Manchester Airport Plc

Annual report and financial statements

Registered number 1960988

Year ended 31 March 2018

Contents

Strategic report

The directors present their strategic report for the Company for the year ended 31 March 2018.

Principal activities
The principal activities of the Company during the year were the operation and development of an international airport for the North West of England. The Company's revenues were derived primarily from aircraft and passenger handling charges, together with income from aviation, commercial, car park and retail activities.

Business review and future outlook
The results for the year are set out on page 7. During the year, the Company made a profit before taxation of £131,983,000 (2017: £113,208,000). At the year end the Company had net assets of £638,985,000 (2017: £1,237,216,000).

The Company intends to continue the development of Manchester Airport as a world class airport to meet the requirements of users, and to continue to contribute to the development of the economy of the North West of England.

In preparing the financial statements for the year ended 31 March 2018 the previously reported figures for aviation and car parking income have been restated to bring their treatment in line with the presentation in the consolidated financial statements of the ultimate parent company Manchester Airports Holdings Limited. Aviation income has been restated to present certain rebates and discounts as a reduction of revenue rather than a cost of sale, and car parking income has been restated to present car park booking commissions paid to third parties as a cost of sale rather than a reduction of revenue. These adjustments have no effect on either the profit for the year or net assets.

Manchester Airports Group ('MAG'), the group of companies whose ultimate parent company is Manchester Airports Holdings Limited, and of which the Company is a member, has continued to work with industry partners to help shape the UK Government's approach to Brexit. MAG is confident that the UK Government and the EU recognise the need to provide continuity for aviation and the importance of a transitional period after the UK leaves the EU in March 2019. In particular, MAG welcomes the commitment from both sides to putting in place a framework to enable air services to be maintained post Brexit. Maintaining the current liberal regime in the long term, alongside other agreements with other countries, must be a priority of the Government, to help ensure that the recent successful growth of aviation continues into the future.

MAG's resilient foundations, healthy financial position and the fundamental strengths of MAG's airports, will ensure that the Company is well placed to respond to any challenges that may be felt by the UK economy in the future, and the directors continue to take a positive long-term view of the Company's prospects for growth.

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

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

By order of the Board

N Thompson
Director

28 September 2018

Directors' report

The directors present their directors' report and audited financial statements of the Company for the year ended 31 March 2018.

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

C Cornish
A Cowan (appointed 10 October 2017)
K O'Toole
N Thompson

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

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

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

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

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

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

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

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

For more details of the management of these risks please refer to page 40 of the annual report and accounts for Manchester Airports Holdings Limited. The directors have not identified any additional risks specific to this Company.

Directors' report *(continued)*

Dividends

A dividend of £727,872,000 (2017: £nil) was declared and paid in the year.

Disclosure of information to auditor

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

Independent auditor

A resolution reappointing KPMG LLP as auditor for the financial year commencing 1 April 2018 will be proposed at that General Meeting of the Company at which these accounts are laid pursuant to Companies Act 2006 section 437.

By order of the Board

N Thompson
Director

28 September 2018

PO Box 532
Town Hall
Manchester
M60 2LA

Statement of directors' responsibilities relating to the strategic report, the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 company and to prevent and detect fraud and other irregularities.

KPMG

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

Independent auditor's report to the members of Manchester Airport Plc

Opinion

We have audited the financial statements of Manchester Airport Plc for the year ended 31 March 2018, which comprise the income statement, other comprehensive income, statement of financial position and statement 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 company's affairs as at 31 March 2018 and of its loss for the year then ended;
- 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
- 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 company 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 twelve 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.

Independent auditor's report to the members of Manchester Airport Plc *(continued)*

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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 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 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/auditorresponsibilities.

