

The Manchester Airport Group Plc

Annual report and financial statements

Registered number 4330721

Year ended 31 March 2018

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Strategic report

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

Principal activity

The principal activities of the Company during the year were acting as a service provider to the group of companies owned by Manchester Airports Holdings Limited ('the Group'), and as an intermediate holding company.

On 29 March 2018 the Company became the Group's dedicated legal entity for the management of its Property business. On that date, the Company acquired the majority of the Group's investment property portfolio, and transferred its existing trade and related assets and liabilities to Manchester Airport Plc. On 29 March 2018 the Company also sold its subsidiary shareholdings to its parent company Manchester Airport Group Investments Limited.

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 £3,011,598,000 (2017: loss of £12,347,000). At year end, the Company had net assets of £4,638,241 (2017: £2,300,530).

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.

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 the 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
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 embraces diversity in the workforce. Accordingly, the Company has a programme of activity that 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 received 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 recognition 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 £671,554,000 (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 LLP

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

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

Opinion

We have audited the financial statements of The Manchester Group Plc for the year ended 31 March 2018, which comprise the income statement and 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 profit 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 The Manchester Airport Group 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 and other comprehensive income
for the year ended 31 March 2018

	<i>Note</i>	2018	2017
		£000	£000
Revenue	2	55,858	50,300
Operating costs		(64,297)	(56,804)
Operating loss before significant items		(8,439)	(6,504)
Significant items	3	(5,004)	(5,899)
Operating loss		(13,443)	(12,403)
Gains and losses on sales and valuation of investment properties	9	1,182	-
Interest receivable and similar income	6	145	145
Interest payable and similar charges	7	(142)	(89)
Dividends receivable		781,732	-
Profit on sale of subsidiaries	10	2,242,124	-
Profit/(loss) before taxation	3	3,011,598	(12,347)
Tax on profit/(loss)	8	(2,333)	8,312
Profit/(loss) for the financial year		3,009,265	(4,035)
Other comprehensive income for the year		-	-
Total comprehensive income/(expense) for the financial year		3,009,265	(4,035)

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

The notes on pages 10 to 22 form an integral part of these financial statements.

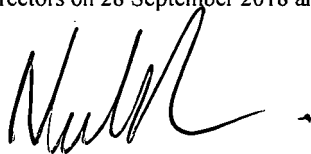
Statement of financial position

at 31 March 2018

	Note	2018		2017	
		£000	£000	£000	£000
Non-current assets					
Investment properties	9		386,639		-
Investments	10		-		2,257,636
Deferred tax assets	13		16		749
			<u>386,655</u>		<u>2,258,385</u>
Current assets					
Trade and other receivables	11	4,590,201		550,943	
Cash at bank and in hand		-		5,910	
		<u>4,590,201</u>		<u>556,853</u>	
Current liabilities					
Trade and other payables	12	(338,615)		(514,708)	
			<u>4,251,586</u>		<u>42,145</u>
Net current assets					
			<u>4,638,241</u>		<u>2,300,530</u>
Net assets					
			<u>4,638,241</u>		<u>2,300,530</u>
Capital and reserves					
Called up share capital	14		204,580		204,580
Share premium	15		2,143,945		2,143,945
Retained earnings	15		2,289,716		(47,995)
			<u>4,638,241</u>		<u>2,300,530</u>
Shareholders' funds					
			<u>4,638,241</u>		<u>2,300,530</u>

The notes on pages 10 to 22 form an integral part of these financial statements.

These financial statements of The Manchester Airport Group Plc, registered number 4330721, 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	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 1 April 2017	204,580	2,143,945	(47,995)	2,300,530
Total comprehensive income for the year				
Profit for the year	-	-	3,009,265	3,009,265
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	3,009,265	3,009,265
	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with owners recorded directly in equity				
Dividends paid	-	-	(671,554)	(671,554)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	204,580	2,143,945	2,289,716	4,638,241
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 1 April 2016	204,580	2,143,945	(43,960)	2,304,565
Total comprehensive loss for the year				
Loss for the year	-	-	(4,035)	(4,035)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	-	(4,035)	(4,035)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	204,580	2,143,945	(47,995)	2,300,530
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 10 to 22 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The Manchester Airport Group 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 to FRS102 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.

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 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 account within other operating costs.

