

INVESTING TRANSFORMING CONNECTING

Annual Report and Accounts
For the year ended
31 March 2019









To be the premier

services company.

airport management and

OUR VISION

MAG is a leading UK airport group which owns and operates three major UK airports and an airport property business.

91

→ Manchester → London Stansted → East Midlands ♠ MAG Property

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OUR MISSION

Financial highlights

£889.4m

2019	2009.4
2018	£818.1m
2010	2010.1111
2017	£742.7m

- +£71.3m
- +8.7%

Adjusted operating profit*

£226.0m

2019	£226.0m		
2018	£215.4m		

- +£10.6m +4.9%
- Cash generated from

£401.4m

2019	£401.4m	
2018	£328.8m	
2017	£317.3m	

Adjusted EBITDA*

£379.8m

2017	2077.0111
2018	£358.8m
2017	£339.2m

- +£21.0m
- +5.9%

Passenger numbers

61.8m

2019	61.8m	
2018	58.9m	

- +2.9m
- +4.9%

Results from

£215.1m

2019	£215.1m
	William Det
2018	£206.8m
2017	£195.8m

- +£8.3m
- +4.0%

OPERATING HIGHLIGHTS

- Record passenger numbers of 61.8m
- Manchester and Stansted. Increased frequency of long-haul flights to Dubai, Doha and Los Angeles with new routes to Addis Ababa
- including the first phase of the Manchester Transformation Pro opening on schedule in April 2019

733k

TONNES OF CARGO



To deliver sustainable growth in shareholder

value, balancing the needs of our customers,

passengers, employees and the communities

in which we work, while maintaining the

highest safety and security standards.

At a glance

The Group served 61.8m passengers through its airports, which together employ over 6,000 MAG staff and support over 40,000 jobs on-site.

OUR STRATEGIC VALUES

Investing

Deliver great service at every touch point

Provide modern and customer focused infrastructure

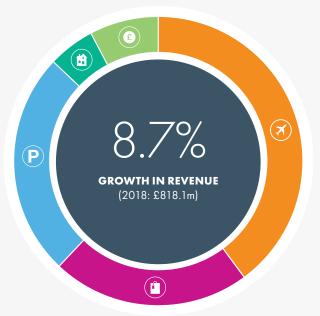
the potential of our people

Transforming

Providing global connectivity for Focus on operational excellence our customers Energise and unlock

Attracting growth through our new products and services

Connecting



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

GROUP REVENUE *

£889.4m

X	Aviation	£354.5m
	Retail	£198.1 m
P	Car parking	£221.4m
	Property	£46.2m
(2)	Other	£69.2m



AVIATION

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

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

MAG owns and operates three of the UK's top cargo airports, which handle over 733,000 tonnes of air cargo (with a value of £27.5bn) to and from global hubs and the UK every year.

AVIATION REVENUE *

£354.5m

More than 70 airlines serving 280+ destinations

CAR PARKING

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

Our car parks cater for all tastes and budgets ranging from our competitively priced JetParks brand through to Meet & Greet and Valet services.

CAR PARKING REVENUE *

2018: £187.2m

RETAIL

Across our airports, we have over 400,000 sq ft of retail space operated by over 50 concessionaires. We work with a diverse range of brands, both new and established, to help them operate successfully in an airport environment.

Partnering with MAG gives retailers potential access to 61.8m customer journeys.

RETAIL REVENUE *

£198.1m

2018: £181.6m

our airports

PROPERTY

MAG Property manages almost 6m sq ft of high-quality space in offices, terminals, hangars, warehouses and hotels across our airport portfolio at Manchester, London Stansted and East Midlands.