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

28 September 2018

Income statement
for the year ended 31 March 2018

	Note	2018 £000	2017 Restated* £000
Revenue	2	**414,173**	383,280
Operating costs		**(293,662)**	(277,872)
Operating profit before significant items		**120,511**	105,408
Significant items	3	**(3,634)**	-
Operating profit		**116,877**	105,408
Gains and losses on sales and valuation of investment properties	11	**7,315**	3,400
Interest receivable and similar income	6	**8,779**	5,700
Interest payable and similar charges	7	**(1,400)**	(1,300)
Dividends receivable		**412**	-
Profit before taxation	3	**131,983**	113,208
Tax on profit	8	**(9,563)**	(10,073)
Profit for the financial year		**122,420**	103,135

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

The notes on pages 11 to 35 form an integral part of these financial statements.

*See note 1 for details of the restatement.

Other comprehensive income
for year ended 31 March 2018

	2018 £000	2017 £000
Profit for the year	**122,420**	103,135
Other comprehensive income/(expense)		
Remeasurement of the net defined benefit liability	**8,700**	(15,300)
Income tax on other comprehensive income/(expense)	**(1,479)**	2,499
Effect of change in rate of corporation tax on deferred tax	**-**	(396)
Other comprehensive income/(expense) for the year, net of income tax	**7,221**	(13,197)
Total comprehensive income for the year	**129,641**	89,938

The notes on pages 11 to 35 form an integral part of these financial statements.

Statement of financial position
at 31 March 2018

	Note	2018	2018	2017	2017
		£000	£000	£000	£000
Non-current assets					
Intangible assets	9		41,904		44,429
Tangible assets	10		1,061,585		882,420
Investment properties	11		49,697		216,832
Investments	12		9,315		9,315
Deferred tax asset	17		8,725		9,328
			1,171,226		1,162,324
Current assets					
Inventories	13	806		662	
Trade and other receivables	14	1,034,954		881,498	
Cash at bank and in hand		4,361		-	
		1,040,121		882,160	
Current liabilities					
Trade and other payables	15	(1,461,626)		(684,189)	
Net current (liabilities)/assets			(421,505)		197,971
Total assets less current liabilities			749,721		1,360,295
Non-current liabilities	16		(12,265)		(12,515)
Provisions for liabilities					
Deferred tax	17	(52,471)		(56,364)	
Pension liabilities	24	(46,000)		(54,200)	
			(98,471)		(110,564)
Net assets			638,985		1,237,216
Capital and reserves					
Called up share capital	18		204,380		204,380
Share premium	19		162,419		162,419
Revaluation reserve	19		124,574		142,545
Retained earnings	19		147,612		727,872
Shareholders' funds			638,985		1,237,216

The notes on pages 11 to 35 form an integral part of these financial statements.

These financial statements of Manchester Airport Plc, registered number 1960988, were approved by the board of directors on 28 September 2018 and were signed on its behalf by:

N Thompson
Director

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

	Called up share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 April 2017	204,380	162,419	142,545	727,872	1,237,216
Total comprehensive income for the year					
Profit for the year	-	-	-	122,420	122,420
Other comprehensive (expense)/income (see note 19)	-	-	(17,971)	25,192	7,221
Total comprehensive (expense)/income for the year	-	-	(17,971)	147,612	129,641
Transactions with owners recorded directly in equity					
Dividends paid	-	-	-	(727,872)	(727,872)
Balance at 31 March 2018	**204,380**	**162,419**	**124,574**	**147,612**	**638,985**

	Called up share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 April 2016	204,380	162,419	157,101	623,378	1,147,278
Total comprehensive income for the year					
Profit for the year	-	-	-	103,135	103,135
Other comprehensive (expense)/income (see note 19)	-	-	(14,556)	1,359	(13,197)
Total comprehensive (expense)/income for the year	-	-	(14,556)	104,494	89,938
Balance at 31 March 2017	**204,380**	**162,419**	**142,545**	**727,872**	**1,237,216**

The notes on pages 11 to 35 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Manchester Airport Plc (the 'Company') is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*'FRS 102'*) as issued in August 2014. The amendments issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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

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

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash flow statement and related notes; and
- Key management personnel compensation.

