MAGIL
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018

Manchester Airport Group Investments Limited ('MAGIL') is a leading UK airport group which owns and operates three major UK airports and a successful airport property business.

Manchester | London Stansted | East Midlands | MAG Property

Passenger numbers
58.9m
+6.7%
2017: 55.2m

Revenue
£814.3m
+9.8%
2017: £741.5m

Result from operations
£208.5m
+4.0%
2017: £200.5m

Cash generated from operations
£198.5m
+32.5%
2017: £149.8m

All numbers relate to continuing operations unless stated, and 2017 numbers have been restated, as explained on pages 30 and 72.

OUR VISION

To be the premier airport management and services company.

View the latest results online at
www.magairports.com/investor-relations/

OUR MISSION

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

Operating highlights

- Successful route network development over the course of the year with an array of important destinations added
- Emirates announces a daily link from London Stansted to Dubai, the first time a Middle Eastern hub carrier has served London Stansted
- Start of Manchester Airport Transformation Programme, which will give the airport the terminal facilities needed to make best use of its two full-length runways
- The initial phases of London Stansted's Transformation Programme got underway, which will ultimately provide the facilities for long-term growth
- London Stansted submitted a planning application to raise limits on the number of passengers that the airport is permitted to serve from 35m passengers per year to 43m – without increasing the currently permitted number of flights or the agreed noise footprint
- Let 70,000 sq ft of office space, including 51,000 sq ft to e-commerce giant The Hut Group, at Manchester Airport
- Major new employment programme, MAG Connect, launched in response to expected growth in the coming years

280+
destinations by 70 airlines

745k
tonnes of cargo shipped

Financial highlights*

Passenger numbers
58.9m

+3.7m
+6.7%

Revenue
£814.3m

+£72.8m
+9.8%

Result from operations
£208.5m

+£8.0m
+4.0%

Cash generated from operations
£198.5m

+£48.7m
+32.5%

* All numbers relate to continuing operations unless stated, and 2017 and 2016 revenue has been restated, as explained on pages 30 and 72.

At a glance

The Group serves almost 60m passengers flying through its airports, which together employ over 5,000 MAGIL personnel and support over 40,000 jobs onsite.

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

40.9%

Aviation	£332.7m
Retail	£177.7m
Car parking	£187.1m
Property	£44.4m
Other	£72.4m

Aviation

MAGIL has a diverse carrier mix from across the globe, with an excellent track record of supporting and delivering passenger growth.

By forging strong commercial partnerships with airlines, our airports have been able to increase choice and convenience for our passengers and make a stronger contribution to economic growth in their regions.

MAGIL owns and operates three of the top four cargo airports in the UK, which handle over £27.5bn and 700,000 tonnes of air cargo to and from the UK every year.

Aviation revenue
£332.7m
2017: £308.9m

Operational
280+
More than 70 airlines serving 280+ destinations

Retail

Across our airports, retail space at MAGIL extends to in excess of 400,000 sq ft with over 50 operators and we work with a diverse range of brands, both new and established, to help them operate successfully in an airport environment.

Partnering with MAGIL gives retailers access to potentially more than 58m customers each year.

Retail revenue
£177.7m
2017: £162.1m

Operational
200+
shops, bars and restaurants across our airports

Our strategic values

INVESTING

Deliver great service at every touch point

Provide modern and customer focused infrastructure

Read more on pages 12 and 13

CONNECTING

Enhance the reputation and profile of MAGIL

Achieve profitable growth in all our businesses

Read more on pages 14 and 15

TRANSFORMING

Focus on operational excellence

Energise and unlock the potential of our people

Read more on pages 16 and 17

Car parking

We use a combination of market-leading analytical, ecommerce, marketing and trading expertise to deliver a tried and tested formula for our highly successful airport car parking businesses. Our car parks cater for all tastes and budgets ranging from our competitively priced JetParks brand through to Meet & Greet and Valet services.

Car parking revenue
£187.1m
2017: £163.1m

Operational
75,000+
parking spaces across all our sites

Property

MAG Property manages almost six million sq ft of high-quality space in offices, terminals, hangars, warehouses and hotels across our airport portfolio at Manchester, London Stansted and East Midlands.

We do much more than simply let the space: we understand the complexities of the infrastructure and services that make airports work, so we know how to help businesses based there take full advantage of them.

Property revenue
£44.4m
2017: £42.4m

Operational
£526m
of investment property assets across all airports

All numbers relate to continuing operations unless stated, and 2017 numbers have been restated, as explained on pages 30 and 72.

Global connectivity

Manchester

East Midlands

London Stansted

Investing in the future of UK aviation

MAGIL serves almost 59m passengers flying through its airports, travelling to over 280 destinations through over 70 different airlines

40,000+
people employed on our sites

£7.75bn
contributed to the UK economy from MAGIL airports

280+
destinations

70+
airlines

Business model

Our business model is based on long-term relationships with our owners and partners, and well invested assets, creating value for all of our stakeholders.

WHAT WE DO

Aviation 40.9% of sales
MAGIL has a diverse carrier mix from across the globe, with an excellent track record of supporting and delivering passenger growth. We also own and operate three of the top four UK cargo airports.

Retail 21.8% of sales
We work with a diverse range of brands, both new and established, to help them operate successfully in an airport environment.

Car parking 23.0% of sales
We use a combination of market-leading analytical, ecommerce, marketing and trading expertise to deliver a tried and tested formula for our highly successful airport car parking businesses.

Property 5.5% of sales
We do much more than simply let the space on our airport sites: we understand the complexities of the infrastructure and services that make airports work, so we know how to help businesses based there take full advantage of them.

HOW WE CREATE VALUE THROUGH OUR COMPETITIVE ADVANTAGES

Broad catchment
More than 70% of the UK's population live within two hours of a MAGIL airport.

Talented people
Our skilled employees bring commercial expertise and an innovative approach to product development and excellent customer service.

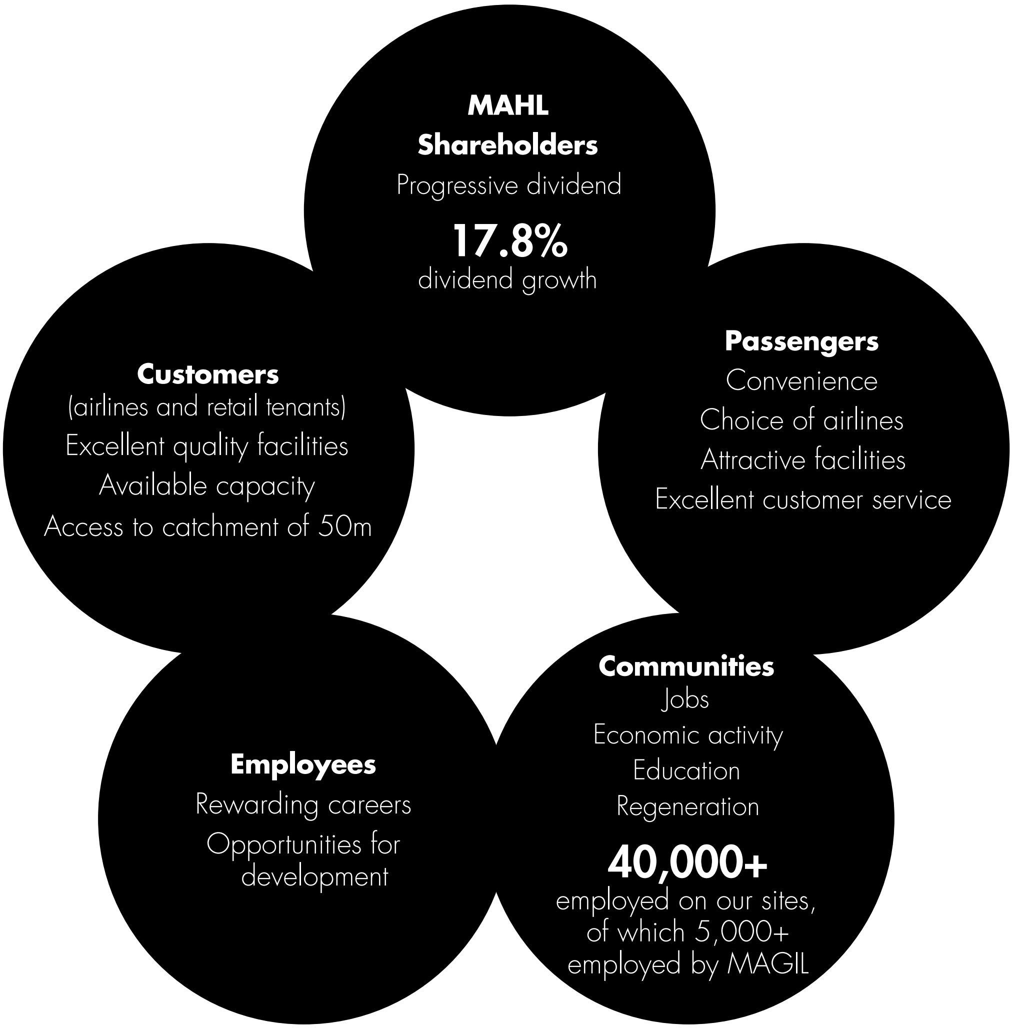
Well-invested assets
Manchester and London Stansted have significant spare runway capacity, and MAGIL's capital plan is for continued investment in our asset base.

Long-standing partnerships
We have long-term incentivised commercial agreements with our diverse carrier mix and retail partners.

Strong capital position
MAGIL is committed to retaining its strong investment grade ratings, and conservative leverage is core to that.

Long-term, supportive shareholders
MAHL's unique ownership structure comprises an effective blend of public and private shareholders, including Manchester City Council (35.5%), IFM Investors (35.5%) and the nine other Greater Manchester local authorities (29%).

HOW WE DELIVER VALUE



Our strategy

Our strategy to deliver strong returns is working

"To achieve our objective of sustainable growth, we have set six strategic priorities which are grouped under our key pillars of Investing, Connecting and Transforming."

INVESTING

Investment in enhancing our capabilities is paying off and underpinning our £1.5bn transformation programmes

After several years of planning, 2017 witnessed the beginning of £1.5bn transformation programmes at MAGIL's two largest airports, Manchester and London Stansted.

MAGIL is investing this money to ensure that its airports are ready to deliver the aviation capacity that this country needs in the next 10–15 years, before any new runway is built in the South East.

CONNECTING

Serving our customer catchments with the global connections, leisure and business, that attract people to our airports

With passenger traffic fast approaching 60m per annum, MAGIL has continued to grow its share of the total UK market, rising from 18.6% to 20.4% in just four years between 2013 and 2017.

This traffic growth does not happen by accident. MAGIL works hard with airline partners to deliver new routes and grow capacity.

TRANSFORMING

Continuous improvement and optimisation of our people, processes and systems across all our operations, becoming more digital

MAGIL has launched its own technology and e-commerce business to respond to technology-driven changes in the way passengers travel and to move the airport experience into a new digital era.

Deliver great service
at every touch point

£1.5bn

Provide modern and
customer focused infrastructure

2017 witnessed the beginning of £1.5bn transformation programmes at MAGIL's two largest airports

Enhance the reputation
and profile of MAGIL

global

Profiling our new global connections from the year, from Dubai to New York, and our ongoing efforts to connect our catchment areas with ever more global destinations

Achieve profitable growth
in all our businesses

Focus on
operational excellence

new tech

The establishment of MAG-O, our new tech business which is working on new digital customer experiences

Energise and unlock
the potential of our people

INVESTING

Investment in enhancing our capabilities is paying off and underpinning our £1.5bn transformation programmes

After several years of planning, 2017 witnessed the beginning of £1.5bn transformation programmes at MAGIL's two largest airports, Manchester and London Stansted.