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

PROPERTY REVENUE *

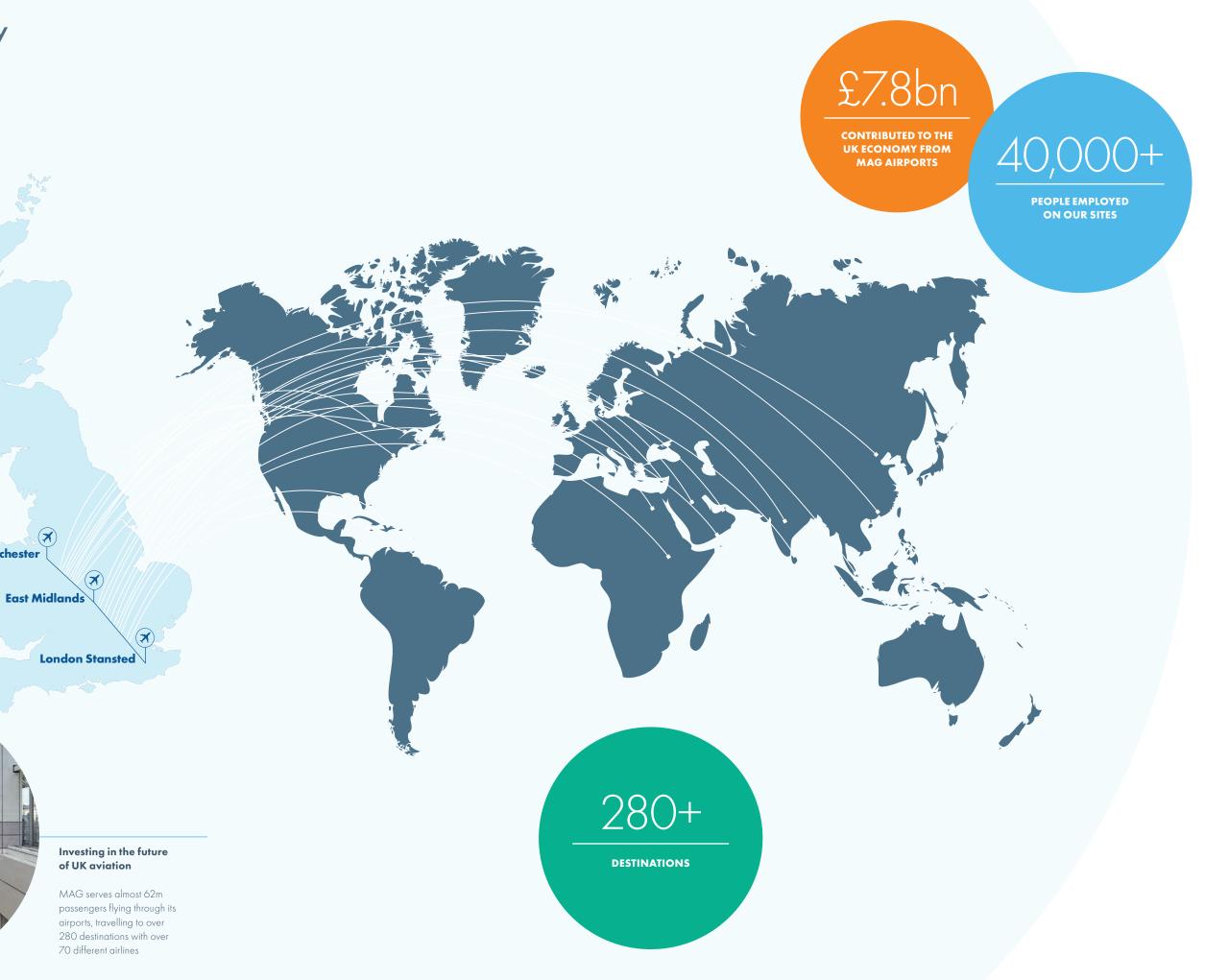
£46.2m

2018: £44.4m

£552.6m

across all airports

Manchester





During a period of almost unprecedented political uncertainty, I am pleased to be able to introduce another set of good financial results which demonstrate sustained growth and robust performance at MAG.

This was a landmark year, during which the Group handled over 60 million passengers for the first time, all our airports grew successfully and we pressed ahead with investment programmes that enhance the Group's long-term prospects.

Our airports face the challenge of being open and operational seven days a week, 365 days a year. At the same time, we are investing and improving facilities for future generations of customers. I am pleased to say that the teams at MAG's airports have done a good job on both fronts this year, despite significant Brexit-related uncertainty. That is the sign of a resilient business which is set to succeed in the long term.

The immediate, everyday task for our airports is to connect passengers to an ever-increasing list of global destinations. The journeys that passengers make enable them to forge new business relationships, see loved ones, explore new places or simply enjoy a well-earned break. Our airports have been successful in meeting growing demand from passengers and airlines, and they are working hard to develop their networks of international connections.