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

As the consolidated financial statements of Manchester Airports Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available relating to the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* relating to financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

The accounting policies set out over the page have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

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

1.2 Going concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

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

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

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

After considering all this available information, the directors of the Group have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

As with any company placing reliance on other group entities for financial support, the directors of the Company acknowledge that there can be no certainty that this financial and other support will continue, although at the date of approval of these financial statements, they have no reason to believe that it will not do so. On the basis of the above, the directors of the Company consider it appropriate to prepare the financial statements on a going concern basis.

1.3 Restatement

	2017	Reclassification	2017 Restated
Revenue	£000	£000	£000
Aviation	248,832	(90,310)	158,522
Retail concessions	87,728		87,728
Car parking	71,626	6,342	77,968
Property and property related	26,490		26,490
Other	32,572		32,572
	467,248	(83,968)	383,280
Operating costs	(361,840)	83,968	(277,872)
Operating profit	105,408		105,408
Profit before taxation	113,208		113,208
Profit for the financial year	103,135		103,135

Notes *(continued)*

1 Accounting policies *(continued)*

In preparing the financial statements for the year ended 31 March 2018 the previously reported figures for aviation and car parking income have been restated to appropriately present certain rebates and discounts as a reduction of revenue rather than a cost of sale, and car parking income has been restated to appropriately present car park booking commissions paid to third parties as a cost of sale rather than a reduction of revenue. These adjustments have no effect on either the profit for the year or net assets.

1.4 Foreign currency

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

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

1.5 Classification of financial instruments issued by the Company

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

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

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

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

1.6 Basic financial instruments

Trade and other receivables/payables

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

Investments in subsidiaries

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Revenue

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

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

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

- Various passenger charges for handling and security based upon the number of departing passengers, 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, recognised at point of parking;
- 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 year to which it relates on a straight-line basis;
- Concession income from retail and commercial concessionaries is recognised in the year to which it relates on an accruals basis; and
- Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term; and
- Development profits are recognised upon legal completion of contracts.

1.8 Tangible fixed assets

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

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

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

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

The estimated useful lives are as follows:

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

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

1.9 Intangible assets

Research and development
Expenditure on research activities is recognised in the income statement as an expense as incurred.

Other intangible assets
Intangible assets that are acquired by the Company 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 cost of an asset less its residual value. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful economic life, from the date that the asset is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.10 Government grants

Capital based government grants are included within accruals and deferred income in the statement of financial position and credited to the income statement over the expected useful lives of the assets to which they relate.

1.11 Investment property

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

Subsequent to initial recognition:

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

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

1.12 Inventories

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Impairment excluding stocks, investment properties and deferred tax assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.
Impairment losses recognised relating to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

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

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

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

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as 'interest costs'.

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

1.15 Expenses

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

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

Interest receivable and interest payable
Interest payable and similar charges include interest payable and finance charges.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 Significant items
Significant items are material items of income and expense that, because of the unusual nature or frequency of the events giving rise to them, merit separate presentation to allow an understanding of the Company's underlying financial performance. Such items include impairment of assets, major reorganisations of businesses, and integration costs associated with significant acquisitions.

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

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

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

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

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

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

Investment properties
Investment properties were valued at fair value at 31 March 2018 by Deloitte LLP and Meller Braggins. The valuations were prepared in accordance with FRS 102 and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

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

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants, which may cause increases or decreases in the valuation of the Company's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in

Notes *(continued)*

1 Accounting policies *(continued)*

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 24.

1.19 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

2 Analysis of revenue

	2018	2017 Restated*
	£000	£000
By activity:		
Aviation	**170,805**	158,522
Retail concessions	**93,871**	87,728
Car parking	**87,281**	77,968
Property and property related	**27,916**	26,490
Other	**34,300**	32,572
	414,173	383,280

*See note 1 for details of the restatement.

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

3 Notes to the income statement

	2018	2017
	£000	£000
Profit before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**68,296**	65,403
Amortisation of intangible fixed assets	**2,525**	2,527
Release of capital based grants	**(389)**	(368)
Hire of other assets – operating leases	**11,881**	12,006
Significant items *(1)*	**3,634**	-

(1) Significant items of £3,634,000 (2017: nil) include costs of a number of restructuring programmes across the Group, 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.