MAGIL is investing this money to ensure that its airports are ready to deliver the aviation capacity that this country needs in the next 10 – 15 years, before any new runway is built in the South East.

In July 2017, we welcomed the Secretary of State for Transport, the Rt Hon Chris Grayling MP, to Manchester Airport to witness the commencement of our Manchester Airport Transformation Programme (MAN-TP). MAN-TP will give the airport the terminal and airfield facilities needed to make best use of its two full-length runways, the only UK airport apart from Heathrow to have such runway capacity.

The first major phase of the transformation programme was delivered just six months later as in February the final bolt was tightened, connecting the steel framework of one of the new airport piers to the terminal extension.

85% of the money spent on MAN-TP will be within a 35 mile radius of the airport. This will create and sustain employment opportunities in the communities around us and across the North.

Later in the year, the initial stages of London Stansted's Transformation Programme also got underway.

Significant works are already underway to start transforming London Stansted's existing terminal, which will involve the creation of new check-in desks, security channels, food & drink outlets as well as significantly more seating. This redevelopment will allow us to then start work on new £130m facilities next to the existing terminal, which will significantly enhance the experience for passengers at London Stansted.

CONNECTING

Serving our customer catchments with the global connections, leisure and business, that attract people to our airports

With passenger traffic fast approaching 60m per annum, MAGIL has continued to grow its share of the total UK market, rising from 18.6% to 20.4% in just four years between 2013 and 2017.

This traffic growth does not happen by accident. It is rare that an airline simply decides to start a new route, or grow capacity on an existing service, without input from MAGIL. The MAGIL teams share their extensive market intelligence with the airline, highlighting the existing undeserved, or indeed unserved markets, demonstrating the opportunity.

This process of building relationships with an airline can take months, or even years. Only by investing huge quantities of time nurturing such relationships can many of these new route opportunities be fulfilled. The launch of a new service – the only part of the process that people get to see – is truly the tip of a very large iceberg.

Perhaps the most transformational of all of MAGIL's enhancements in its network this year has been the announcement of a new service from London Stansted to Dubai operated by Emirates. For the first time, London Stansted will be able to offer connectivity not only to the UAE, but also through Emirates' incredible Dubai hub, to nearly every major destination in the Eastern Hemisphere.

Four new destinations in North America will also commence this summer from London Stansted offering services to New York, Boston, Washington and Toronto.

Manchester continued to attract a rich mix of airlines, with 40 new services introduced in 2018. New services included: Muscat with Oman Air; San Francisco with both Virgin and Thomas Cook; Boston with Virgin; Agadir with Air Arabia; and Casablanca with Royal Air Maroc.

For 2019, Manchester has so far secured a further 28 routes, the highlights of which include three outstanding additions to the long-haul network:

i) **Westbound:** a new point in North America – Seattle – offered by Thomas Cook.

ii) **Eastbound:** the first direct service to India – Mumbai – offered by Jet Airways.

iii) **Southbound:** – Manchester's first route to Sub-Saharan Africa – Addis Ababa, Africa's main hub – offered by Ethiopian Airways, improving connections to dozens of cities in East, West and Southern Africa.

TRANSFORMING

Continuous improvement and optimisation of our people, processes and systems across all our operations, becoming more digital

MAGIL has launched its own technology and e-commerce business to respond to technology-driven changes in the way passengers travel and to move the airport experience into a new digital era.

MAG-O sits at 'arms-length' from the rest of MAGIL to encourage the development of innovative and fresh thinking away from the day-to-day operations, and is aiming to improve passengers' end-to-end experience of using MAGIL's three UK airports through the introduction of better technology and innovative new online products.

The team is seeking much of its inspiration from outside the airport-world to trial, test and introduce dozens of new initiatives to MAGIL's passengers.

This investment by MAGIL comes following feedback from passengers that showed that they were underwhelmed by the digital experience on offer at airports generally, and that in recent years their expectations of customer service had increased.

Commenting on MAG-O, its MD Nolan Hough said:

"For many of our passengers, the super-slick experiences that they get from dedicated tech companies and popular venues like Disney and the Etihad Stadium are now the norm. MAG-O is about bringing that sort of thinking to the way we serve our passengers, so that they can enjoy their time at the airport.

Our mission is to connect up the journey so that passengers get a much smoother, and stress-free, experience."

Strategic report

"MAGIL has delivered increased profitability and cash generation, as we continue to implement our ambitious growth strategy."

The directors present their strategic report for Manchester Airport Group Investments Limited ('MAGIL') for the year ended 31 March 2018.

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 30. 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 those of Manchester Airports Holdings Limited ('MAHL'). For more details of these risks and how they are managed please refer to the strategic report in the annual report and accounts for MAHL. 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 MAHL. For more details of these KPIs please refer to the strategic report in the annual report and accounts for MAHL. 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.

Neil Thompson
Director

For and on behalf of the Board of Directors
4 July 2018

Corporate governance statement

The Group is committed to maintaining high standards of corporate governance and uses the UK Corporate Governance Code (the 'Code') as a guide to best practice. 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 54 to 66 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 42 and 43 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); and
- 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 five-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 have carried out 40 reviews across areas as varied as: asbestos management; hold baggage screening; website security; power supply management; security incident evacuation planning; EU GDPR preparations; and insider threat mitigation.

In respect of key strategic and capital projects, the overall Group Internal Audit Plan is supplemented by an individual Project Assurance Plan, which is kept under regular review, and given the prevalence of major projects across the Group, is the subject of dedicated Internal Audit resource. During the year the Internal Audit team have undertaken a number of project assurance reviews, particularly in respect of MAG's ERP Programme, as well as continuing to provide regular third line assurance in respect of the Manchester and Stansted Transformation Programmes.

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 the Internal Audit work delivered during the year, in the context of materiality, and considering management's commitment to implement agreed control improvement recommendations, the Internal Audit team have concluded that MAG's internal control and risk activities were operating for the period under review. 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, are able to confirm that no significant failings 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 42 and 43 of the annual report and accounts of Manchester Airports Holdings Limited. The Risk & Internal Audit Department, 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 discussed regularly between risk owners, their teams, and the Risk & Internal Audit Department. 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 2018

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 2018.

Dividends and transfers to reserves

The retained loss for the year of £457.9m (2017: profit of £108.4m) will be transferred to reserves.

The Board of Directors

At 31 March 2018, 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:

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

This confirmation is given, and is to be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Contracts of significance

Details of contracts of significance with The Council of the City of Manchester are set out in note 32 to these financial statements.

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 year ended 31 March 2018 and is currently exploring the possibility of widening its apprenticeships offer for the 2019 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. 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.

Directors' report continued
for the year ended 31 March 2018

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 2018 was 25 days (2017: 26 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 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 (2017: £1.0m). 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

Neil Thompson
Director

MAGIL
For and on behalf of the Board of Directors of the Company
4 July 2018

Directors' responsibilities statement

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 as adopted by the European Union (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, relevant, reliable 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;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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

Neil Thompson

Neil Thompson
Director

MAGIL
4 July 2018

Financial statements

Independent Auditor's Report to the Members of Manchester Airport Group Investments Limited

Opinion
We have audited the financial statements of Manchester Airport Group Investments Limited ('the Company') for the year ended 31 March 2018, which comprise the Group statement of financial position and Parent Company statement of financial position, the Group consolidated income statement, the Group consolidated statement of comprehensive income, the Group statement of cash flows, the Group and Parent Company's statements of changes in equity, and related notes, including the accounting policies in note 1.

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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least 12 months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report
The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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
Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 25, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Nicola Quayle

Nicola Quayle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

4 July 2018

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 4 July 2018.

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.

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.

Going concern

The current economic conditions create uncertainty, particularly over passenger numbers, which has a direct impact on income. The Group has demonstrated its ability to grow operating margins together with the ability to manage its investment programme according to affordability and business performance.

At the year ended 31 March 2018, the Group had £1,595.0m (2017: £1,295.0m) of committed facilities and a net debt position of £1,084.7m (2017: £935.5m). The Group had financial headroom in excess of £505m (2017: £359m) at the year end, a level comfortably in excess of the internal compliance target.

During the year the MAHL Group issued a £300m bond that matures in 2039, whilst in June 2018 the Group extended the majority of its £500m revolving credit facility by a further year to June 2023, as well as renewing its £60m standby liquidity facilities. These facilities will provide strong support over the next few years for the Group's profit and investment activities, including the Manchester and London Stansted Airport Transformation Programmes, ensuring 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/Adjusted EBITDA* and Adjusted EBITDA* less tax paid/ Net Finance Charges. The covenants are tested half yearly on 31 March and 30 September. As at 31 March 2018 the Group had complied with both of the covenants and as a result of the Group's prudent financial policy there is significant covenant headroom. The financial covenants are not impacted by the new refinancing and the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of this new facility.

The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Restatement of 31 March 2017 financial information

The results for the year ended 31 March 2017 have been restated to reflect the classification of Bournemouth International Airport, which was disposed of during the year, as a discontinued operation. This is required by IFRS to be consistent with the treatment in the current year. See note 11 for further details.

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 2017:

- 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.

* As explained on page 72.

The adoption of these standards and interpretations hasn't had any material effect on the Group's results or net assets for the year ended 31 March 2018.

New and revised standards and interpretations not applied

The following new or revised standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these accounts as their effective dates fall in periods beginning on or after 1 April 2018.

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.

  During the year a review was conducted to ensure the impact of the standard is fully understood in advance of the effective date. The directors do not anticipate that the adoption of this standard will have a material impact on the Group's financial statements.

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 'Leases' 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. The standard requires a lessee to recognise an asset and corresponding financial liability for all leases.

  In preparation for the adoption of IFRS 16 'Leases' in the financial statements for the year ending 31 March 2020, management are in the process of fully quantifying the impact on the Group of changes in the definition of lease terms and the different treatment of variable lease payments, however the changes are expected to have a material impact on the consolidated income statement and consolidated statement of financial position.

  A systematic review will be completed this year to fully quantify the impact ahead of its implementation.

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.

Discontinued operations

The post tax results of discontinued operations, along with any gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or the disposal groups constituting discontinued operations, are disclosed as a single amount in the consolidated Income Statement. The comparative results are restated accordingly. Further analysis of the results and cash flows from discontinued operations is set out in note 11.

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.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of IFRS 15 'Revenue from Contracts with Customers'.

Initial adoption of IFRS 15 'Revenue from Contracts with Customers'

The standard has an effective date of 1 January 2018 but the Group has decided to adopt this standard early, with a date of initial application to the Group of 1 April 2017, and using the full retrospective method.

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards, such as IAS 17 'Leases'.

Accounting policies continued

The standard outlines the principles entities must apply to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer.

The principles in IFRS 15 must be applied using the following five step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The standard requires entities to exercise considerable judgement, taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers. The standard also specifies how to account for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, as well as requirements covering matters such as licences of intellectual property, warranties, principal versus agent assessment and options to acquire additional goods or services.

Details of the change in the Group's accounting policy in respect of revenue recognition and an explanation of the impact on the Group's prior period financial statements are set out in note 36.

Revenue

The Group operates a number of revenue streams and accordingly applies methods for revenue recognition, based on the principles set out in IFRS 15.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

The following revenue recognition criteria apply to the Group's main income streams.

Aviation income:

- 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.

The contracts entered into are short-term pricing arrangements, which are complex in nature given the breadth of discounts and rebates that the Group offers. Judgement is applied to assess the impact any contract amendments have when determining the appropriate contract term.

Retail concession income:

- concession income from retail and commercial concessionaires is recognised in the period to which it relates on an accruals basis.

The contracts entered into are long-term income-sharing concession agreements, with the concession fee based on turnover.