We are mindful that in order to continue playing a critical role for our regions and communities, we need to expand and improve our terminal and airfield facilities.

At Manchester Airport, passengers travelling through Terminal 2 will know that we are now well under way with our £1bn transformation of the airport and its facilities. In April we opened a new pier and multi-storey car park; the first major element of the investment programme to open to passengers, with much more to come.

As only one of two airports in the country to have two full-length runways, Manchester is ready to play an even bigger role in connecting large parts of the UK to key long-haul and short-haul markets. When complete, the expanded Terminal 2, and the rest of the transformed airport facilities, will help Manchester to maximise its potential as the North's global gateway.

London Stansted Airport sits at the heart of one of the most dynamic and affluent regions in the UK, and has spare capacity to support further growth over the next decade. This year, we have invested in new infrastructure and terminal facilities to improve the passenger experience. Looking ahead, we are continuing to develop plans for the next phase of investment at Stansted, which will enable the airport to play a key role in connecting London and the East of England to Europe and the World in the years to come.



Chairman's statement continued

East Midlands Airport continues its critical dual role as a passenger airport for its region and the UK's most important airport for freight aircraft. Expansion of airfield facilities at East Midlands will allow our logistics partners to continue to expand their operations, getting British exports around the globe and ensuring time-sensitive overnight cargo reaches its destination all across the UK every night – something that drives not only the Midlands Engine economy but also the UK's international trade capability.

As an airport operator we know that when our business prospers, the communities in which we operate prosper too. Last year, the economic activity supported by our airports increased to $\pounds 7.8$ bn, 10% up on the previous year, stimulating growth and creating jobs across the UK. In the last year alone, MAG directly supported the education of 30,462 young people.

These figures demonstrate how our airports are nationally significant infrastructure assets with the potential to support further growth over the next decade. For this reason, we are working with Government to ensure Manchester, London Stansted and East Midlands Airports make the biggest possible contribution to driving economic growth, creating employment and supporting international trade.

Key to this will be the integration of our airports into wider road and rail investments, including HS2 and Northern Powerhouse Rail, to maximise the benefits of these projects from an international connectivity perspective.

During the last year, our teams spent considerable time ensuring we were ready to deliver resilient operations whatever the outcome from Brexit. However, we continue to share the concerns of many businesses about the possibility of a 'no deal' Brexit because of the impact this would have on the UK economy. For this reason, we believe it is vital that the Government finds a political solution over the coming months to enable the country to move forward and rebuild business and consumer confidence.

Companies like MAG cannot afford to stand still and that is why I am pleased with the level of innovation being demonstrated in our product offering. Just this year, we have acquired two leading UK online parking companies in Looking4Parking and SkyParkSecure, while also announcing an exciting private terminal at Manchester – PremiAir. At the same time, MAG Hospitality continues to diversify its offering with the launch of new food and beverage concepts.

Adjusted EBITDA*

£379.8m

2019	£379.8m

+£21.0m +5.9%

Revenue

£889.4m

2019	£889.4m

+£71.3m +8.7% This year has also been one of significant international ambition. Our successful MAG USA business continues to flourish, with eight Escape Lounges now open across the country and five more set to open this year. Additionally, 2019 will see the first MAGoperated car parking solutions in the US. These service innovations will allow us to raise the level of passenger experience at our airports, something which is central to our long-term strategy. Our investment in airport infrastructure is being complemented by a strong focus on passenger experience over the coming years to make our airports welcoming and relaxing places to travel through.

Significant capital investment programmes require secure funding streams and it was encouraging to see our bond issuance in May 2019 four times oversubscribed. This is testament to the strong financial performance of the Group over several years and the confidence that blue-chip investors have in our future growth strategy. We will use the proceeds from the bond to fund the significant investment programmes already under way across our airports.

Our dividend policy continues to deliver sustainable dividends to our shareholders, the majority of which go to local councils in Greater Manchester. In this financial year, the Group paid dividends of £174.7m, comprising a final dividend for FY2018 of £110.7m and an interim dividend for FY2019 of £64.0m. As we look ahead to this year, MAG's growth is set to continue. The Board remains confident of the Group's long-term prospects and the positive case for investing in new products, facilities and infrastructure at our airports.