Auditor's remuneration

Amounts receivable by the Company's auditor and the auditor's associates relating to services to the Company have been borne by the Company's ultimate parent, Manchester Airports Holdings Limited. The directors believe that the proportion of the consolidated fee applicable to the Company is £50,000 (2017: £48,000).

Notes *(continued)*

4 Remuneration of directors

C Cornish, A Cowan, K O'Toole and N Thompson were directors of Manchester Airports Holdings Limited during the year and their aggregate remuneration is disclosed in that company's consolidated financial statements. The directors believe that the proportion of their aggregate remuneration applicable to the Company based on services provided is £1,723,111 (2017: £1,068,443).

5 Staff numbers and costs

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

	Number of employees	
	2018	2017
Operational	**2,809**	2,447
Management & Administrative	**84**	71
	2,893	2,518

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**69,220**	60,389
Social security costs	**6,532**	5,667
Other pension costs	**5,899**	4,582
	81,651	70,638

6 Interest receivable and similar income

	2018	2017
	£000	£000
Interest receivable	**3,379**	-
Interest receivable from group undertakings	**5,400**	5,700
	8,779	5,700

7 Interest payable and similar charges

	2018	2017
	£000	£000
Interest expense on net defined benefit liabilities	**1,400**	1,300
	1,400	1,300

Notes *(continued)*

8 Taxation

Total tax expense recognised in the income statement

	2018 £000	2018 £000	2017 £000	2017 £000
UK corporation tax				
Current tax on income for the year	13,410		9,747	
Adjustments relating to prior years	921		7,409	
Total current tax		14,331		17,156
Deferred tax				
Origination/reversal of timing differences	(4,114)		(907)	
Adjustment relating to prior years	(654)		(2,814)	
Effect of change in rate of corporation tax	-		(3,362)	
Total deferred tax		(4,768)		(7,083)
Tax on profit		9,563		10,073

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

	2018 £000	2017 £000
Deferred tax		
Origination/reversal of timing differences	1,479	(2,499)
Effect of change in rate of corporation tax	-	396
Total tax expense/(income) included in other comprehensive income	1,479	(2,103)

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

	2018 Current tax £000	2018 Deferred tax £000	2018 Total Tax £000	2017 Current tax £000	2017 Deferred tax £000	2017 Total tax £000
Recognised in the income statement	14,331	(4,768)	9,563	17,156	(7,083)	10,073
Recognised in other comprehensive income	-	1,479	1,479	-	(2,103)	(2,103)
Total tax	14,331	(3,289)	11,042	17,156	(9,186)	7,970

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate

	2018 £000	2017 £000
Current tax reconciliation		
Profit for the year	**122,420**	103,135
Total tax expense	**9,563**	10,073
Profit before tax	**131,983**	113,208
Profit before tax multiplied by the standard rate of corporation tax of 19% (2017: 20%)	**25,077**	22,642
Effects of:		
Expenses not deductible for tax purposes	**2,418**	2,607
Non-taxable income	**(1,505)**	(117)
Utilisation of group losses	**(17,003)**	(17,288)
Effect of change in rate of corporation tax	**-**	(3,362)
Effect of lower than standard rate used for deferred tax movements	**309**	996
Adjustments to tax charge relating to prior years	**267**	4,595
Total tax expense/(income) included in the income statement	**9,563**	10,073

Factors that may affect future current and total tax charges

The Finance Bill 2016 was substantively enacted on 6 September 2016 and included a reduction in the rate of corporation tax to 17% from 1 April 2020.

Deferred tax balances at 31 March 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 *(continued)*

9 Intangible assets

	£000
Cost	
At beginning of year	50,536
At end of year	50,536
Amortisation	
At beginning of year	6,107
Charge for the year	2,525
At end of year	8,632
Net book value	
At 31 March 2018	**41,904**
At 31 March 2017	44,429

The Company 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 year 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.