Car park income:

- 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.

The Group considers the performance obligation is satisfied through the provision of a car park space for each day the car is parked.

Where car parking is booked through a third party, income and related commissions are accounted for on a gross basis as the Group is acting as a principal rather than an agent through its control of the pricing and availability of car park spaces.

Property income:

- rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

The contracts entered into are long-term lease agreements.

Revenue is disaggregated at the income stream level, and all segments generate revenue from all of the Group's income streams, with the exception of MAG Property, which generates only property income, and the Group, consolidation and other segment, which does not earn aviation income.

All revenue from the Group's income streams is generated in the UK other than immaterial amounts of retail income generated in the United States of America by MAG USA.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Group's performance may result in additional revenues based on the achievement of certain performance measures.

In determining the amount of revenue and profits to record, and related balance sheet items (such as trade receivables, accrued income and deferred income) to recognise in the period, management are required to form a number of judgements and assumptions.

The Group's customer contracts include a diverse range of payment schedules dependent on the nature and type of services being provided. The Group agrees payment schedules at the beginning of contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance.

Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income asset for this difference.

All performance obligations are satisfied within the financial year and there are no judgements or assumptions required to estimate transaction price or allocate revenue to performance obligations.

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 Property'.

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.

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 'Property, Plant and Equipment' recognition and capitalisation criteria.

Accounting policies continued

Investment properties
The Group accounts for investment properties in accordance with IAS 40 'Investment Property'. 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.

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 'Borrowing Costs' are met. Where the criteria is met, borrowing costs are calculated by applying an average interest rate in the period to the expenditure incurred on qualifying assets.

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 19% applicable to accounting periods ending 31 March 2018 (2017: 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 the impairment of assets, costs of a major reorganisation of businesses and integration costs associated with significant acquisitions. They also include the costs associated with the close out of previous financing arrangements upon refinancing.

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

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

Accounting policies continued

Investment properties

Investment properties were valued at fair value at 31 March 2018 by Deloitte LLP, Strutt and Parker and Meller Braggins. The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

Pensions

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

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in note 25.

Goodwill

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

Consolidated income statement
for the year ended 31 March 2018

	Note	2018 £m Total before significant items	2018 £m Significant items	2018 £m Total after significant items	Restated[1] 2017 £m Total before significant items	Restated[1] 2017 £m Significant items	Restated[1] 2017 £m Total after significant items
Continuing operations							
Revenue	1	**814.3**	**–**	**814.3**	741.5	–	741.5
Result from operations before significant items	4	**217.1**	**–**	**217.1**	207.6	–	207.6
Significant items							
Exceptional costs	3	**–**	**(8.6)**	**(8.6)**	–	(7.1)	(7.1)
Result from operations		**217.1**	**(8.6)**	**208.5**	207.6	(7.1)	200.5
Gains and losses on sales and valuation of investment properties	15	**14.5**	**–**	**14.5**	4.8	–	4.8
Finance income	7	**8.8**	**–**	**8.8**	5.7	–	5.7
Finance costs	8	**(37.2)**	**–**	**(37.2)**	(43.4)	–	(43.4)
Result before taxation		**203.2**	**(8.6)**	**194.6**	174.7	(7.1)	167.6
Taxation	10	**(40.3)**	**1.6**	**(38.7)**	(20.7)	1.4	(19.3)
Result from continuing operations		**162.9**	**(7.0)**	**155.9**	154.0	(5.7)	148.3
Discontinued operation							
Result from discontinued operation (net of tax)	11	**1.3**	**(14.1)**	**(12.8)**	1.8	–	1.8
Result for the year		**164.2**	**(21.1)**	**143.1**	155.8	(5.7)	150.1
Earnings per share expressed in £ per share							
Continuing operations				**519.67**			494.33
Discontinued operation				**42.67**			6.00

1. 2017 restatement is due to the adoption of IFRS 15 'Revenue from Contracts with Customers' during the year (refer to note 36 for further details) and presentation of Bournemouth Airport as a discontinued operation.

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

Consolidated statement of comprehensive income
for the year ended 31 March 2018

	Note	2018 £m	2017 £m
Result for the year		143.1	150.1
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit liabilities	25	21.8	(49.4)
Deferred tax on remeasurement of retirement benefit liabilities	10	(3.7)	8.4
Effect of change in rate of corporation tax on deferred tax	10	–	(0.7)
Other comprehensive income/(expense) for the year		18.1	(41.7)
Total comprehensive income for the year		161.2	108.4

Consolidated statement of changes in equity
for the year ended 31 March 2018

		Attributable to equity holders of the Company			
	Note	Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2017		0.3	2,493.9	(209.6)	2,284.6
Total comprehensive income for the year					
Result for the year		–	–	143.1	143.1
Remeasurement of retirement benefit liabilities, net of tax	10, 25	–	–	18.1	18.1
				161.2	161.2
Transactions with owners recorded directly in equity					
Dividends paid to equity holders	12	–	–	(619.1)	(619.1)
Balance at 31 March 2018		0.3	2,493.9	(667.5)	1,826.7

Consolidated statement of changes in equity
for the year ended 31 March 2017

		Attributable to equity holders of the Company			
	Note	Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2016		0.3	2,493.9	(318.0)	2,176.2
Total comprehensive income for the year					
Result for the year		–	–	150.1	150.1
Remeasurement of retirement benefit liabilities net of tax	10, 25	–	–	(41.0)	(41.0)
Effect of change in rate of corporation tax on deferred tax	10	–	–	(0.7)	(0.7)
Balance at 31 March 2017		0.3	2,493.9	(209.6)	2,284.6

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

Consolidated statement of financial position
as at 31 March 2018

	Note	2018 £m	2017 £m
ASSETS			
Non-current assets			
Goodwill	16	**166.3**	166.3
Property, plant and equipment	14	**2,517.6**	2,340.8
Investment properties	15	**526.1**	603.3
Intangible assets	16	**42.0**	44.5
Deferred tax assets	26	**14.8**	18.5
		3,266.8	3,173.4
CURRENT ASSETS			
Inventories	17	**2.5**	2.1
Trade and other receivables	18	**147.6**	96.1
Cash and cash equivalents	19	**10.6**	1.6
Amounts owed by group undertakings		**745.8**	568.8
		906.5	668.6
LIABILITIES			
Current liabilities			
Borrowings	20–23	**–**	(134.1)
Trade and other payables	24	**(218.7)**	(194.3)
Deferred income		**(24.8)**	(24.8)
Current tax liabilities		**(69.3)**	(48.7)
Amounts owed to group undertakings		**(619.1)**	–
		(931.9)	(401.9)
NET CURRENT (LIABILITIES)/ASSETS		**(25.4)**	266.7
Non-current liabilities			
Borrowings	20–23	**(1,095.3)**	(803.0)
Retirement benefit liabilities	25	**(87.3)**	(104.6)
Deferred tax liabilities	26	**(220.2)**	(235.7)
Other non-current liabilities	27	**(11.9)**	(12.2)
		(1,414.7)	(1,155.5)
NET ASSETS		**1,826.7**	2,284.6
Shareholders' equity			
Share capital	28	**0.3**	0.3
Share premium	28	**2,493.9**	2,493.9
Other reserve	29	**(1,249.4)**	(1,249.4)
Retained earnings	29	**581.9**	1,039.8
TOTAL EQUITY		**1,826.7**	2,284.6

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

The financial statements on pages 30 to 72 were approved by the Board of Directors on 4 July 2018 and signed on its behalf by:

Neil Thompson

Neil Thompson
Director
For and on behalf of the Board of Directors
4 July 2018

Consolidated statement of cash flows
for the year ended 31 March 2018

	Note	2018 £m Before significant items	2018 £m Significant items	2018 £m After significant items	Restated[1] 2017 £m Before significant items	Restated[1] 2017 £m Significant items	Restated[1] 2017 £m After significant items
Cash flows from operating activities							
Result before taxation – continuing operations		203.2	(8.6)	194.6	174.7	(7.1)	167.6
Gains and losses on sales and valuation of investment properties		(14.5)	–	(14.5)	(4.1)	–	(4.1)
Net finance income and expense		28.4	–	28.4	43.4	–	43.4
Depreciation and amortisation		142.9	–	142.9	136.0	–	136.0
Profit on sale of property, plant and equipment		–	–	–	(7.0)	–	(7.0)
Increase in trade and other receivables and inventories		(37.0)	–	(37.0)	(25.4)	–	(25.4)
Increase in amounts owed by group companies		(177.0)	–	(177.0)	(174.5)	–	(174.5)
Increase in trade and other payables		56.2	–	56.2	12.0	–	12.0
Increase/(release) of grants		0.4	–	0.4	(0.5)	–	(0.5)
Increase in retirement benefits provision		4.5	–	4.5	2.3	–	2.3
Cash generated from continuing operations		207.1	(8.6)	198.5	156.9	(7.1)	149.8
Result before taxation – discontinued operation				1.9			1.9
Depreciation and amortisation – discontinued operation				1.0			1.4
Movement in working capital from discontinued operation				(0.2)			–
Interest paid				(46.4)			(41.8)
Interest received				8.8			–
Tax paid				(36.7)			(35.2)
Net cash from operating activities				126.9			76.1
Cash flows from investing activities							
Purchase of property, plant and equipment				(364.7)			(173.5)
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				43.8			56.2
Proceeds from sale of discontinued operation				44.9			–
Cash outflow from discontinued operation				(0.1)			(0.5)
Net cash used in investing activities				(276.1)			(117.8)
Cash flows from financing activities							
(Decrease)/increase in bank loan borrowings, net of debt issue costs	21			(136.9)			134.1
Bond issued in the year, net of issue costs	22			295.1			–
Repayment of loans and borrowings				–			(90.0)
Net cash from financing activities				158.2			44.1
Net increase in cash and cash equivalents	19			9.0			2.4
Cash and cash equivalents at beginning of the year				1.6			(0.8)
Cash and cash equivalents at end of the year				10.6			1.6

1. 2017 restatement reflects the presentation of Bournemouth Airport as a discontinued operation.

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

Notes to the financial statements
for the year ended 31 March 2018

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

	2018 Continuing operations £m	2018 Discontinued operation £m	Restated[1] 2017 Continuing operations £m	Restated[1] 2017 Discontinued operation £m
Aviation income	332.7	2.3	308.9	3.5
Commercial income				
Retail concessions	177.7	0.7	162.1	1.1
Car parking	187.1	2.0	163.1	2.4
Property and property related income	44.4	3.0	42.4	6.7
Other	72.4	2.3	65.0	2.1
Total commercial income	481.6	8.0	432.6	12.3
Total income	814.3	10.3	741.5	15.8

1. 2017 restatement is due to the adoption of IFRS 15 'Revenue from Contract with Customers' during the year (refer to note 36 for further details).

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

Aviation income includes passenger charges, aircraft arrival and departure charges and aircraft parking charges, all of which are recognised at point of departure.

Revenue from the remaining income streams is recognised over time on a straight-line basis.

At 31 March 2018 there were no performance obligations that were unsatisfied.

Notes to the financial statements continued
for the year ended 31 March 2018

2. Business and geographical segments
For management purposes, the Group is organised into four main operating divisions: Manchester Airport, London Stansted Airport, East Midlands Airport and MAG Property.

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 these operating divisions is the operation and development of airport facilities in the UK, and accordingly, no separate secondary segmental information is provided.