Finally, I would like to extend my gratitude to all our employees at MAG who work so hard to welcome passengers to our airports and ensure their safe and efficient operation.

My thanks go to you all.

Mm. Mw.K.
Sir Adrian Montague CBE



£192.0m

DIVIDENDS +15.7% 2018: £166.0m



We focus on a number of key performance measures to ensure we build value for our shareholders on a consistent basis over the long term.

Measure	Aim	Context	Progress in 2019	Like for like progress in 2019	
Revenue (continuing operations)	Achieve long-term and steady growth in revenue	We aim to deliver sustainable growth across all areas of our business - aviation, car parking, retail and property *	£889.4m	^	+8.7%
Adjusted EBITDA ¹ (continuing operations)	Generate a sustainable long term growth in profits	We aim to deliver sustainable growth in profits across all areas of our business, including aviation, car parking retail and property. *	£379.8m 2018: £358.8m		+5.9%
Result from operations (continuing operations)	Achieve steady and increasing profit from operations	We expect all our operations to positively contribute to the Group's results. Result presented before impact of significant items *	£226.0m		+4.9%
ROCE ²	Achieve a healthy ROCE which exceeds our cost of capital	We focus on maximising shareholder value through our investments in infrastructure	8.3% 2018: 9.2%	~	-9.8%
Occupancy rates ³	Achieve a high level of occupancy on lettable property	We generated improved revenue by maximising occupancy of our existing property portfolio	95.2% 2018: 92.7%		+2.7%
Investment property value	Generate growth in the capital value of our property portfolio	We manage our property portfolio to realise maximum value from disposals and re-invest in new developments	£552.6m		+5.0%
Capital investment	Provide effective investment in operational assets to improve efficiency and support growth	We invest in opportunities that generate shareholder value, and enhance the quality of our airport services	£590.9m 2018: £341.7m	^	+72.9%
Adjusted cash generated from operations ¹	Convert our operating profits into cash	We focus on converting our operating profits into cash to fund further investment and returns to shareholders	£411.0m 2018: £337.4m	^	+21.8%
Shareholder return	Generate growth in distributions for shareholders	We provide returns to reward the shareholders investment	£223.2m 2018: £179.4m	^	+24.4%
Market share ⁴	Grow our share of the market	Measures the performance of MAG compared to the UK market (excluding Heathrow)	28.6% 2018: 28.4%	^	+0.7%
Passengers (m)	Maximise passenger volumes through our airports	Increasing the number of passengers contributes to growth in our aviation and commercial revenue streams	61.8m 2018: 58.9m		+4.9%
Destinations	Provide access to all major global holiday and business destinations	As a premier airport services company we aim to provide access to all major business and holiday locations across the globe	286 2018: 285		+0.4%
Departure punctuality ⁵	Maintain a high level of on-time departures	We maximise our service to airline partners by providing efficient airport operations	70.1% 2018: 75.2%	~	-6.8%
Carbon reduction - CO ₂ emissions ⁶	Minimise the environmental impact of our operations	We closely monitor our CO_2 emissions and environmental impact	0.708 2018: 0.870	^	-18.6%
Number of people within noise footprint (000s) ⁷	Being good neighbours within our communities	Minimising the impact of our operations on the local community	38.3 2018: 41.1		-6.8%
Number of training placements provided	Supporting work in our communities	Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies	759 2018: 634	^	+19.7%
Health and Safety RIDDOR - reportable accidents ⁸	Maintain robust health and safety standards	The safety of our customers and colleagues is extremely important to us, and we value a safe working and operating environment for all	20 2018: 10	~	+100.0%

- 1 As explained in the Financial Review on page 31.
- 2 ROCE (return on capital employed) is calculated from adjusted operating profit as a percentage of average capital employed, and on a historical cost basis. ROCE is lower due to significant capital expenditure on assets in the course of construction of almost £400m in the year. These assets are not yet brought into use, so the related returns are not yet being generated.
- 3 Measured as let space as a percentage of full occupancy space.
- 4 Market share excludes Heathrow Airport.
- 5 Measured as a percentage of departures within 15 minutes of scheduled departure time. The reduction on the prior year is driven largely by external factors including an increase in air traffic capacity throughout the European network, placing a strain on the Air Traffic Control (ATC) capacity, weather related delays and the impact of ATC and pilot strikes experienced at Stansted. We continue to work closely with all our airline partners and service agents to minimise the level of disruption and delays.