10 Tangible fixed assets

	Freehold land and property £000	Long leasehold property £000	Airport infrastructure £000	Plant, fixtures and equipment £000	Assets in the course of construction £000	Total £000
Cost						
At beginning of year	24,247	381,861	568,716	541,043	126,215	1,642,082
Additions	-	-	-	-	254,396	254,396
Disposals	-	(13,994)	(16,501)	(28,841)	-	(59,336)
Reclassification	-	5,617	31,249	61,035	(97,901)	-
Reclassification to investment properties (note 11)	-	-	-	(2,950)	-	(2,950)
At end of year	24,247	373,484	583,464	570,287	282,710	1,834,192
Depreciation						
At beginning of year	-	154,963	232,236	372,463	-	759,662
Charge for year	-	10,781	17,145	40,370	-	68,296
Disposals	-	(10,549)	(16,059)	(28,743)	-	(55,351)
At end of year	-	155,195	233,322	384,090	-	772,607
Net book value						
At 31 March 2018	**24,247**	**218,289**	**350,142**	**186,197**	**282,710**	**1,061,585**
At 31 March 2017	24,247	226,898	336,480	168,580	126,215	882,420

Notes *(continued)*

11 Investment properties

	Investment properties £000
Balance at 1 April 2017	216,832
Additions	4,503
Reclassification from assets in the course of construction (note 10)	2,950
Disposals	(173,879)
Revaluations	(709)
Net book value	
At 31 March 2018	**49,697**
Historical cost net book value	13,534

The fair value of the Company'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, and Meller Braggins carried out the valuation of the Manchester residential portfolio at that date. The valuers are independent and are not connected with the Company. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

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

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in the revenue accounting policy on page 14.

Gains and losses on sales and valuation of investment properties reported in the income statement of £7,315,000 in the year (2017: £3,400,000) comprise £709,000 of valuation losses (2017: gains of £3,400,000), and profits on sale of £8,024,000 (2017: nil).

Notes *(continued)*

12 Fixed asset investments

	Shares in subsidiary undertakings £000
Cost	
At beginning and end of year	11,315
Provisions	
At beginning and end of year	(2,000)
Net book value	
At 31 March 2018 and 31 March 2017	**9,315**

At 31 March 2018 the Company held investments in the following subsidiary undertakings:

Name of undertaking	Country of incorporation	Principal activity	Class and description of shares held	Percentage of shares held
Ringway Developments Plc*	England and Wales	Non-trading	Ordinary £1 shares	100%
Worknorth Limited*	England and Wales	Non-trading	Ordinary £1 shares	100%
			Cumulative participating £1 preference shares	100%
Worknorth II Limited*	England and Wales	Non-trading	Ordinary £1 shares	100%
			Cumulative participating £1 preference shares	100%
Bainsdown Limited**	England and Wales	Non-trading	Ordinary £1 shares	100%
Manchester Airport Property Investments (Hotels) Limited*	England and Wales	Non-trading	Ordinary £1 shares	100%
Manchester Airport Property Investments (Offices) Limited*	England and Wales	Non-trading	Ordinary £1 shares	100%
Manchester Airport Property Investments (Industrial) Limited*	England and Wales	Non-trading	Ordinary £1 shares	100%

The registered office addresses of the above companies are shown below:

* Olympic House, Manchester Airport, Manchester, M90 1QX
** PO Box 532, Town Hall, Albert Square, Manchester, M60 2LA

Notes *(continued)*

13 Inventories

	2018 £000	2017 £000
Raw materials and consumables	**806**	662
	806	662

14 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	**43,693**	20,998
Amounts owed by group undertakings	**407,789**	454,045
Amounts owed by group undertakings – interest-bearing	**544,139**	386,160
Other receivables	**15,179**	379
Prepayments and accrued income	**24,154**	19,916
	1,034,954	881,498

Amounts owed by group undertakings are unsecured, interest-free and are repayable on demand, and as at 31 March 2018 include dividends receivable of £412,000 (2017: £nil).

Amounts owed by group undertakings – interest-bearing, represents a loan due from Manchester Airports Holdings Limited, on which interest is calculated at a rate of 1.5% per annum above base rate.