Year ended 31 March 2018

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Group, consolidation and other[3] £m	**Consolidated – continuing operations £m**	Bournemouth Airport[5] – discontinued operation £m
Revenue							
External sales	391.5	330.4	66.8	27.0	(1.4)	**814.3**	10.3
Inter-segment sales[4]	(2.0)	–	–	(1.3)	3.3	**–**	–
Total revenue	389.5	330.4	66.8	25.7	1.9	**814.3**	10.3
Result							
Segment operating profit/(loss) before significant items	110.1	91.1	13.1	14.6	(11.8)	**217.1**	1.9
Significant items	(3.7)	–	–	–	(4.9)	**(8.6)**	(14.1)
Segment operating profit/(loss) after significant items	106.4	91.1	13.1	14.6	(16.7)	**208.5**	(12.2)
Gains and losses on sales and valuation of investment properties						**14.5**	–
Finance income						**8.8**	–
Finance costs						**(37.2)**	–
Result before taxation						**194.6**	(12.2)
Other information							
Segment assets	2,152.2	842.5	239.0	(note 1)	939.6	**4,173.3**	–
Segment liabilities	(206.6)	(162.1)	(61.5)	(note 1)	(1,916.4)	**(2,346.6)**	–
Capital expenditure	259.4	68.0	11.5	(note 1)	1.6	**340.5**	0.1
Depreciation	68.3	60.6	11.4	(note 1)	0.1	**140.4**	1.0
Amortisation	2.5	–	–	(note 1)	–	**2.5**	–
Taxation	14.0	20.9	2.7	(note 1)	1.1	**38.7**	0.6
Result – geographical location[2]							
Segment operating profit/(loss) before significant items	124.7	91.1	13.1	(note 2)	(11.8)	**217.1**	

2. Business and geographical segments continued

Year ended 31 March 2017 (restated)[6]

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Group, consolidation and other[3] £m	**Consolidated £m**	Bournemouth Airport[5] – discontinued operation £m
Revenue							
External sales	361.6	299.0	60.4	23.6	(3.1)	**741.5**	15.8
Inter-segment sales[4]	(0.6)	–	–	(2.6)	3.2	**–**	–
Total revenue	361.0	299.0	60.4	21.0	0.1	**741.5**	15.8
Result							
Segment operating profit/(loss) before significant items	89.9	85.7	13.3	24.1	(5.4)	**207.6**	2.6
Significant items	–	–	–	(1.2)	(5.9)	**(7.1)**	–
Segment operating profit/(loss) after significant items	89.9	85.7	13.3	22.9	(11.3)	**200.5**	2.6
Gains and losses on sales and valuation of investment properties						**4.8**	(0.7)
Finance income						**5.7**	–
Finance costs						**(43.4)**	–
Result before taxation						**167.6**	1.9
Other information							
Segment assets	1,362.8	969.9	244.5	(note 1)	1,190.0	**3,767.2**	74.8
Segment liabilities	(162.8)	(252.3)	(36.0)	(note 1)	(1,068.1)	**(1,519.2)**	(38.2)
Capital expenditure	111.1	44.8	18.9	(note 1)	–	**174.8**	0.5
Depreciation	65.3	58.6	9.6	(note 1)	–	**133.5**	1.4
Amortisation	2.5	–	–	(note 1)	–	**2.5**	–
Taxation	3.0	17.8	2.0	(note 1)	(3.5)	**19.3**	0.1
Result – geographical location[2]							
Segment operating profit/(loss) before significant items	117.4	85.7	13.3	(note 2)	(5.4)	**211.0**	(0.8)

NOTES

1. *The Group's reporting structure is such that the assets and liabilities of MAG Property are included in the Manchester Airport statement of financial position.*
2. *For management accounting purposes 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.*
3. *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 can be found in note 20 Borrowings.*
4. *Sales between segments are at arm's length.*
5. *Discontinued operation includes all items relating to the Bournemouth Airport operation that was disposed of by the Group during the year. This operation's income statement was previously reported in the Bournemouth Airport and MAG Property segments, and its statement of financial position was reported in the Bournemouth Airport and Manchester Airport segments.*
6. *2017 restatement is due to the adoption of IFRS 15 'Revenue from Contracts with Customers' during the year (refer to note 36 for further details).*

Notes to the financial statements continued
for the year ended 31 March 2018

3. Significant items

	2018 £m	2017 £m
Recorded in result from operations		
Exceptional costs[1]	8.6	7.1
Total significant items recorded in result from continuing operations	8.6	7.1
Recorded in result from discontinued operation		
Loss on sale of discontinued operation[2]	14.1	–
Total significant items recorded in result from discontinued operation	14.1	–
Total significant items	22.7	7.1

NOTES

1 ***Exceptional costs***
Exceptional costs of £8.6m (2017: £7.1m) 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, M&A activity, the loss recognised on the demolition of the West Pier of Terminal 2 of Manchester Airport, as part of the Manchester Transformation Programme, and additional operating costs that have been incurred as a result of the ongoing Manchester Transformation Programme works.

2 ***Loss on sale of discontinued operation***
On 4 December 2017, the Group disposed of Bournemouth International Airport Limited and its subsidiaries: Bournemouth Airport Property Investments (Offices) Limited; Bournemouth Airport Property Investments (Industrial) Limited and Bournemouth Airport Core Property Investments Limited.

4. Result from continuing operations before significant items

	2018 Continuing operations £m	Restated[1] 2017 Continuing operations £m
Revenue	814.3	741.5
Wages and salaries	(180.8)	(152.0)
Social security costs	(16.9)	(14.6)
Pension costs	(17.5)	(13.2)
Employee benefit costs	(215.2)	(179.8)
Depreciation and amortisation	(142.9)	(136.0)
Profit on disposal of property, plant and equipment	–	7.0
Other operating charges[2]	(239.1)	(225.1)
Result from continuing operations before significant items	217.1	207.6

NOTES

1. *2017 restatement is due to the adoption of IFRS 15 'Revenue from Contracts with Customers' during the year (refer to note 36 for further details).*
2 *Other operating charges includes maintenance, rent, rates, utility costs and other operating expenses.*

5. Employee information

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

	2018 Number	2017 Number
By location		
Manchester Airport	3,484	3,045
London Stansted Airport	1,765	1,451
East Midlands Airport	629	542
Bournemouth Airport	96	146
	5,974	5,184

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

On 4 December 2017, the Group disposed of Bournemouth Airport.

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 the 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 67 to 69 of the annual report and accounts for Manchester Airports Holdings Limited.

	2018 £m	2017 £m
Directors' emoluments		
Aggregate emoluments	5.2	5.3

An amount of £129,219 (2017: £71,498) was paid into money purchase schemes in respect of three directors (2017: three). Included within the amounts above is £1.9m (2017: £1.7m, paid in July 2017) payable in July 2018 relating to the 2015–2018 LTIP, after certain targets were met over the three-year period. As the financial performance in relation to the 2016 and 2017 LTIP is so uncertain at this stage, no value is attributed to any prospective awards under those plans.

	2018 £m	2017 £m
Key management compensation		
Aggregate emoluments	11.1	9.1

Key management for the Group are the Board of Directors and members of the Executive Committee (EXCO), who control and direct the Group's operational activities and resources. Included within the amounts above is £2.4m payable in July 2018 relating to the 2015–2018 LTIP (2017: £2.7m, paid in July 2017 in relation to the 2014–2017 LTIP) after certain targets were met over the three-year period. As the financial performance in relation to the 2016 and 2017 plans is so uncertain at this stage, no value is attributed above to any prospective awards under those plans.

	2018 £m	2017 £m
Highest paid director		
Aggregate emoluments	2.1	2.0

7. Finance income

	2018 £m	2017 £m
Interest receivable from Group undertakings	8.8	5.7
Total finance income	8.8	5.7

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

Notes to the financial statements continued
for the year ended 31 March 2018

8. Finance costs

	Note	2018 £m	2017 £m
Interest payable on bank loans and overdrafts		3.0	4.2
Interest payable on bonds		40.3	36.9
Interest cost on defined benefit pension schemes	25	2.8	1.8
Amortisation of issue costs on financing		–	0.5
Capitalisation of borrowing costs	14	(8.9)	–
Total finance costs		37.2	43.4

9. Result before taxation

	Note	2018 Continuing operations £m	2017 Continuing operations £m
Result before taxation has been arrived at after charging/(crediting):			
Hire of plant and machinery – operating leases		0.4	0.4
Hire of other assets – operating leases		28.3	25.8
Release of capital based grants		(0.4)	(0.4)
Depreciation of property, plant and equipment:			
Owned assets – continuing operations	2, 14	140.4	133.5
Amortisation of intangible assets	16	2.5	2.5
Profit on disposal of property, plant and equipment		–	(7.0)
Significant items	2, 3	8.6	7.1
Gains and losses on sales and valuation of investment properties	2, 15	(14.5)	(4.8)
Employee benefit costs	4	215.2	179.8
Auditor's remuneration			
Audit of these financial statements		0.1	0.1
Amounts receivable by the Company's auditor and its associates in respect of:			
Audit of subsidiaries' financial statements		0.2	0.2
Other services relating to taxation		0.1	0.1
Total auditor's remuneration		0.4	0.4

Exceptional costs have been shown as significant items on the face of the consolidated income statement. Further details of these items are shown in note 3 Significant items.

10. Taxation

Analysis of charge in the year

	2018 £m Before significant items	2018 £m Significant items	2018 £m After significant items	2017 £m Before significant items	2017 £m Significant items	2017 £m After significant items
Current taxation						
UK corporation tax on profits for the year	49.7	(1.6)	48.1	46.8	(1.4)	45.4
Adjustment in respect of prior year	1.6	–	1.6	(1.3)	–	(1.3)
Total current taxation	51.3	(1.6)	49.7	45.5	(1.4)	44.1
Deferred taxation						
Temporary differences arising in the year	(10.4)	–	(10.4)	(6.3)	–	(6.3)
Adjustment in respect of prior year	(0.6)	–	(0.6)	(4.2)	–	(4.2)
Effect of change in rate of corporation tax	–	–	–	(14.3)	–	(14.3)
Total ordinary deferred taxation	(11.0)	–	(11.0)	(24.8)	–	(24.8)
Total taxation charge/(credit)	40.3	(1.6)	38.7	20.7	(1.4)	19.3

Taxation on items charged/(credited) to equity

	2018 £m	2017 £m
Deferred taxation on remeasurement or retirement benefit liabilities	3.7	(8.4)
Effect of change in rate of corporation tax	–	0.7
Total taxation charge/(credit)	3.7	(7.7)

Factors affecting the taxation charge for the year

The total taxation charge for the year ended 31 March 2018 is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below.

	2018 £m Before significant items	2018 £m Significant items	2018 £m After significant items	2017 £m Before significant items	2017 £m Significant items	2017 £m After significant items
Result before taxation	203.2	(8.6)	194.6	174.7	(7.1)	167.6
Result before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	38.6	(1.6)	37.0	34.9	(1.4)	33.5
Effect of: Lower than standard rate used for deferred tax temporary differences	(1.8)	–	(1.8)	(2.0)	–	(2.0)
Non-taxable items	2.5	–	2.5	7.6	–	7.6
Adjustments to prior year taxation charge	1.0	–	1.0	(5.5)	–	(5.5)
Effect of change in rate of corporation tax	–	–	–	(14.3)	–	(14.3)
Total taxation charge/(credit)	40.3	(1.6)	38.7	20.7	(1.4)	19.3

The March 2016 Budget included a reduction in the rate of Corporation tax from 1 April 2020 of 2% to 17%. This change was substantively enacted on 5 September 2016. Deferred tax balances at 31 March 2018 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.

Notes to the financial statements continued
for the year ended 31 March 2018

11. Discontinued operation

On 4 December 2017, the Group entered into a sale agreement to dispose of its entire shareholding of Bournemouth International Airport Limited and its subsidiaries Bournemouth Airport Property Investments (Offices) Limited, Bournemouth Airport Property Investments (Industrial) Limited and Bournemouth Airport Core Property Investments Limited, which carried out all of the Group's Bournemouth Airport operation. The disposal was effected to generate cash flow for the expansion of the Group's other businesses.

