2015 £000 | £000 | 2014 £000 | £000 |
|---|--------------|-------------|--------------|-------------|
| <i>UK Corporation tax</i> | | | | |
| Current tax on income for the period | 3 | | 2,147 | |
| Adjustments in respect of prior periods | (2,239) | | (2,758) | |
| | <hr/> | | <hr/> | |
| Total current tax | | (2,236) | | (611) |
| <i>Deferred tax (see note 15)</i> | | | | |
| Origination/reversal of timing differences | 377 | | 215 | |
| FRS17 Adjustments | 40 | | (41) | |
| Adjustment in respect of previous years | 84 | | 331 | |
| Effect of change in rate of Corporation Tax | - | | (80) | |
| | <hr/> | | <hr/> | |
| Total deferred tax | | 501 | | 425 |
| | | <hr/> | | <hr/> |
| Tax on profit on ordinary activities | | (1,735) | | (186) |
| | | <hr/> <hr/> | | <hr/> <hr/> |

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2014: lower) than the standard rate of corporation tax in the UK 21% (2014: 23%). The differences are explained below.

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 5,811 | 3,709 |
| | <hr/> | <hr/> |
| Current tax at 21% (2014: 23%) | 1,220 | 853 |
| <i>Effects of:</i> | | |
| Depreciation on asset revaluation | 607 | 664 |
| Expenses not deductible for tax purposes | 335 | 369 |
| Depreciation for the period in excess of capital allowances | 355 | 265 |
| Short term timing differences | (58) | (52) |
| FRS17 Adjustments | (42) | 48 |
| Losses relived from other group companies | (2,414) | - |
| Adjustments to tax charge in respect of previous periods | (2,239) | (2,758) |
| | <hr/> | <hr/> |
| Total current tax (credit)/charge (see above) | (2,236) | (611) |
| | <hr/> <hr/> | <hr/> <hr/> |

Taxation on recognised gains and losses not recognised in the profit and loss account

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Deferred tax arising on actuarial losses/gains in the pension scheme | 1,020 | (480) |
| Effect of change in rate of corporation tax | - | (339) |
| | <hr/> | <hr/> |
| | 1,020 | (819) |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

8 Taxation (continued)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

9 Tangible fixed assets

| | Investment properties £000 | Freehold land and property £000 | Long leasehold property £000 | Airport infrastructure £000 | Plant fixtures and equipment £000 | Assets in the course of construction £000 | Total £000 |
|----------------------------------|----------------------------------|--|---------------------------------------|-----------------------------------|--|--|---------------|
| Cost | | | | | | | |
| At beginning of year | 11,436 | 34,735 | 105,477 | 180,980 | 53,791 | 18,577 | 404,996 |
| Additions | - | - | - | - | - | 7,362 | 7,362 |
| Reclassification | - | - | - | 17,600 | 3,227 | (20,827) | - |
| Transfer from group companies | - | - | - | - | - | 49 | 49 |
| Revaluations | 1,306 | - | - | - | - | - | 1,306 |
| At end of year | 12,742 | 34,735 | 105,477 | 198,580 | 57,018 | 5,161 | 413,713 |
| Depreciation | | | | | | | |
| At beginning of year | - | - | 59,821 | 74,120 | 46,769 | - | 180,710 |
| Charge for year | - | - | 2,038 | 3,020 | 3,383 | - | 8,441 |
| At end of year | - | - | 61,859 | 77,140 | 50,152 | - | 189,151 |
| Net book value | | | | | | | |
| At 31 March 2015 | 12,742 | 34,735 | 43,618 | 121,440 | 6,866 | 5,161 | 224,562 |
| At 31 March 2014 | 11,436 | 34,735 | 45,656 | 106,860 | 7,022 | 18,577 | 224,286 |

The fair value of the Group's commercial investment property at 31 March 2015 has been arrived at on the basis of a valuation carried out at that date by Deloitte Chartered Surveyors. The existing use value of land and buildings includes notional directly attributable acquisition costs. The open market value of land and buildings is determined before the deduction of expected selling costs.

Notes (continued)

9 Tangible fixed asset (continued)

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 *Tangible fixed assets*.