15 Trade and other payables

	2018 £000	2017 £000
Bank overdraft	-	6,157
Capital based grants	**389**	320
Trade payables	**31,414**	21,797
Amounts owed to group undertakings	**1,278,294**	565,789
Taxation and social security (includes corporation tax)	**36,984**	16,044
Other payables	**21,863**	3,828
Accruals and deferred income	**92,682**	70,254
	1,461,626	684,189

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand, and as at 31 March 2018 include dividends payable of £727,872,000 (2017: £nil).

16 Other non-current liabilities

	2018 £000	2017 £000
Capital based grants	**7,581**	7,653
Accruals and deferred income	**4,684**	4,862
	12,265	12,515

Notes *(continued)*

17 Deferred tax assets and liabilities

	Differences between accumulated depreciation and capital allowances	Short term timing differences	Deferred tax on investment properties	Deferred tax asset on pension liability	Net tax assets / (liabilities)
	£000	£000	£000	£000	£000
At 1 April 2017	(26,603)	115	(29,761)	9,213	(47,036)
(Charge)/credit to income	213	790	3,680	86	4,769
(Charge)/credit to equity	-	-	-	(1,479)	(1,479)
At 31 March 2018	**(26,390)**	**905**	**(26,081)**	**7,820**	**(43,746)**

	Differences between accumulated depreciation and capital allowances	Short term timing differences	Deferred tax on investment properties	Deferred tax asset on pension liability	Net tax assets / (liabilities)
	£000	£000	£000	£000	£000
At 1 April 2016	(25,892)	(1,932)	(35,508)	7,110	(56,222)
(Charge)/credit to income	(711)	2,047	5,747	-	7,083
(Charge)/credit to equity	-	-	-	2,103	2,103
At 31 March 2017	(26,603)	115	(29,761)	9,213	(47,036)

	2018	2017
	£000	£000
Deferred tax assets	**8,725**	9,328
Deferred tax liabilities	**(52,471)**	(56,364)
	(43,746)	(47,036)

18 Called up share capital

	2018	2017
	£000	£000
Issued, called up and fully paid		
204,380,000 Ordinary shares of £1 each	**204,380**	204,380

Notes *(continued)*

19 Reserves

	Share premium £000	Revaluation reserve £000	Retained Earnings £000
At 1 April 2017	162,419	142,545	727,872
Profit for the year after taxation	-	-	122,420
Movement in investment property fair values	-	(709)	709
Deferred tax on movement in investment property values	-	121	(121)
Remeasurement of the net defined benefit liability	-	-	7,221
Depreciation transfer to income statement (net of deferred tax)	-	(17,383)	17,383
Dividends paid	-	-	(727,872)
At 31 March 2018	**162,419**	**124,574**	**147,612**

	Share premium £000	Revaluation reserve £000	Retained earnings £000
At 1 April 2016	162,419	157,101	623,378
Profit for the year after taxation	-	-	103,135
Movement in investment property fair values	-	3,400	(3,400)
Deferred tax on movement in investment property fair values	-	(573)	573
Remeasurement of the net defined benefit liability	-	-	(12,801)
Effect of change in rate of corporation tax	-	-	(396)
Depreciation transfer to income statement (net of deferred tax)	-	(17,383)	17,383
At 31 March 2017	**162,419**	**142,545**	**727,872**

The transfer from the revaluation reserve to the retained earnings represents the difference between the depreciation charge for the year based on revalued amounts and the depreciation charge for the year based on historical cost.

20 Contingent liabilities

Under the Common Terms Agreement signed on 14 February 2014, the Company and a number of its fellow subsidiaries have entered into a security agreement with the Group's bondholders and bankers. The bonds and bank loans are secured by a fixed and floating charge over substantially all of the Group's assets. The total amount outstanding under this agreement at 31 March 2018 is £1,095.3m (2017: £937.1m).

21 Related parties

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

The Council of the City of Manchester 'MCC' is a related party to Manchester Airport Plc as MCC owns 35.5% of the share capital of the ultimate parent company. During the year the Company entered into the following transactions with MCC - included in operating costs are charges for rent and rates amounting to £26,969,000 (2017: £30,100,000) and other sundry charges of £590,000 (2017: £400,000).