The results of the discontinued operation, which have been included in the consolidated income statement, were as follows:

	Period ended 4 December 2017 £m	Year ended 31 March 2017 £m
Revenue	**10.3**	15.8
Operating costs	**(8.4)**	(13.2)
Operating profit	**1.9**	2.6
Significant items	**(14.1)**	–
Gains and losses on sales and valuation of investment properties	**–**	(0.7)
Attributable tax expense	**(0.6)**	(0.1)
(Loss)/profit of discontinued operation	**(12.8)**	1.8
Net (loss)/profit attributable to discontinued operation (attributable to owners of the Company)	**(12.8)**	1.8

A loss of £14.1m arose on the disposal of Bournemouth International Airport Limited and its subsidiaries, being the difference between the proceeds of disposal and the carrying amount of the subsidiary's net assets and attributable goodwill.

12. Dividends

	2018 £m	2017 £m
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 31 March 2018 of £2,063.67 (2017: £nil) per share	**619.1**	-
Amounts recognised as distributions to equity holders in the year	**619.1**	

13. Earnings per share

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

	2018					2017				
	Earnings		**Weighted average number of shares**	**Per share amount**		Earnings		Weighted average number of shares	Per share amount	
	Continuing operations £m	**Discontinued operation £m**	**m**	**Continuing operations £**	**Discontinued operation £**	Continuing operations £m	Discontinued operation £m	m	Continuing operations £	Discontinued operation £
EPS attributable to ordinary shareholders – before significant items	**162.8**	**1.3**	**0.3**	**542.67**	**449.47**	154.0	1.8	0.3	513.33	6.00
EPS attributable to ordinary shareholders – continuing operations	**155.9**	**(12.8)**	**0.3**	**519.67**	**(42.67)**	148.3	1.8	0.3	494.33	6.00

14. Property, plant and equipment

2018	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
Cost						
At 1 April 2017	192.5	478.7	2,078.5	629.3	190.0	3,569.0
Additions	–	–	–	–	340.6	340.6
Reclassification from Assets in the course of construction	–	6.3	80.6	80.8	(167.7)	–
Reclassification to Investment properties (note 15)	–	–	–	–	(3.1)	(3.1)
Disposal of discontinued operation (note 11)	(8.5)	(20.2)	(32.6)	(21.2)	–	(82.5)
Disposals	–	(13.1)	(16.7)	(33.7)	(1.2)	(64.7)
At 31 March 2018	184.0	451.7	2,109.8	655.2	358.6	3,759.3
Depreciation						
At 1 April 2017	59.0	201.5	485.4	482.3	–	1,228.2
Charge for the year	–	13.1	70.4	57.9	–	141.4
Disposal of discontinued operation (note 11)	(5.3)	(16.1)	(26.4)	(19.0)	–	(66.8)
Depreciation on disposals	–	(11.4)	(16.1)	(33.6)	–	(61.1)
At 31 March 2018	53.7	187.1	513.3	487.6	–	1,241.7
Carrying amount						
At 31 March 2018	130.3	264.6	1,596.5	167.6	358.6	2,517.6
Carrying amount						
At 31 March 2017	133.5	277.2	1,593.1	147.0	190.0	2,340.8

Notes to the financial statements continued
for the year ended 31 March 2018

14. Property, plant and equipment continued

2017	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
Cost						
At 1 April 2016	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 from Assets in the course of construction	–	0.3	43.0	48.0	(91.3)	–
Reclassification to Investment properties (note 15)	–	–	–	–	(2.0)	(2.0)
Disposals	–	(3.2)	(8.1)	(16.2)	–	(27.5)
At 31 March 2017	**192.5**	**478.7**	**2,078.5**	**629.3**	**190.0**	**3,569.0**
Depreciation						
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
Depreciation on disposals	–	(3.2)	(1.8)	(17.4)	–	(22.4)
At 31 March 2017	**59.0**	**201.5**	**485.4**	**482.3**	**–**	**1,228.2**
Carrying amount						
At 31 March 2017	**133.5**	**277.2**	**1,593.1**	**147.0**	**190.0**	**2,340.8**
Carrying amount						
At 31 March 2016	133.5	291.8	1,621.2	148.6	108.0	2,303.1

The carrying amount of land not depreciated as at 31 March 2018 is £57.4m (2017: £57.4m).

Capitalised borrowing costs

During the year ended 31 March 2018, borrowing costs of £8.9m were capitalised (2017: £nil). Capitalised borrowing costs were calculated on a monthly basis, by applying the rate of interest for the relevant month to expenditure incurred in that month. The average rate of interest applied was 5.72%. These borrowing costs relate to qualifying expenditure within the transformational capital investment projects being undertaken at Manchester and London Stansted Airports.

15. Investment properties

2018	Investment properties £m
Valuation	
At 1 April 2017	603.3
Reclassification from Assets in the course of construction (note 14)	3.1
Disposals	(35.5)
Disposal of discontinued operation (note 11)	(54.8)
Revaluation	10.0
At 31 March 2018	526.1
Carrying amount	
At 31 March 2018	526.1
At 31 March 2017	603.3

2017	Investment properties £m
Valuation	
At 1 April 2016	641.3
Reclassification from Assets in the course of construction (note 14)	2.0
Disposals	(45.4)
Revaluation	5.4
At 31 March 2017	603.3
Carrying amount	
At 31 March 2017	603.3
At 31 March 2016	641.3

Investment properties

The fair value of the Group's commercial investment property at 31 March 2018 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 Mellor Braggins carried out the Manchester residential property portfolio, at 31 March 2018. The valuers are independent and have appropriate, recognised professional qualifications, and recent experience in the locations and categories of the properties 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 'Investment Property' 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 £35.4m (2017: £37.2m). Direct operating expenses arising on the investment property in the year amounted to £4.6m (2017: £4.6m), which includes £nil (2017: £0.6m) of operating costs where no income was derived.

Gains and losses on sales and valuation of investment properties reported in the consolidated income statement of £14.5m in the year (2017: £4.8m) comprise £10.0m of valuation gains (2017: gains of £5.4m), and profits on sale of £4.5m (2017: losses on sale of £0.6m).

Notes to the financial statements continued
for the year ended 31 March 2018

16. Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 April 2017	166.3	50.5	216.8
Additions	–	–	–
At 31 March 2018	**166.3**	**50.5**	**216.8**
Amortisation			
At 1 April 2017	–	6.0	6.0
Charge for the year	–	2.5	2.5
At 31 March 2018	**–**	**8.5**	**8.5**
Carrying amount			
At 31 March 2018	**166.3**	**42.0**	**208.3**
At 31 March 2017	166.3	44.5	210.8

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

The recoverable amount of the Stansted cash generating unit has been determined from value-in-use calculations. Key assumptions for these calculations are those regarding discount rates, terminal value growth rates, expected changes to passenger and revenue growth rates, Adjusted 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 of 25 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 6.0% (2017: 6.5%). 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 four onwards and restricting the assets to a 50-year remaining life, for an impairment to be triggered.

Other intangible assets
In 2010 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.

*As explained on page 72.

17. Inventories

	2018 £m	2017 £m
Consumables	2.5	2.1
	2.5	2.1

18. Trade and other receivables

	2018 £m	2017 £m
Trade receivables	94.7	50.7
Other receivables	6.3	0.5
Prepayments and accrued income	46.6	44.9
	147.6	96.1

The average credit period taken on sales is 31 days (2017: 19 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £3.0m (2017: £2.7m). 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 their 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:

	2018 £m	2017 £m
Debt due over 90 days	2.9	2.7
Total	2.9	2.7

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

	£m
Balance at 1 April 2017	2.7
Increase in allowance for impaired receivables	0.3
Provision utilised	–
Balance at 31 March 2018	**3.0**

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 folows:

	2018 £m	2017 £m
Less than 60 days	0.1	–
60 to 90 days	–	–
Over 90 days	2.9	2.7
Total	3.0	2.7

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 is included in note 23.

Notes to the financial statements continued
for the year ended 31 March 2018

19. Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	10.6	1.6
	10.6	1.6

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

20. Borrowings

	Note	2018 £m	2017 £m
Bank loans	21	(2.8)	134.1
Bonds	23	1,098.1	803.0
		1,095.3	937.1
Borrowings are repayable as follows:			
In one year or less, or on demand			
Bank loans	21	–	134.1
		–	134.1
In more than one year, but no more than two years			
Bank loans		–	–
		–	–
In more than two years, but no more than five years			
Bank loans		(2.8)	–
In more than five years – due other than by instalments			
Bonds	22	1,098.1	803.0
		1,098.1	803.0
Non-current borrowings		1,095.3	803.0
Total borrowings		1,095.3	937.1

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, April 2014 and November 2017.

During the period the Group completed the maturity extension of its revolving credit and liquidity facilities, comprising a £500.0m revolving credit facility and £60.0m in standby liquidity facilities, each with a five-year term, maturing in 2022. In May 2018 the Group extended the facilities for a further year, resulting in a revised maturity date of June 2023.

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

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

20. Borrowings continued

The Group issued a £300.0m publicly listed fixed rate secured bond on 15 November 2017 with a scheduled and legal maturity of 31 March 2039. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay the Revolving Credit Facility.

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

21. Bank loans

	2018 £m	2017 £m
Secured Revolving Credit Facility	–	137.0
Less: unamortised debt issue costs[1]	(2.8)	(2.9)
	(2.8)	134.1

NOTE

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

At 31 March 2018 the Group had £485.0m (2017: £348.0m) 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 Secured Revolving Credit Facility (undrawn at 31 March 2018), 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 Secured Revolving Credit Facility is linked to LIBOR plus a margin.

See note 20 for further information on financial liabilities, including maturity analysis.

22. Bonds

	2018 £m	2017 £m
Repayable other than by instalments		
MAG bond 4.125% £360.0m due 2024	360.0	360.0
MAG bond 4.75% £450.0m due 2034	450.0	450.0
MAG bond 2.875% £300.0m due 2039	300.0	–
Less: discount on issue	(5.4)	(1.9)
Less: unamortised debt issue costs	(6.5)	(5.1)
	1,098.1	803.0

See note 20 for further information on financial liabilities, including maturity analysis.

23. Financial instruments

Risk management

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

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

Notes to the financial statements continued
for the year ended 31 March 2018

23. Financial instruments continued

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

Liquidity risk
The principal sources of the Group's liquidity risk are: the ability to refinance debt facilities as they fall due; ensuring cash and cash equivalents are accessible as 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 2018, MAGIL had £1,595.0m (2017: £1,295.0m) of committed facilities (excluding the Amended and Restated LF Agreement) and a net debt position of £1,084.7m (2017: £935.5m). MAG had financial headroom of £505.6m (2017: £359.6m) at the year-end, a level comfortably in excess of the internal compliance target. Under existing facilities and based on the Board-approved business plan, MAG is forecast to have financial headroom in excess of the minimum Treasury Policy target of £100.0m throughout 2019.

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 non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument, and ensuring only counterparties within defined credit risk parameters are used.

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

The Group's exposure to credit risk on trade receivables is mitigated by limiting exposure to any one counterparty. Risk reports and available aviation and financial information updates used by the Group provide valuable information in relation to any changes in the credit risk profile of its customers, or within the market, and allow the Group to take a flexible approach to the management of risk. Credit 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 18 Trade and other receivables.