1.4 Classification of financial instruments issued by the Company

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

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments, or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Notes (continued)

1 Accounting policies (continued)

1.5 Basic financial instruments

Trade and other receivables/payables

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

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments, discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services, and amortised over the year of the facility to which it relates.

Investments in subsidiaries

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

1.6 Revenue

Revenue, which excludes value added tax, represents amounts received and receivable by the Company for Group services provided in the normal course of business to other Group companies.

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

1.7 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, 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 account 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.

Annual bonus plan

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

Notes (continued)

1 Accounting policies (continued)

1.8 Expenses

Operating leases

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

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

Interest receivable and interest payable

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

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

1.9 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.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement account 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

1 Accounting policies (continued)

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 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, Meller Braggins and Strutt & Parker. 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.

1.13 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 Revenue

The directors consider the business to have only one segment. Revenue relates to group recharges for services provided by the Company to other Group entities. All of the Company's revenue arises in the United Kingdom.

Notes (continued)

3 Notes to the income statement

	2018	2017
	£000	£000
<i>Profit/(loss) before taxation is stated after charging:</i>		
Hire of other assets - operating leases	100	129
Significant items (1)	5,004	5,899

(1) Significant items of £5,004,000 (2017: £5,899,000) include the costs of a number of restructuring programmes, costs incurred on the implementation of new systems that do not meet the criteria for capitalisation, and M&A activity.

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 £35,000 (2017: £28,500).

4 Remuneration of directors

C Cornish, 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 £700,000 (2017: £634,388).

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
Management & Administrative	693	506
	693	506

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	37,126	31,115
Social security costs	3,143	2,632
Other pension costs	495	307
	40,764	34,054

Notes (continued)

6 Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable	135	136
Interest receivable from fellow group undertakings	10	9
	<u>145</u>	<u>145</u>

7 Interest payable and similar charges

	2018 £000	2017 £000
Interest payable on bank loans and overdrafts	142	89
	<u>142</u>	<u>89</u>

8 Taxation

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

	2018 £000	2018 £000	2017 £000	2017 £000
<i>UK corporation tax</i>				
Current tax on income for the year	100		2,400	
Adjustments relating to prior years	1,500		(11,000)	
	<u>1,600</u>		<u>(8,600)</u>	
Total current tax		1,600		(8,600)
<i>Deferred tax</i>				
Temporary differences arising in the year	820		(22)	
Adjustment relating to previous years	(87)		267	
Effect of change in rate of corporation tax	-		43	
	<u>733</u>		<u>288</u>	
Total deferred tax		733		288
Tax on loss		<u>2,333</u>		<u>(8,312)</u>

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	1,600	733	2,333	(8,600)	288	(8,312)
	<u>1,600</u>	<u>733</u>	<u>2,333</u>	<u>(8,600)</u>	<u>288</u>	<u>(8,312)</u>
Total tax	<u>1,600</u>	<u>733</u>	<u>2,333</u>	<u>(8,600)</u>	<u>288</u>	<u>(8,312)</u>

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

	2018 £000	2017 £000
<i>Current tax reconciliation</i>		
Profit/(loss) for the year	3,009,265	(4,035)
Total tax expense/(income)	2,333	(8,312)
	<hr/>	<hr/>
Profit/(loss) before tax	3,011,598	(12,347)
	<hr/>	<hr/>
Profit/(loss) multiplied by the standard rate of corporation tax of 19% (2017: 20%)	572,204	(2,469)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	176	2,431
Income not taxable	(574,757)	-
Group relief surrendered	3,393	2,412
Adjustments to current tax charge relating to previous years	1,500	(11,000)
Adjustments to deferred tax charge relating to previous years	(87)	267
Effect of change in rate of corporation tax	-	43
Effect of lower than standard rate used for deferred tax movements	(96)	4
	<hr/>	<hr/>
Total current tax charge/(credit) (see above)	2,333	(8,312)
	<hr/> <hr/>	<hr/> <hr/>

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 Investment properties

	Investment properties £000
Balance at 1 April 2017	-
Additions	385,457
Revaluations	1,182
<i>Net book value</i>	<hr/>
At 31 March 2018	386,639 <hr/> <hr/>
Historical cost net book value	385,457 <hr/> <hr/>

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. The valuers are independent and have appropriate, recognised professional qualifications, and recent experience in the locations and categories of the locations 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.