Land and buildings

| | 2015 £000 | 2014 £000 |
|------------------------------------|--------------|--------------|
| Historical cost of revalued assets | 208,608 | 201,246 |
| Aggregate depreciation thereon | (94,460) | (83,130) |
| | 114,148 | 118,116 |
| Historical cost net book value | 114,148 | 118,116 |

10 Stocks

| | 2015 £000 | 2014 £000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 77 | 106 |
| | 77 | 106 |
| | 77 | 106 |

11 Fixed asset investments

| | Shares in Subsidiary Undertakings £ |
|---------------------------------|--|
| <i>Cost</i> | |
| At beginning and end of year | 4 |
| | 4 |
| <i>Net book value</i> | |
| At 31 March 2015 and March 2014 | 4 |
| | 4 |

The company in which the Company's interest at the year-end is more than 20% are as follows:

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

Notes (continued)

12 Debtors

| | 2015 £000 | 2014 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 3,744 | 3,246 |
| Amounts owed by group undertakings | 61,282 | 61,400 |
| Other debtors | 201 | 5 |
| Prepayments and accrued income | 1,725 | 3,064 |
| | 66,952 | 67,715 |
| | 66,952 | 67,715 |

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

13 Creditors: amounts falling due within one year

| | 2015 £000 | 2014 £000 |
|------------------------------------|--------------|--------------|
| Trade creditors | 3,043 | 3,217 |
| Amounts owed to group undertakings | 3,582 | 10,303 |
| Taxation and social security | 1,426 | 2,817 |
| Other creditors | 1,428 | 1,671 |
| Accruals and deferred income | 15,066 | 16,334 |
| | 24,545 | 34,342 |
| | 24,545 | 34,342 |

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

14 Creditors: amounts falling due after more than one year

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Preference shares classified as liabilities | 17,614 | 17,614 |
| | 17,614 | 17,614 |
| | 17,614 | 17,614 |

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

Notes (continued)

15 Provisions for liabilities

| | Deferred taxation £000 |
|---|---------------------------------------|
| At beginning of year | 746 |
| Charged to the profit and loss for the year | 461 |
| | <hr/> |
| At end of year | 1,207 |
| | <hr/> <hr/> |

The elements of deferred taxation are as follows:

| | 2015 £000 | 2014 £000 |
|--|----------------------|----------------------|
| Difference between accumulated depreciation and capital allowances | 1,454 | 1,048 |
| Other timing differences | (247) | (302) |
| | <hr/> | <hr/> |
| Deferred tax liability | 1,207 | 746 |
| | <hr/> | <hr/> |
| Arising on pension liability | (2,800) | (1,820) |
| | <hr/> | <hr/> |
| | (1,593) | (1,074) |
| | <hr/> <hr/> | <hr/> <hr/> |

Reconciliation of the movement in the deferred tax asset relating to the pension deficit:

| | 2015 £000 | 2014 £000 |
|--|----------------------|----------------------|
| As at 1 April | 1,820 | 2,597 |
| Deferred tax charged to the profit and loss account | (40) | 42 |
| Deferred tax credited/(charged) to the statement of total recognised gains and losses: | | |
| - On actuarial loss/(gain) | 1,020 | (480) |
| - On change in tax rate | - | (339) |
| | <hr/> | <hr/> |
| | 2,800 | 1,820 |
| | <hr/> <hr/> | <hr/> <hr/> |

The deferred tax asset of £2.8m (2014: £1.8m) has been deducted in arriving at the net pension deficit on the balance sheet – see note 19

No provision has been made for deferred tax on gains recognised on revalued property. An estimate of tax that could be payable if these assets were sold is £19.3m (2014: £19.6m). An estimate of the tax that could be payable relating to gains if investment properties transferred to subsidiaries at 'no gain no loss' for tax purposes are sold outside the Group is £7.4m (2014: £7.4m).

Notes (continued)

16 Called up share capital

| | 2015 | 2014 |
|---|---------------|---------------|
| | £000 | £000 |
| <i>Allotted, called up and fully paid</i> | | |
| 17,614,008 Ordinary shares of £1 each | 17,614 | 17,614 |
| | <u>17,614</u> | <u>17,614</u> |

17 Reserves

| | Revaluation reserve | Profit and loss account |
|---|--------------------------------|--|
| | £000 | £000 |
| At beginning of year | 97,959 | 116,734 |
| Profit for the year | - | 7,546 |
| Actuarial loss recognised in the pension scheme | - | (5,100) |
| Deferred tax arising on losses in the pension scheme | - | 1,020 |
| Effect of change in tax rates on deferred tax arising on losses in the pension scheme | - | - |
| Surplus on revaluation of investment properties | 1,306 | - |
| Depreciation transfer to profit and loss | (2,889) | 2,889 |
| At end of year | <u>96,376</u> | <u>123,089</u> |

18 Commitments

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

| | 2015 | 2014 |
|------------|-------------|--------------|
| | £000 | £000 |
| Contracted | 563 | 1,363 |
| | <u>563</u> | <u>1,363</u> |

Notes (continued)

18 Commitments (continued)

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

| | 2015 | | 2014 | |
|--|----------------------------|---------------|----------------------------|---------------|
| | Land and buildings £000 | Other £000 | Land and Buildings £000 | Other £000 |
| Operating leases which expire: | | | | |
| Within one year | - | 10 | - | 3 |
| In the second to fifth years inclusive | 225 | 32 | 225 | 23 |
| | 225 | 42 | 225 | 26 |
| | 225 | 42 | 225 | 26 |

19 Pension schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £218,000 (2014: 154,000).

Contributions amounting to £121,000 (2014: £65,000) were payable to the schemes at the year end and are included in creditors.