OVERVIEW

- Our emissions are calculated based on data gathered for voluntary emissions reporting under, and in compliance with, the CRC Energy Efficiency scheme and EU 'Emissions Trading System' ('ETS'). UK Government Conversion Factors for Company Reporting published by Defra and DECC in 2015 were used, with historic emissions recalculated where required.
- 7 The figure for 2018 has been restated (from 40.4 to 41.1) to reflect the latest contour modelling.
- 8 Whilst the numbers of incidents this year remain low we have been disappointed to see a rise, compared to prior year, in their number. All our airports are live operational environments operating on a 24/7 basis, and we do everything we can to minimise the risk of injury. The increases in RIDDORs relate to minor injuries. We believe our standards remain robust and remain committed to minimising incidents in the coming year.
- * All numbers relate to continuing operations unless stated.

Investing in the future of UK aviation.

"I'm delighted that the first phase of our £1bn Manchester transformation programme is successfully complete, together with continuing investment at London Stansted and East Midlands. Investment will continue across our airports, facilitating further growth for 2020 and beyond."

MAG has had, once again, a positive year, driven by successful route development and passenger growth. As a Group we welcomed 61.8m passengers to our airports across the year, 2.9m more than last year (+4.9%).

This has also been a year of significant investment in our airports' facilities and infrastructure, which will support continued sustainable growth. We have looked to ensure that our investment in first-class facilities is matched by an equal focus on the experience that every one of our passengers has as they navigate through our terminals, something we are looking to make as smooth as possible at

A pleasing element of our passenger growth this year has been its breadth, with long-haul links featuring strongly. In June, Emirates started daily flights to Dubai from London Stansted Airport, meaning passengers from London and the East of England could, for the first time, benefit from Emirates' global network and award-winning product directly from Stansted.

> MAG has delivered its eighth successive year of

The long-haul future at Manchester Airport looks equally bright, with a new link to Addis Ababa launched this year and Virgin Atlantic announcing an exciting new route to Los Angeles, direct from the North.

Customers use our airports for a whole host of different travel reasons, and it is always good to see a strong and varied new pipeline of short-haul destinations coming onto our departure screens too. EasyJet have established a welcome new route to Paris Charles de Gaulle from London Stansted. Jet2.com are now operating 12 aircraft at their London Stansted base, where they are now well into their third summer season, with new destinations announced including Burgas and Izmir.

EasyJet have also introduced five more aircraft into their Manchester base allowing them to serve Innsbruck and Bordeaux among five new routes. At East Midlands, our passengers can now look forward to flying direct to Shannon, Santorini and Nantes.

All these destinations are more than just exciting places to visit, they are also a symbol of Britain's connectivity to the global economy, its ability to travel, trade and do business across the world. The connectivity that our airports are delivering is boosting the UK economy and that of the regions in which our airports operate, helping to drive growth right across the country.

This good performance on the aviation side of the business has driven a strong financial performance for the Group this year, with revenue increasing 8.7% to £889.4m and Adjusted EBITDA* 5.9% to £379.8m.



profitable growth, driven by a 2.9m increase in passenger numbers and increased investment at both Manchester and Stansted airports. Adjusted EBITDA*

£379.8m

2019	£379.8m	
2018	£358.8m	
2017	£339.2m	

+£21.0m +5.9%

£889.4m

2019	£889.4m
2018	£818.1m
2017	£742.7m

+£71.3m +8.7%

As explained in the financial review on page 31.



Chief Executive Officer's operating review

At the same time, I am pleased to see the good progress we have made in delivering new facilities and infrastructure for our customers, with significant capital investment projects across the business. At Manchester, it was only two years ago that we started work on the Manchester Airport Transformation Programme (MAN-TP) and the hard work of the team across the year meant that we were able to open the first phases of the programme on schedule on 1 April 2019.

Passengers and airlines are already benefitting from the new facilities at Manchester. The next step will be the opening of an extension to Terminal 2 in summer 2020 with 40 plus new food and beverage outlets and shops, to be followed by a further 40 when the existing building is fully refurbished.