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 12.

Notes (continued)

10 Fixed asset investments

	Shares in group undertakings £000
<i>Cost</i>	
At beginning of year	2,257,636
Additions	88,790
Disposals	(2,346,426)
	<hr/>
At end of year	-
	<hr/> <hr/>
<i>Net book value</i>	
At 31 March 2018	-
	<hr/> <hr/>
At 31 March 2017	2,257,636
	<hr/> <hr/>

Additions represents a capital contribution made to Manchester Airport Group Finance Limited by subscribing for 10,000 new Ordinary shares of £1 each at an aggregate premium of £88,780,000.

On 29 March 2018 the Company sold its shareholdings in its subsidiaries Manchester Airport Group Finance Limited and Manchester Airport Group Funding Plc, to its parent company Manchester Airport Group Investments Limited. The shareholding in Manchester Airport Group Finance Limited was sold at a profit of £2,242,124,000.

11 Trade and other receivables

	2018 £000	2017 £000
Amounts owed by group undertakings	4,588,550	527,313
Amounts owed by group undertakings – interest-bearing	-	513
Other receivables	-	958
Corporation tax	-	17,365
Prepayments and accrued income	1,651	4,794
	<hr/>	<hr/>
	4,590,201	550,943
	<hr/> <hr/>	<hr/> <hr/>

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

Amounts owed by group undertakings – interest-bearing, represents a loan due from Manchester Airport Finance Holdings Limited, on which interest was calculated at a rate of 1.5% per annum above base rate. This loan was transferred at book value to Manchester Airport Plc during the year ended 31 March 2018.

Notes (continued)

12 Trade and other payables

	2018 £000	2017 £000
Trade payables	-	6,709
Amounts owed to group undertakings	336,143	472,464
Other payables	-	23,536
Other tax and social security	-	2,784
Accruals and deferred income	2,472	9,215
	<u>338,615</u>	<u>514,708</u>

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand, and as at 31 March 2018 include dividends payable of £671,554,000 (2017: £nil).

13 Deferred tax assets and liabilities

	Differences between accumulated depreciation and capital allowances £000	Short term timing differences £000	Net tax assets / (liabilities) £000
At 1 April 2017	15	734	749
(Charge)/credit to income	1	(734)	(733)
	<u>16</u>	<u>-</u>	<u>16</u>
At 31 March 2018	<u>16</u>	<u>-</u>	<u>16</u>
	Differences between accumulated depreciation and capital allowances £000	Short term timing differences £000	Net tax assets / (liabilities) £000
At 1 April 2016	13	1,024	1,037
(Charge)/credit to income	2	(290)	(288)
	<u>15</u>	<u>734</u>	<u>749</u>
At 31 March 2017	<u>15</u>	<u>734</u>	<u>749</u>
		2018 £000	2017 £000
Deferred tax assets		16	749
Deferred tax liabilities		-	-
		<u>16</u>	<u>749</u>

Notes (continued)

14 Called up share capital

	2018 £000	2017 £000
<i>Issued, called up and fully paid</i>		
204,580,000 Ordinary shares of £1 each	204,580	204,580

15 Reserves

	Share premium £000	Retained earnings £000	Total £000
At 1 April 2017	2,143,945	(47,995)	2,095,950
Profit for the year	-	3,009,265	3,009,265
Dividends paid	-	(671,554)	(671,554)
At 31 March 2018	2,143,945	2,289,716	4,433,661
	Share premium £000	Retained earnings £000	Total £000
At 1 April 2016	2,143,945	(43,960)	2,099,985
Loss for the year	-	(4,035)	(4,035)
At 31 March 2017	2,143,945	(47,995)	2,095,950

16 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).

17 Commitments

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

	2018 £000	2017 £000
Contracted	-	1,194

Notes (continued)

18 Operating lease arrangements

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

	2018 Other	2017 Other
	£000	£000
Operating leases that expire:		
Within one year	-	100
In the second to fifth years inclusive	-	116
Over five years	-	-
	<u>-</u>	<u>216</u>
	<u>-</u>	<u>216</u>

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 £000	2017 £000
Less than one year	18,033	-
Between one and five years	78,986	-
More than five years	525,651	-
	<u>622,670</u>	<u>-</u>
	<u>622,670</u>	<u>-</u>

19 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 Investments 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.