Notes *(continued)*

22 Commitments

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

	2018	2017
	£000	£000
Contracted	**156,122**	14,914

23 Operating lease arrangements

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

	2018 Land and buildings	**2018 Other**	2017 Land and buildings	2017 Other
	£000	**£000**	£000	£000
Operating leases that expire:				
Within one year	**2,276**	**151**	2,235	116
In the second to fifth years inclusive	**8,760**	**89**	8,602	95
Over five years	**53,351**	**-**	53,725	-
	64,387	**240**	64,562	211

The Company has a commitment relating to leases with the Council of the City of Manchester. The amount payable on the ground rent leases is a fee of £1,000,000 (included within the table above and increasing with inflation linked to CPI). The main city lease is variable based on turnover and rental per sq. foot with no base fee or minimum commitment, and therefore isn't included in the table above. The total amount charged to operating profit in respect to these two leases in the year was £11,300,000 (2017: £11,000,000) included within note 3. The leases expire in 2085.

Leases as lessor

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

	2018	2017
	£000	£000
Less than one year	**4,942**	12,953
Between one and five years	**7,831**	43,162
More than five years	**17,685**	95,401
	30,458	151,516

Notes *(continued)*

24 Pension scheme

Defined contribution pension scheme

The Company operates two defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £2,819,000 (2017: £2,553,000)

As at 31 March 2018 there were £nil (2017: £nil) contributions due relating to the year then ended that had not been paid over to the scheme.

Defined benefit scheme - Greater Manchester Pension Fund

Certain employees of the Company participate in the Greater Manchester Pension Fund ('GMPF') administered by Tameside Borough Council. The scheme is of the defined benefit type and is funded. The securities portfolio of the fund is managed by two external professional investment managers and the property portfolio is managed internally. Participation is by virtue of the Company's status as an 'admitted body' to the Fund.

An actuarial valuation of the GMPF, using the projected unit basis, was carried out at 31 March 2018 by PwC, independent consulting actuaries.

	2018	2017
	£000	£000
Present value of funded defined benefit obligations	**(477,300)**	(482,800)
Fair value of plan assets	**437,500**	435,200
	(39,800)	(47,600)
Present value of unfunded defined benefit obligations	**(6,200)**	(6,600)
Net pension liability	**(46,000)**	(54,200)

Movements in present value of defined benefit obligation

	2018	2017
	£000	£000
At 1 April	**(489,400)**	(402,600)
Current service cost	**(4,600)**	(3,300)
Past service cost	**-**	-
Interest cost	**(12,800)**	(14,200)
Remeasurement: actuarial gain/(loss)	**7,700**	(85,900)
Contributions by members	**(1,200)**	(1,200)
Benefits paid	**16,800**	17,800
At 31 March	**(483,500)**	(489,400)

Notes *(continued)*

24 Pension schemes *(continued)*

Movements in fair value of plan assets

	2018 £000	2017 £000
At 1 April	**435,200**	363,100
Interest income	**11,400**	12,900
Remeasurement: actuarial gain	**1,000**	70,600
Contributions by employer	**5,500**	5,200
Contributions by members	**1,200**	1,200
Benefits paid	**(16,800)**	(17,800)
At 31 March	**437,500**	435,200

Expense recognised in the income statement

	2018 £000	2017 £000
Current service cost	**4,600**	3,300
Past service cost	**-**	-
Interest on net defined benefit liability	**1,400**	1,300
Total expense recognised in the income statement	**6,000**	4,600

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

	2018 £000	2017 £000
Operating costs	**4,600**	3,300
Interest on net defined benefit liability	**1,400**	1,300
	6,000	4,600

The total amount recognised in other comprehensive income relating to the actuarial gain on remeasurement is £8,700,000 (2017: loss of £15,300,000).