It has also been a productive year for London Stansted's Transformation Programme (STN-TP), which started in 2018. The next phase will involve the completion of work on eight new aircraft stands, new check-in desks, the completion of a multi-storey car park and upgrading the hold baggage screening

Meanwhile we have announced plans to upgrade both passenger and cargo facilities at East Midlands Airport, with a new arrivals hall extension and also an expanded east apron, which will allow it to play an even bigger role in meeting the UK's growing e-commerce needs, as the country's biggest airport for freight aircraft.

Equally importantly, we have invested in some critical processes to make the passenger experience in and around our terminals this summer as smooth as possible – whether that is more car parking spaces, more staff in security, or new staff training processes. Driving up standards in passenger experience has been a key area of focus for the airport teams this year, and we have worked hard with our partners to address a number of

The initial results from this work have been encouraging, with improvements in passenger satisfaction evident across the Group.

One area, in particular, where we have been focused is the provision of services to passengers with additional needs, including passengers with reduced mobility. It is important that all passengers are confident about the level of service they will receive at our airports and we have invested significant extra resources in new equipment and additional staff to make sure this is the case. We have also spent time talking to passengers and representative organisations to gather feedback and to ensure we understand how we can further improve our services.

As a responsible operator of airports, we know the huge value they bring to the economy, and the positive effect they can have on the communities in which they operate.



We are proud that MAG airports are recognised as good neighbours by their local communities. They appreciate the opportunities they present to local residents, whether in jobs, local supply chains or trade links.

They also appreciate some of the things we do differently, like operating Aerozones at our airports where local schoolchildren can learn about everything to do with airports and aviation, and like our new Stansted Airport College, the only facility of its kind in the UK, where young people can gain further education qualifications at a stunning site right next to the runway. These qualifications will help local, young people get jobs with MAG and our partners at London Stansted Airport and it is fantastic the first cohort will graduate this summer. Across the Group, these unique projects all play their part in our efforts to create a dynamic, diverse and positive business.

MANCHESTER AIRPORT

At Manchester Airport, the first phase of our £1bn Transformation Programme (MAN-TP) is now complete, and in April 2019, I was delighted to see our plans come to life, when Pier 1 opened less than 18 months after construction began. The pier opening was a fantastic way to celebrate the airport's 80th birthday, and we had the chance to look back at how Manchester Airport has changed and grown over the years. I look forward to seeing further progress with MAN-TP over the next few years, including the planned opening of a new, extended Terminal 2.

Our new terminal capacity will support the growth of our route network, and this year we have already seen significant strengthening of Manchester's global connections. In July, Qatar Airways announced they will operate three services per day direct to Doha, as well as Virgin Atlantic announcing a new route direct to Los Angeles and Ethiopian Airways flying direct to Addis Ababa four times a week. These long-haul connections are proof that Manchester is the global gateway for the North, and our investment in MAN-TP will play a big part in enabling the airport to reach its full potential.

Our existing operations are growing too, with easylet this year announcing a significant expansion at Manchester, basing five new aircraft at the airport to carry an extra 1.5m passengers as well as adding five new routes to Innsbruck, Lanzarote, Faro, Barcelona and Bordeaux, Jet2.com also announced new destinations for Summer 2019, including Burgas, Chania and Izmir amongst others.

As the airport develops, its surrounding infrastructure should too, and we know that our passengers value fast and reliable transport to and from our airports. That is why investment in HS2 and Northern Powerhouse Rail is needed. Together they present a golden opportunity to drive economic development across the North.

We are working with Government and other partners to deliver a high-speed rail station at the airport, which will offer people across the North fast and direct access via HS2 and Northern Powerhouse Rail to the global connections we offer. This kind of integrated approach to developing infrastructure investment in the North has the potential to enhance the journey times and experience for more passengers from across the North and the rest of the UK.

LONDON STANSTED AIRPORT

London Stansted Airport has made further progress in its £600m Transformation Project (STN-TP) and over the last 12 months we have delivered eight new aircraft stands and 12 new check-in desks. In the coming year we will see the completion of a new multi-storey car park which will offer more than 2,600 spaces within a short walk of the terminal building. Alongside these improvements, we will begin the enabling works for our new Arrivals Terminal, which will create the capacity we need as Stansted continues to grow year on year.

London Stansted is giving passengers more choice of destinations than ever before. We launched a number of new services this year from London Stansted, including a direct flight to St Petersburg with Pobeda Airlines, along with a new route to Vienna with Laudamotion.