23. Financial instruments continued

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:

	2018 £m	2017 £m
Fixed rate financial liabilities	1,098.1	803.0
Floating rate financial liabilities	(2.8)	134.1
	1,095.3	937.1

The Revolving Credit Facility bears an interest rate based on LIBOR at the Group's discretion, between one week and six months, plus a credit margin. The overdrafts bear interest at Bank of England Base Rate plus a credit margin.

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

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

	2018 £m	2017 £m
Impact on income statement	0.1	(1.4)
Impact on equity	–	–
	0.1	(1.4)

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

	2018 £m	2017 £m
Weighted average annual interest rate	4.04%	4.47%
Weighted average period for which interest rate is fixed	14yr 1m	12yr 6m

The weighted average period for non-interest bearing liabilities as at 31 March 2018 was one year (2017: one 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 2018 to the contract maturity date.

	2018 £m	2017 £m
In one year or less, or on demand	44.9	173.2
In more than one year but not more than two years	44.9	36.2
In more than two years but not more than five years	134.6	108.7
In more than five years	1,498.0	1,096.2
	1,722.4	1,414.3

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

Notes to the financial statements continued
for the year ended 31 March 2018

23. Financial instruments continued

Undrawn committed borrowing facilities
As at 31 March 2018, the Group had an undrawn committed borrowing facility available amounting to £485.0m (2017: £348.0m).

	2018 Floating rate £m	2017 Floating rate £m
Expiring in less than one year	–	–
Expiring in one to two years	–	–
Expiring in more than two years	485.0	348.0
	485.0	348.0

(d) Fair values versus carrying amounts of financial statements
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 2018 and 2017. 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	2018 Carrying amount £m	2018 Fair value £m	2017 Carrying amount £m	2017 Fair value £m
Financial liabilities:					
Instruments held at amortised cost					
Bank loans and overdrafts	21	2.8	2.8	(134.1)	(134.1)
Trade payables	24	(50.9)	(50.9)	(42.0)	(42.0)
Bonds	22	(1,098.1)	(1,253.0)	(803.0)	(995.7)
		(1,146.2)	(1,301.1)	(979.1)	(1,171.8)
Financial assets:					
Instruments held at amortised cost					
Cash at bank and in hand	19	10.6	10.6	1.6	1.6
Trade receivables	18	94.7	94.7	50.7	50.7
Other assets held at fair value					
Investment properties	15	526.1	526.1	603.3	603.3
		631.4	631.4	655.6	655.6
Net financial liabilities		(514.8)	(669.7)	(323.5)	(516.2)

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

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

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

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

23. Financial instruments continued

Summary of methods and assumptions used for determining fair values

Bonds	The fair value of publicly listed bonds is based on market prices or, if not available, brokers' quotes. The carrying value is net of unamortised issues 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 acrrying value is net of unamortised issue costs.
Other borrowings	The fair value of other borrowings is based on a discounted cash flow methodology that reflects movements in underlying market rates.
Cash at bank and in hand	The fair value of cash at bank and in hand approximates to the carrying value as all deposits have same day access.
Trade receivables and payables	The fair value of trade receivables and trade payables approximates to the carrying value given their short-term nature.
Investment properties	The fair values of investment properties are based on an income capitalisation methodology.

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

	Carrying amount 2018 £m	Carrying amount 2017 £m
Trade receivables	94.7	50.7
Cash at bank and in hand	10.6	1.6
Credit exposure	105.3	52.3

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in note 18.

24. Trade and other payables

	2018 £m	2017 £m
Trade payables	50.9	42.0
Other taxation and social security	4.5	5.2
Other payables	2.8	9.6
Accruals	159.1	137.1
Capital-based grants	1.4	0.4
	218.7	194.3

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

Notes to the financial statements continued
for the year ended 31 March 2018

25. Retirement benefits

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

The total cost charged to income of £7.8m (2017: £3.3m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2018, there was £nil (2017: £nil) of contributions due in respect of the current reporting period that had not been paid over to the schemes.

Defined benefit schemes
The Group operates four defined benefit pension schemes as follows:

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

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

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

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

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

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2018 amounted to £10.7m (2017: £9.6m) and there were no one-off contributions during this period (2017: £nil).

Total employees' pension contributions for defined benefit schemes across the Group during the year ended 31 March 2018 amounted to £2.7m (2017: £2.6m) and there were no one-off contributions during this period (2017: £nil).

Actuarial gains or losses are recognised immediately in the statement of comprehensive income, included within remeasurements.

25. Retirement benefits continued

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 £5.5m (2017: £5.2m) related to payments into the GMPF.

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

The last full valuation of the Fund was undertaken on 31 March 2016 by an independent actuary. The Fund was valued using the attained age method. The purposes of the valuation were to determine the financial position of the Fund and to recommend the contribution rate to be paid by Manchester Airport Plc and the other participating employers. The market value of the Fund's assets at 31 March 2016 was £17,325m (previous valuation in 2013: £12,590m). The funding level of the scheme as measured using the actuarial method of valuation was 93% (previous valuation in 2013: 91%).

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

Salary increase	2.90% per annum
Pensions increase/price inflation	2.10% per annum

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

MAG (STAL) Pension Scheme

On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. A condition of the purchase was that a new defined benefit pension scheme was set up to provide comparable benefits to those employees who had previously participated in the BAA pension scheme prior to the acquisoition. 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 2016. The aggregate market value of the assets in the scheme at the date of that actuarial valuation was £153.0m (previous valuation £104.3m), which represented approximately 87.9% (previous valuation 104.9%) of the present value of the liabilities. The scheme was valued using the projected unit method.

Other schemes

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

- E.M.I.A Pension Scheme (EMIA) – 6 April 2017
- Airport Ventures Pension Scheme – 1 August 2016

The aggregate market value of the assets in the EMIA scheme at the date of that actuarial valuation was £59.8m (previous valuation £48.3m), which represented approximately 74% (previous valuation 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 'Employee Benefits'.

Notes to the financial statements continued
for the year ended 31 March 2018

25. Retirement benefits continued
The key assumptions used are as follows:

	GMPF		MAG (STAL)		EMIA		AVPS	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Rate of increase in salaries	**3.15%**	3.35%	**3.15%**	3.35%	**2.00%**	2.00%	**N/A**	N/A
Rate of increase of pensions in payment	**2.15%**	2.35%	**2.15%**	2.35%	**2.15%**	2.35%	**2.15%**	2.35%
Discount rate	**2.60%**	2.65%	**2.60%**	2.70%	**2.60%**	2.65%	**2.55%**	2.60%
Inflation assumption	**2.15%**	2.35%	**2.15%**	2.35%	**2.15%**	2.35%	**2.15%**	2.35%
Life expectancy from 65								
Longevity at age 65 for current pensioners								
Males	**20.9 years**	20.9 years	**23.0 years**	23.1 years	**22.7 years**	23.4 years	**21.1 years**	21.1 years
Females	**23.3 years**	23.3 years	**25.7 years**	25.7 years	**25.1 years**	25.5 years	**23.4 years**	23.3 years
Longevity at age 45 for current members								
Males	**22.3 years**	22.3 years	**24.1 years**	24.1 years	**23.7 years**	24.5 years	**22.2 years**	22.2 years
Females	**24.8 years**	24.7 years	**26.9 years**	26.9 years	**26.3 years**	26.6 years	**24.6 years**	24.5 years

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

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

Asset volatility	For the purpose of setting the contribution requirements, the calculation uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio, whereas under IAS 19 (R) the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. GMPF, MAG (STAL) and EMIA hold a significant proportion of their assets in return-seeking funds. The returns on these assets may be volatile and are not closely correlated to the value placed on the liabilities. This means that the deficit may be volatile in the shorter term, which may result in an increase in the contribution requirements and an increase in the net defined 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 schemes against extreme inflation. Inflation will lead to a higher benefit obligation (although in most cases caps on the majority of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature e.g. corporate bonds and government bonds, or have an indirect link to inflation e.g. equities).
Life expectancy	The majority of the schemes' obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy.

25. Retirement benefits continued

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

	Fair value of scheme assets £m	Present value of defined benefit obligation £m	(Deficit)/Surplus in the scheme £m
GMPF[1]			
2018	**437.5**	**(483.5)**	**(46.0)**
2017	435.2	(489.4)	(54.2)
2016	363.1	(402.6)	(39.5)
2015	377.7	(432.5)	(54.8)
2014	346.0	(383.9)	(37.9)
MAG (STAL)			
2018	**172.5**	**(195.0)**	**(22.5)**
2017	161.4	(189.2)	(27.8)
2016	131.8	(133.4)	(1.6)
2015	130.3	(134.9)	(4.6)
2014	113.9	(107.1)	6.8
EMIA			
2018	**61.3**	**(80.1)**	**(18.8)**
2017	59.9	(82.5)	(22.6)
2016	52.9	(64.7)	(11.8)
2015	55.1	(69.1)	(14.0)
2014	48.5	(57.6)	(9.1)
AVPS[2]			
2018	**3.9**	**(3.9)**	**–**
2017	4.0	(4.0)	–
2016	3.5	(3.5)	–
2015	3.6	(3.6)	–
2014	3.1	(3.1)	–
Total[2]			
2018	**675.2**	**(762.5)**	**(87.3)**
2017	660.5	(765.1)	(104.6)
2016	551.3	(604.2)	(52.9)
2015	566.7	(640.1)	(73.4)
2014	511.5	(551.7)	(40.2)

NOTES:

1 *The figures as shown represent the proprtion of the scheme that is attributable to the Group. £6.2m (2017: £6.6m) of the liabilities are unfunded.*

2 *The AVPS has a surplus of £0.9m (2017: £0.9m). This surplus has not been recognised in line with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' as the surplus cannot be recovered by reducing future contributions.*

Plan assets

	GMPF		MAG (STAL)		EMIA		AVPS		Total	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Equities and other growth assets	**293.5**	316.6	**110.0**	121.6	**36.7**	35.6	**–**	0.6	**440.2**	474.4
Corporate and government bonds	**68.7**	68.4	**40.9**	39.3	**15.3**	15.3	**3.5**	2.9	**128.4**	125.9
Property	**27.6**	24.8	**–**	–	**6.5**	6.1	**–**	–	**34.1**	30.9
Other	**47.7**	25.4	**21.6**	0.5	**2.8**	2.9	**0.4**	0.5	**72.5**	29.3
Fair value of assets	**437.5**	435.2	**172.5**	161.4	**61.3**	59.9	**3.9**	4.0	**675.2**	660.5

Notes to the financial statements continued
for the year ended 31 March 2018

25. Retirement benefits continued
Movement in net defined benefit liability – all schemes

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Opening position as at 1 April*	**(764.2)**	(603.3)	**660.5**	551.3	**(103.7)**	(52.0)
Included in the income statement						
Current service cost of defined benefit scheme	**(11.9)**	(8.9)	**(0.5)**	(1.2)	**(12.4)**	(10.1)
Past service cost	**–**	–	**–**	–	**–**	–
Interest (cost)/income	**(20.3)**	(21.6)	**17.5**	19.8	**(2.8)**	(1.8)
	(32.2)	(30.5)	**17.0**	18.6	**(15.2)**	(11.9)
Amount recognised in the statement of comprehensive income						
Actual return less expected return on pension scheme assets	**–**	–	**5.1**	99.2	**5.1**	99.2
Experience (loss)/gain arising on scheme liabilities	**(2.3)**	(4.9)	**–**	–	**(2.3)**	(4.9)
Remeasurement gain/(loss) due to financial assumption changes	**16.1**	(176.6)	**–**	–	**16.1**	(176.6)
Remeasurement gain due to demographic assumption changes	**2.9**	32.9	**–**	–	**2.9**	32.9
	16.7	(148.6)	**5.1**	99.2	**21.8**	(49.4)
Cash flows						
Contributions	**(2.7)**	(2.6)	**13.4**	12.2	**10.7**	9.6
Benefits paid	**20.8**	20.8	**(20.8)**	(20.8)	**–**	–
Impact of asset ceiling	**(0.9)**	(0.9)	**–**	–	**(0.9)**	(0.9)
Closing position as at 31 March	**(762.5)**	(765.1)	**675.2**	660.5	**(87.3)**	(104.6)