Notes *(continued)*

24 Pension schemes *(continued)*

The fair value of the plan asset is as follows:

	2018 Fair value £000	2017 Fair value £000
Equities	**293,500**	316,600
Bonds	**68,700**	68,400
Property	**27,600**	24,800
Other	**47,700**	25,400
	437,500	435,200

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

	2018 %	2017 %
Discount rate	**2.60 %**	2.65 %
Future salary increases	**3.15 %**	3.35 %
Inflation assumption	**2.15 %**	2.35 %

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 20.9 years (male), 23.3 years (female)
- Future retiree upon reaching 65: 22.3 years (male), 24.8 years (female)

Experience adjustments

	2018 £000	2017 £000
Experience adjustments on scheme liabilities	**(2,300)**	(4,200)
Experience adjustments on scheme assets	**1,000**	70,600

The Company expects to contribute approximately £5.1m (2017: £5.2m) to its defined benefit plans in the next financial year.

The last full valuation of the fund was carried out at 31 March 2016. 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 £17,325,000 (previous valuation in 2013: £12,590,000). The funding level of the scheme, which is measured using the actuarial method of valuation was 93% (previous valuation in 2013: 90.5%).

Notes *(continued)*

24 Pension schemes *(continued)*

Defined benefit scheme - Airport Ventures Pension Scheme

During the financial year ended 31 March 2018 the Company participated in the Airport Ventures Pension Scheme, a defined benefit scheme, which covers employees of the Company and its subsidiaries. The assets of the scheme are held in a separate trustee administered fund. The scheme commenced on 1 August 1992. The triennial valuation as at 1 August 2016 has been performed but, for the purpose of this disclosure, the liabilities have been projected from 1 August 2016, allowing for cashflows and significant member movements during the intervening year.

The pension cost is assessed in accordance with the advice of independent consulting actuaries using the projected unit funding method. The assumptions that have the most significant effect on the calculation of pension cost are those relating to the rate of return on investments and the rate of increase in salaries and pensions.

The information disclosed below relates to all of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed Group policy throughout the years shown.

Effective from 1 April 2010 a new Consolidated Deed and Rules was signed by the Trustees of the scheme changing the Principal Employer to Manchester Airport Plc. Accordingly, the operation of the pension scheme and the net assets of the scheme have been transferred to Manchester Airport Plc from Manchester Airport Ventures Limited.

	2018	2017
	£000	£000
Present value of funded defined benefit obligations	**(3,000)**	(3,100)
Fair value of plan assets	**3,900**	4,000
Asset	**900**	900
Asset not recoverable through reduced future contributions	**(900)**	(900)
Net asset	**-**	-

Notes *(continued)*

24 Pension schemes *(continued)*

Movements in present value of defined benefit obligation

	2018	2017
	£000	£000
At 1 April	**(3,100)**	(2,600)
Interest cost	**(100)**	(100)
Remeasurement: actuarial gain/(loss)	**100**	(500)
Benefits paid	**100**	100
At 31 March	**(3,000)**	(3,100)

Movements in fair value of plan assets

	2018	2017
	£000	£000
At 1 April	**4,000**	3,500
Interest income	**100**	100
Remeasurement: actuarial (loss)/gain	**(100)**	500
Benefits paid	**(100)**	(100)
At 31 March	**3,900**	4,000

Expense recognised in the income statement

	2018	2017
	£000	£000
Net interest on net defined benefit liability	-	-
Total expense recognised in the income statement	-	-

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

	2018	2017
	£000	£000
Net interest on net defined benefit liability	-	-
	-	-

The total amount of actuarial gains on remeasurement is £nil (2017: £nil). Any actuarial gain is not recognised in other comprehensive income as the surplus on the pension scheme is not recoverable through future pension contributions.

Notes *(continued)*

24 Pension schemes *(continued)*

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

	2018 Fair value £000	2017 Fair value £000
Equities	**-**	600
Bonds	**3,500**	2,900
Other	**400**	500
	3,900	4,000

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

	2018 %	2017 %
Discount rate	**2.55**	2.60
Future salary increases	**N/A**	N/A
Inflation assumption	**2.15**	2.35

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.1 years (male), 23.4 years (female).
- All members are retired.

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

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