The last 12 months at London Stansted have also been focused on bringing businesses and investment opportunities into the region. A landmark moment in this process was the launch of the East of England China Forum held in Parliament in November, where it was good to see business and political leaders support Stansted in its ambitions to stimulate Chinese inward investment, tourism and export opportunities for the region.

"MAG has had, once again, a very positive year, driven by successful route development and passenger growth."

Chief Executive Officer's operating review continued



"Passengers and airlines are already benefitting from the new facilities at Manchester. The next step will be the opening of an extension to Terminal 2 which will open in summer 2020."

This mirrors the success of the Manchester-China Forum in which the airport takes a leading role, and the replication of this model at London Stansted and the East of England demonstrates that MAG operates at its airports with the aim of benefitting local, national and international businesses to drive the UK economy further.

The accessibility of London Stansted for passengers and businesses will be of vital importance as the airport develops, and so we are committed to working with Government to secure important upgrades to the Stansted Express rail service that will make our airport convenient for a larger number of passengers. By securing these improved links, London Stansted will be able to generate additional economic activity through tourism, international trade and inward investment for East Anglia and the Greater London regions, which have so much to offer to the LIK

As well as thinking about our wider national impact, we have also been focused on supporting our local communities and the next generation. I was delighted this year to see the opening of the Stansted Airport College, the UK's first airport skills college, in collaboration with Harlow College. The college is the only Further Education establishment in the Uttlesford District and is now providing young people with the technical skills and opportunities for a career in aviation at London Stansted, whether their ambition is to be an engineer, cabin crew or enter the retail sector.

EAST MIDLANDS AIRPORT

East Midlands Airport continues to be the most important pure cargo airport in the UK, and a new £114m UPS development to help handle the increasing number of cargo aircraft at the airport is taking shape. This development will double the size of the cargo operation at the airport, enabling it to play an even bigger role in fulfilling key elements of the country's express freight and e-commerce needs, especially for 'just-in-time' next day deliveries.

Alongside its nationally significant role in air freight, East Midlands Airport continues to be a popular passenger airport for the region. This year, the airport has new routes to Nantes and Shannon with Ryanair and to Inverness and Brussels with Loganair, increasing the level of choice it is offering its passengers, with ambition for growth over the coming years. This growth will be facilitated by our plans for a new arrivals hall at the airport, which will provide capacity for five new e-gates at passport control and enhance the passenger experience

The airport continues to play a key role in shaping the future of the region, as a key cog within the Midlands Engine. The airport has been instrumental in the formation of a new East Midlands Development Corporation which is being assembled by Midlands Engine chair, Sir John Peace. With Central Government backing and funding, the Corporation will help drive forward a masterplan for a future East Midlands

economy, anchored around the region's three most strategically important sites; the proposed HS2 station at Toton, Ratcliffe-on-Soar power station, and the airport itself.

We are committed to ensuring the East Midlands Development Corporation delivers on an ambitious scale, and its vision - to transform the East Midlands into one of the UK's most desirable regions in which to live and work - is realised.

MAG AIRPORT SERVICES

At MAG we have a unique strategy among UK airports, seeking to actively serve more steps of the end-to-end passenger journey, adding value at every step of the way. That is why we have built up our own in-house digital capability, MAG-O, which is launching new online and mobile platforms to help passengers navigate their way through our airports. Meanwhile, our MAG Hospitality division is expanding the range of products we can offer to our passengers in the terminal - including brand new lounge products and our own in-house food-led bar brand. This year we also announced a UK first in PremiAir, a private terminal at Manchester which will be accessible to passengers regardless of class of ticket, for an access payment for each visit, and is due to open later this year.

Our MAG USA division is establishing a real presence on the other side of the Atlantic, offering our lounge products and parking services to US airports. We currently have eight lounges operational with five more in the pipeline, and 2019 will see three US airports start to use innovative MAG technology to help them operate their car parks and online booking services.

Our ambition is that when they travel through airports, passengers will increasingly use MAG's own products and enjoy using them to the extent that they look out for them whichever airport they are flying through.