Defined benefit scheme

An actuarial valuation of the EMIA scheme, using the projected unit basis, was carried out at 31 March 2015 by PwC, independent consulting actuaries. The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed Group policy throughout the periods shown.

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Present value of funded defined benefit obligations | (69,100) | (57,600) |
| Fair value of plan assets | 55,100 | 48,500 |
| | (14,000) | (9,100) |
| Deficit | (14,000) | (9,100) |
| Related deferred tax asset | 2,800 | 1,820 |
| | (11,200) | (7,280) |
| Net liability | (11,200) | (7,280) |

Movements in present value of defined benefit obligation

| | 2015 £000 | 2014 £000 |
|--------------------------|--------------|--------------|
| At 1 April | (57,600) | (57,857) |
| Current service cost | (1,200) | (1,000) |
| Interest cost | (2,500) | (2,500) |
| Actuarial (losses)/gains | (9,300) | 2,500 |
| Contributions by members | (400) | (300) |
| Net benefits paid out | 1,900 | 1,557 |
| | (69,100) | (57,600) |
| At 31 March | (69,100) | (57,600) |

Notes (continued)

19 Pension schemes (continued)

Movements in fair value of plan assets

| | 2015 £000 | 2014 £000 |
|--------------------------------|--------------|--------------|
| At 1 April | 48,500 | 46,565 |
| Expected return on plan assets | 2,800 | 2,100 |
| Actuarial gains/(losses) | 4,200 | (100) |
| Contributions by employer | 1,100 | 1,192 |
| Contributions by members | 400 | 300 |
| Benefits paid | (1,900) | (1,557) |
| | <hr/> | <hr/> |
| At 31 March | 55,100 | 48,500 |
| | <hr/> <hr/> | <hr/> <hr/> |

Expense recognised in the profit and loss account

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Current service cost | 1,200 | 1,000 |
| Interest on defined benefit pension plan obligation | 2,500 | 2,500 |
| Expected return on defined benefit pension plan assets | (2,800) | (2,100) |
| | <hr/> | <hr/> |
| Total | 900 | 1,400 |
| | <hr/> <hr/> | <hr/> <hr/> |

The expense is recognised in the following line items in the profit and loss account:

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Operating costs | 1,200 | 1,000 |
| Other interest receivable and similar income | (2,800) | (2,100) |
| Interest payable and similar charges | 2,500 | 2,500 |
| | <hr/> | <hr/> |
| | 900 | 1,400 |
| | <hr/> <hr/> | <hr/> <hr/> |

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial losses is £5,100,000 (2014: gain of £2,400,000).

The fair value of the plan assets and the return on those assets were as follows:

| | 2015 Fair value £000 | 2014 Fair value £000 |
|------------------------------|----------------------------|----------------------------|
| Equities | 33,200 | 29,700 |
| Corporate bonds | 13,600 | 11,800 |
| Property | 5,900 | 5,200 |
| Other | 2,400 | 1,800 |
| | <hr/> | <hr/> |
| | 55,100 | 48,500 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Actual return on plan assets | 7,000 | 2,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

19 Pension schemes (continued)

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

| | 2015 % | 2014 % |
|---|-----------|-----------|
| Discount rate | 3.30 | 4.40 |
| Expected rate of return on plan assets | N/A | 5.80 |
| Expected return on plan assets at beginning of the period | 5.80 | 4.60 |
| Future salary increases | 2.00 | 2.00 |
| Inflation assumption | 2.05 | 2.45 |

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

- Current pensioner aged 65: 23.9 years (male), 26.2 years (female).
- Future retiree upon reaching 65: 25.3 years (male), 27.7 years (female).

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

| | 2015 £000 | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Present value of scheme liabilities | (69,100) | (57,600) | (57,857) | (51,478) | (45,811) |
| Fair value of scheme assets | 55,100 | 48,500 | 46,565 | 41,190 | 38,726 |
| Deficit | (14,000) | (9,100) | (11,292) | (10,288) | (7,085) |

Experience adjustments

| | 2015 £000 | 2014 £000 |
|--|--------------|--------------|
| Experience adjustments on scheme liabilities | 2,600 | - |
| Experience adjustments on scheme assets | 4,200 | (100) |

The Company expects to contribute approximately £1.1m to its defined benefit plans in the next financial year.

20 Contingent liabilities

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

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

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