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

Movement in net defined benefit liability – GMPF

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Opening position as at 1 April	**(489.4)**	(402.6)	**435.2**	363.1	**(54.2)**	(39.5)
Included in the income statement	**(4.6)**		**–**		**(4.6)**	
Current service cost of defined benefit scheme		(3.3)		–		(3.3)
Past service cost	**–**	–	**–**	–	**–**	–
Interest (cost)/income	**(12.8)**	(14.2)	**11.4**	12.9	**(1.4)**	(1.3)
	(17.4)	(17.5)	**11.4**	12.9	**(6.0)**	(4.6)
Amount recognised in the statement of comprehensive income						
Actual return less expected return on pension scheme assets	**–**	–	**1.0**	70.6	**1.0**	70.6
Experience (loss)/gain arising on scheme liabilities	**(2.3)**	(4.2)	**–**	–	**(2.3)**	(4.2)
Remeasurement gain/(loss) due to financial assumption changes	**9.1**	(95.0)	**–**	–	**9.1**	(95.0)
Remeasurement gain due to demographic assumption changes	**0.9**	13.3	**–**	–	**0.9**	13.3
	7.7	(85.9)	**1.0**	70.6	**8.7**	(15.3)
Cash flows						
Contributions	**(1.2)**	(1.2)	**6.7**	6.4	**5.5**	5.2
Benefits paid	**16.8**	17.8	**(16.8)**	(17.8)	**–**	–
Closing position as at 31 March	**(483.5)**	(489.4)	**437.5**	435.2	**(46.0)**	(54.2)

The scheme liabilities have a duration of approximately 16 years.

25. Retirement benefits continued

Movement in net defined benefit liability – MAG (STAL) Pension Scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Opening position as at 1 April	**(189.2)**	(133.4)	**161.4**	131.8	**(27.8)**	(1.6)
Included in the income statement						
Current service cost of defined benefit scheme	**(6.2)**	(4.8)	**(0.3)**	(0.8)	**(6.5)**	(5.6)
Past service cost	**–**	–	**–**	–	**–**	–
Interest (cost)/income	**(5.2)**	(5.0)	**4.4**	4.9	**(0.8)**	(0.1)
	(11.4)	(9.8)	**4.1**	4.1	**(7.3)**	(5.7)
Amount recognised in the statement of comprehensive income						
Actual return less expected return on pension scheme assets	**–**	–	**3.6**	22.6	**3.6**	22.6
Experience (loss)/gain arising on scheme liabilities	**(0.3)**	(1.1)	**–**	–	**(0.3)**	(1.1)
Remeasurement gain/(loss) due to financial assumption changes	**5.2**	(60.9)	**–**	–	**5.2**	(60.9)
Remeasurement gain due to demographic assumption changes	**0.1**	15.7	**–**	–	**0.1**	15.7
	5.0	(46.3)	**3.6**	22.6	**8.6**	(23.7)
Cash flows						
Contributions	**(1.2)**	(1.1)	**5.2**	4.3	**4.0**	3.2
Benefits paid	**1.8**	1.4	**(1.8)**	(1.4)	**–**	–
Closing position as at 31 March	**(195.0)**	(189.2)	**172.5**	161.4	**(22.5)**	(27.8)

The scheme liabilities have a duration of approximately 25 years.

Movement in net defined benefit liability – E.M.I.A Pension Scheme

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Opening position as at 1 April	**(82.5)**	(64.7)	**59.9**	52.9	**(22.6)**	(11.8)
Included in the income statement						
Current service cost of defined benefit scheme	**(1.1)**	(0.8)	**(0.2)**	(0.4)	**(1.3)**	(1.2)
Past service cost	**–**	–	**–**	–	**–**	–
Interest (cost)/income	**(2.2)**	(2.3)	**1.6**	1.9	**(0.6)**	(0.4)
	(3.3)	(3.1)	**1.4**	1.5	**(1.9)**	(1.6)
Amount recognised in the statement of comprehensive income						
Actual return less expected return on pension scheme assets	**–**	–	**0.6**	5.5	**0.6**	5.5
Experience gain/(loss) arising on scheme liabilities	**0.3**	0.4	**–**	–	**0.3**	0.4
Remeasurement gain/(loss) due to financial assumption changes	**1.7**	(20.1)	**–**	–	**1.7**	(20.1)
Remeasurement gain due to demographic assumption changes	**1.9**	3.8	**–**	–	**1.9**	3.8
	3.9	(15.9)	**0.6**	5.5	**4.5**	(10.4)
Cash flows						
Contributions	**(0.3)**	(0.3)	**1.5**	1.5	**1.2**	1.2
Benefits paid	**2.1**	1.5	**(2.1)**	(1.5)	**–**	–
Closing position as at 31 March	**(80.1)**	(82.5)	**61.3**	59.9	**(18.8)**	(22.6)

The scheme liabilities have a duration of approximately 20 years.

Notes to the financial statements continued
for the year ended 31 March 2018

25. Retirement benefits continued

Movement in net defined benefit surplus – AVPS

	Defined benefit obligation		Fair value of scheme assets		Net defined benefit surplus	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Opening position as at 1 April	(3.1)	(2.6)	4.0	3.5	0.9	0.9
Included in the income statement	–		–		–	
Current service cost of defined benefit scheme		–		–		–
Past service cost	–	–	–	–	–	–
Interest (cost)/income	(0.1)	(0.1)	0.1	0.1	–	–
	(0.1)	(0.1)	0.1	0.1	–	–
Amount recognised in the statement of						
Actual return less expected return on pension scheme assets	–	–	(0.1)	0.5	(0.1)	0.5
Experience gain/(loss) arising on scheme liabilities	–	–	–	–	–	–
Remeasurement gain/(loss) due to financial assumption changes	0.1	(0.6)	–	–	0.1	(0.6)
Remeasurement gain due to demographic assumption changes	–	0.1	–	–	–	0.1
	0.1	(0.5)	(0.1)	0.5	–	–
Cash flows						
Contributions	–	–	–	–	–	–
Benefits paid	0.1	0.1	(0.1)	(0.1)	–	–
Closing position as at 31 March	(3.0)	(3.1)	3.9	4.0	0.9	0.9

The AVPS has a surplus of £0.9m (2017: £0.9m). This surplus has not been recognised in line with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' as the surplus cannot be recovered by reducing future contributions.

History of experience gains and losses

	GMPF		MAG (STAL)		EMIA		AVPS		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Difference between actual and expected returns on assets amount	1.0	70.6	3.6	22.6	0.6	5.5	(0.1)	0.5	5.1	99.2
% of scheme assets	0.2%	16.2%	2.1%	14.0%	1.0%	9.2%	(2.6%)	12.5%	0.8%	15.0%
Experience (loss)/gain on liabilities amount	(2.3)	(4.2)	(0.3)	(1.1)	0.3	0.4	–	–	(2.3)	(4.9)
% of scheme liabilities	0.5%	(0.9%)	0.2%	(0.6%)	(0.4%)	0.5%	–	–	0.3%	(0.6%)
Total amount recognised in the statement of comprehensive income	8.7	(15.3)	8.6	(23.7)	4.5	(10.4)	–	–	21.8	(49.4)
% of scheme liabilities	(1.8%)	(3.1%)	(4.4%)	(12.5%)	(5.6%)	(12.6%)	–	–	(2.9%)	(6.5%)

The estimated amount of contributions expected to be paid to the schemes during the financial year ending 31 March 2019 is £15.3m (2017: £10.1m).

25. Retirement benefits continued

Sensitivity analysis

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

	GMPF	MAG (STAL)	EMIA	AVPS	Total
	2018 £m	2018 £m	2018 £m	2018 £m	2018 £m
0.5% increase in real discount rate	(37.8)	(24.9)	(7.4)	(0.3)	(70.4)
0.5% decrease in real discount rate	42.7	29.5	8.5	0.4	81.1
0.5% increase in rate of RPI inflation	37.4	24.6	4.9	0.4	67.3
0.5% decrease in rate of RPI inflation	(33.3)	(23.1)	(5.4)	(0.3)	(62.1)
0.5% increase in the salary increase rate	7.0	10.6	–	N/A	17.6
0.5% decrease in the salary increase rate	(6.7)	(9.9)	–	N/A	(16.6)
1 year increase in life expectancy	13.0	6.4	2.3	0.1	21.8
1 year decrease in life expectancy	(13.0)	(6.4)	(2.3)	(0.1)	(21.8)

26. Deferred taxation

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

	Accelerated capital allowances £m	Investment properties and operational assets carried at deemed cost £m	Retirement benefit obligations £m	Fair value acquisition adjustments £m	Short-term timing differences £m	Total £m
At 1 April 2017	111.8	85.3	(17.8)	38.6	(0.7)	217.2
(Credit)/charge to income	(0.4)	(11.3)	(0.7)	(4.4)	1.3	(15.5)
Charge to equity	–	–	3.7	–	–	3.7
At 31 March 2018	**111.4**	**74.0**	**(14.8)**	**34.2**	**0.6**	**205.4**
At 1 April 2016	120.9	95.1	(10.4)	43.4	1.0	250.0
(Credit)/charge to income	(9.1)	(9.8)	0.5	(4.5)	(1.7)	(24.6)
(Credit) to equity	–	–	(7.9)	(0.3)	–	(8.2)
At 31 March 2017	**111.8**	**85.3**	**(17.8)**	**38.6**	**(0.7)**	**217.2**

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:

	2018 £m	2017 £m
Deferred tax assets	14.8	18.5
Deferred tax liabilities	(220.2)	(235.7)
	(205.4)	(217.2)

Notes to the financial statements continued
for the year ended 31 March 2018

27. Other non-current liabilities

	2018 £m	2017 £m
Accruals and deferred income	**4.7**	4.7
Capital-based grants	**7.2**	7.5
	11.9	12.2

28. Share capital and share premium

		Ordinary shares of £1 each		
	Number of shares ('000)	Share capital £m	Share premium £m	Total £m
Issued, called up and fully paid				
At 31 March 2018	**300.0**	**0.3**	**2,493.9**	**2,494.2**
At 31 March 2017	300.0	0.3	2,493.9	2,494.2

29. Reserves

	Other reserve £m	Retained earnings £m	Total £m
At 1 April 2017	(1,249.4)	1,039.8	(209.6)
Remeasurement of retirement benefit liabilities	–	21.8	21.8
Deferred tax on remeasurement of retirement benefit liabilities	–	(3.7)	(3.7)
Result for the year	–	143.1	143.1
Dividends paid in the year		(619.1)	(619.1)
At 31 March 2018	**(1,249.4)**	**581.9**	**(667.5)**

	2018 £m	2017 £m
Reconciliation of movements in shareholders' funds		
Opening shareholders' funds	**2,284.6**	2,176.2
Total recognised income for the year	**161.2**	108.4
Dividends paid in the year	**(619.1)**	–
Equity shareholders' funds as at 31 March	**1,826.7**	2,284.6

30. Capital commitments and contingent liabilities

	2018 £m	2017 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**225.8**	27.3

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

The Group has performance bonds and other items arising in the normal course of business amounting to £1.3m at 31 March 2018 (2017: £2.4m).

31. Operating lease arrangements

At 31 March 2018 the Group had commitments under non-cancellable operating leases which expire as follows:

	2018 Land £m	2018 Other £m	2017 Land £m	2017 Other £m
Expiring within one year	3.0	8.1	3.0	8.2
Expiring in more than one year but within five years	11.4	29.8	10.6	35.6
Expiring in over five years	60.7	225.6	56.5	220.2
	75.1	263.5	70.1	264.0

A significant portion of the commitments stated as 'other' relates to an electricity distribution agreement with UK Power Networks. The amounts disclosed within the table are the minimum amounts payable (base fee) under the agreement, and have been discounted at the Group's incremental borrowing rate.

The Group has a commitment in respect of a land lease with The Council of the City of Manchester (MCC), a related party as described in note 32. The amount payable on the ground rent leases is a base fee of £1.0m (included within the table above and increasing with inflation linked to CPI). The main lease with MCC is variable based on turnover and rental per sq foot with no base fee or minimum commitment, and therefore is not included in the table above. The amount charged to operating profit across all leases with MCC in the year was £11.3m (2017: £11.0m). 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 £10.5m (2017: £10.6m). The lease expires in 2083.

32. 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 £27.0m (2017: £30.1m) and other sundry charges of £0.6m (2017: £0.4m). The majoity 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 Airports 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 2018 the amount of loans outstanding owed by MAHL was £544.2m (2017: £379.5m), 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 £8.8m (2017: £5.7m).

Notes to the financial statements continued
for the year ended 31 March 2018

32. Related party transactions continued

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 MAFHL:

As at 31 March 2018 the amount of loans outstanding owed to MAFHL was £475.3m (2017: £113.5m owed by MAFHL), relating to interest payments on shareholder loans held outside of the MAGIL Group, and dividend distributions to MAFHL.

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

As at 31 March 2018 the balance outstanding owed by Airport City (Manchester) Limited was £46.1m (2017: £54.4m), relating to the transfer of assets and funding. During the year Airport City (Manchester) Limited repaid funding of £8.3m (2017: received funding of £4.3m).

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 2018 the balance outstanding owed by MAG US was £17.3m (2017: £13.0m), relating to funding provided by the MAGIL Group. During the year the MAGIL Group provided funding of £4.3m (2017: £8.1m).

33. Disposal of subsidiaries
As referred to in note 11, on 4 December 2017 the Group disposed of its interest in the entire shareholding of Bournemouth International Airport Limited and its subsidiaries.

The net assets of Bournemouth International Airport Limited and its subsidiaries at the date of disposal were as follows:

	4 December 2017 £m
Property, plant and equipment	15.7
Investment properties	54.8
Inventories	0.3
Trade and other receivables	0.1
Cash and cash equivalents	–
Deferred tax liability	(4.4)
Trade and other payables	(2.2)
	64.3
Satisfied by:	
Cash and cash equivalents	45.4
Deferred consideration	6.0
Less: directly attributable costs of sale	(1.2)
Loss on disposal of subsidiaries	(14.1)

33. Disposal of subsidiaries continued

There were no disposals of subsidiaries made in the prior year.

The deferred consideration will be settled in cash by the purchaser on or before 4 December 2020. The directors do not believe that the impact of discontinuing would be significant.

The impact of Bournemouth International Airport Limited and its subsidiaries on the Group's results in the current and prior years is disclosed in note 11.

The loss on disposal is included in the loss for the year from the discontinued operation (see note 11).

Cash flows relating to the discontinued operations are as follows:

	£m
Net cash from operating activities	2.7
Net cash from investing activities	44.8
	47.5

34. Reconciliation of net cash flow to movement in net debt

	2017 £m	Cash flow £m	Other non-cash movements £m	**2018 £m**
Cash at bank and in hand	1.6	9.0	–	**10.6**
Cash on short-term deposit	–	–	–	**–**
Cash and cash equivalents disclosed on the statement of financial position	1.6	9.0	–	**10.6**
Overdrafts	–	–	–	**–**
Total cash and cash equivalents (including overdrafts)	1.6	9.0	–	**10.6**
Current debt	(134.1)	134.1	–	**–**
Non-current debt	(803.0)	(292.3)	–	**(1,095.3)**
Net debt	(935.5)	(149.2)	–	**(1,084.7)**

35. Post balance sheet events

On 21 June 2018, the Group acquired 100% of the share capital of Agency of the North Limited.

Notes to the financial statements continued
for the year ended 31 March 2018

36. Financial statements under IFRS 15
The Group adopted IFRS 15 'Revenue from Contracts with Customers' on 1 April 2017 using the full retrospective method. This note shows the impact of IFRS 15 adoption on the Group's primary financial statements.

The cumulative effect of the adoption of IFRS 15 has resulted in a decrease in revenue and costs of £98.8m in 2018 and £81.1m in 2017, being the net effect of presenting certain rebates and discounts as a reduction of revenue rather than as a cost of sale, and presenting car park booking commissions paid to third parties as a cost of sale rather than as a reduction in revenue. There is no impact on Adjusted EBITDA* or result from operations in either year.

	2018 £m Before IFRS 15 adjustment	2018 £m IFRS 15 adjustment	2018 £m After IFRS 15 adjustment	2017 £m Before IFRS 15 adjustment	2017 £m IFRS 15 adjustment	2017 £m After IFRS 15 adjustment
Continuing operations						
Revenue	913.1	(98.8)	814.3	822.6	(81.1)	741.5
Costs	(553.1)	98.8	(454.3)	(479.0)	81.1	(397.9)
Adjusted EBITDA from continuing operations*	360.0	–	360.0	343.6	–	343.6
Depreciation and amortisation	(142.9)	–	(142.9)	(136.0)	–	(136.0)
Result from continuing operations before significant items	217.1	–	217.1	207.6	–	207.6

All the impact of IFRS 15 adoption relates to continuing operations and oll other financial information in the primary statements remains unchanged.

* Adjusted EBITA is earnings before interest, tax, depreciation and amortisation, gains and losses on sales and valuation of investment properties, and before significant items.

Company financial statements

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 sterling.

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

Amounts owed by/to Parent Company and subsidiary undertakings
Intercompany balances are stated at historic cost.

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

Statement of financial position
for the year ended 31 March 2018

	Note	2018 £m	2017 £m
ASSETS			
Non-current assets			
Investments	3	4,975.2	2,494.2
		4,975.2	2,494.2
CURRENT ASSETS			
Trade and other receivables	4	671.6	–
		671.6	–
LIABILITIES			
Current liabilites			
Trade and other payables	5	(5,207.7)	–
NET CURRENT (LIABILITIES)		(4,536.1)	–
NET ASSETS		439.1	2,494.2
Shareholders' equity			
Share capital	6	0.3	0.3
Share premium		2,493.9	2,493.9
Retained earnings		(2,055.1)	–
TOTAL EQUITY		439.1	2,494.2

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

The financial statements on pages 73 to 78 were approved by the Board of Directors on 4 July 2018 and signed on its behalf by:

Neil Thompson
Director

Statement of changes in equity
for the year ended 31 March 2018

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Balance at 1 April 2017	0.3	2,493.9	–	2,494.2
Total comprehensive income/(expense) for the year				
Result for the year	–	–	(1,436.0)	(1,436.0)
Transactions with owners rewarded directly in equity				
Dividends paid	–	–	(619.1)	(619.1)
Balance at 31 March 2018	**0.3**	**2,493.9**	**(2,055.1)**	**439.1**

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
Total comprehensive income/(expense) for the year				
Result for the year	–	–	–	–
Balance at 31 March 2017	**0.3**	**2,493.9**	**–**	**2,494.2**

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

Notes to the financial statements
for the year ended 31 March 2018

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 before taxation
As permitted by section 408 of the Companies Act, the Company is exempt from the requirement to present its own profit and loss account. As shown in the statement of changes in equity, the result attributable to the company is a loss of £1,436.0m (2017: £nil).

3. Investments

	Subsidiary undertakings £m
Cost	
At 1 April 2017	2,494.2
Additions	4,588.6
Changes arising from new business combinations	(2,107.6)
At 31 March 2018	**4,975.2**
Carrying amount	
At 31 March 2018	**4,975.2**
At 31 March 2017	2,494.2

On 29 March 2018 the Company acquired Manchester Airport Group Finance Limited and Manchester Airport Group Funding Plc from The Manchester Airport Group Plc for consideration of £4,588.6m.

4. Trade and other receivables

	2018 £m	2017 £m
Amounts owed by subsidiary undertakings	671.6	–
	671.6	–

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

5. Trade and other payables

	2018 £m	2017 £m
Amounts owed to Parent Company	619.1	–
Amounts owed to subsidiary undertakings	4,588.6	–
	5,207.7	–

Amounts owed to the Parent Company and subsidiary undertakings are unsecured, interest free and are repayable on demand.

6. Called up share capital

	Number ('000)	2018 £m	2017 £m
Issued, called up and fully paid			
Ordinary shares of £1 each	300	0.3	0.3
		0.3	0.3

7. Subsidiary undertakings

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by: Group	Company	Principal activity
Airport Advertising Limited[1]	Ordinary £1 shares	100%		Non-trading
Airport Petroleum Limited[1]	Ordinary £1 shares	100%		Non-trading
Bainsdown Limited[3]	Ordinary £1 shares	100%		Property holding company
East Midlands Airport Core Property Investments Limited[1]	Ordinary £1 shares	100%		Non-trading
East Midlands Airport Nottingham Derby Leicester Limited[1]	Ordinary £1 shares	100%		Intermediate holding company of East Midlands International Airport Limited
East Midlands Airport Property Investments (Hotels) Limited[1]	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Industrial) Limited[1]	Ordinary £1 shares	100%		Investment property holding company
East Midlands Airport Property Investments (Offices) Limited[1]	Ordinary £1 shares	100%		Investment property holding company
East Midlands International Airport Limited[2]	Ordinary £1 shares	100%		Airport operator
	9% cumulative redeemable preference shares	100%		
Manchester Airport Aviation Services Limited[3]	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Finance Limited[1]	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport Group Funding Plc[1]	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport Group Property Developments Limited[1]	Ordinary £1 shares	100%		Property development company
Manchester Airport Group Property Services Limited[1]	Ordinary £1 shares	100%		Property management company
The Manchester Airport Group Plc[3]	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport Plc[1]	Ordinary £1 shares	100%		Airport operator
Manchester Airport Property Investments (Hotels) Limited[1]	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Industrial) Limited[1]	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Offices) Limited[1]	Ordinary £1 shares	100%		Investment property holding company

Notes to the Company financial statements continued
for the year ended 31 March 2018

7. Subsidiary undertakings continued

		Proportion of nominal value of issued shares held by:		
Name of undertaking	Description of shares held	Group	Company	Principal activity
Manchester Airport Ventures Limited[3]	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
Ringway Developments Plc[1]	Ordinary £1 shares	100%		Property holding company
Ringway Handling Limited[3]	Ordinary £1 shares	100%		Non-trading
Ringway Handling Services Limited[3]	Ordinary £1 shares	100%		Non-trading
Stansted Airport Limited[4]	Ordinary £1 shares	100%		Airport operator
Worknorth Limited[1]	Ordinary £1 shares	100%		Non-trading
	7% cumulative redeemable preference shares	100%		
Worknorth II Limited[3]	Ordinary £1 shares	100%		Non-trading
	7% cumulative redeemable preference shares	100%		

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

NOTES
The registered office addresses for each of the above companies are listed below:
1. *Olympic House, Manchester Airport, Manchester, M90 1QX.*
2. *Building 34, East Midlands Airport, Castle Donington, Derby DE74 2SA.*
3. *PO Box 532, Town Hall, Albert Square, Manchester, M60 2LA.*
4. *Enterprise House, Bassingbourn Road, Stansted Airport, Essex, CM24 1QW.*

Notes

MAGairports.com