MAG PROPERTY

In Manchester, the pipeline of developments on Airport City has continued to gather momentum. Planning has been achieved on the four hotel deals that exchanged in 2017/18. Further beds have been added to the forthcoming Ibis / Holiday Inn hotel development, whilst in September 2018 we announced the major multiphase office development for The Hut Group. Planning has also been obtained for this development, plus a further office and multi-storey car park. MAG increased its shareholding in the Airport City Joint Venture in December 2018 to 70%, acquiring the 20% previously held by Carillion.

Occupancy remains very high across the estate. At Manchester, the prime office stock was fully let by the end of the year, with The Hut Group expanding their presence on the site, taking a further 32,000 sq ft. The World Freight Terminal operated close to full occupancy, with existing occupiers taking additional space and extending occupations. A deal was completed with Amazon to acquire a further two acres of land on Airport City South in the year.

At London Stansted, a new letting was concluded with Wren Kitchens. A deal was also concluded at London Stansted to dispose of a further four acres of land to Airport Property Group in March 2019 for logistics expansion.

At East Midlands, a long ground lease was agreed with UPS for a major distribution facility. The £100m+ investment in the site will significantly increase the size of their operation onsite, and the development is rapidly taking shape.

Of our small remaining interest at Bournemouth Airport, the sale of a 40,000 sq ft hangar was completed in the year, and we are actively marketing the remaining sites.

OUTLOOK

The last few years have seen a growing level of uncertainty around Brexit, both in terms of the nature and timing of the UK's departure from the EU. The recent agreement to extend the Brexit timetable until October 2019 has had the effect of prolonging this uncertainty for UK businesses and consumers.

As part of our preparations for Brexit, we have developed robust plans so that our airports will continue to serve passengers and airlines in the event of a 'no deal' outcome. We will be monitoring Brexit developments closely over the coming months and will put these plans into operation if necessary. While we are confident about our ability to continue operating in a 'no deal' scenario, it is something that we are

encouraging Government and politicians to avoid to prevent wider impacts on the UK economy.

Like many industries, the aviation sector has been working hard to address the challenge of climate change and identify ways to reduce carbon emissions over the coming decades. MAG is successfully working with industry partners including airlines and manufacturers to ensure that sustainable growth in global links can be achieved without an increase in carbon emissions. The next generation of aircraft, which are bigger but cleaner than their predecessors, together with the modernisation of UK airspace and more airports becoming carbon neutral, will allow us to continue to succeed in realising this goal.

The opportunities that aviation's global links provide for the UK economy make the sector a force for good and I am pleased that MAG's continued sustainable growth plays a key part in this story.

Charles T. Comist

Charlie Cornish

Chief Executive Officer



Business model

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

WHAT WE DO

AVIATION

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



39.9% of sales

RETAIL

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



22.3% of sales

CAR PARKING

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



24.9% of sales

PROPERTY

on our airport sites: we understand the complexities of the infrastructure and services that make airports work, so we know how to help businesses based there take full advantage of them.



5.2% of sales

HOW WE CREATE VALUE THROUGH OUR COMPETITIVE ADVANTAGES

BROAD CATCHMENT

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



TALENTED PEOPLE

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



WELL-INVESTED ASSETS

Manchester and London Stansted have significant spare runway capacity, and MAG's capital plan is for continued investment in our asset base.



LONG-STANDING PARTNERSHIPS

We have long-term commercial agreements with our diverse carrier mix and retail partners



STRONG CAPITAL POSITION

MAG is committed to retaining its strong investment grade ratings, and conservative leverage is core to that



LONG-TERM, SUPPORTIVE SHAREHOLDERS

Our unique ownership structure comprises an effective blend of public and private shareholders, including Manchester City Council (35.5%), IFM Investors (35.5%) and the nine other Greater Manchester local authorities (29%).



HOW WE DELIVER VALUE



Our strategy is focused on Investing, Transforming and Connecting

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



INVESTING

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

This year saw the continuation of the £1.5bn investment programmes at Manchester and London Stansted.

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

Deliver great service at every touch point

Provide modern and customer focused infrastructure

In 2018-19, £1.5bn transformation programmes continued at pace, with the first phase of Manchester Airport's £1bn transformation open to passengers on time.

TRANSFORMING

We realise the full potential of our people and have the processes and systems to deliver the range of services our customers want A key focus this year has been on ensuring that passengers get a seamless, hassle-free experience, whether they are flying through one of our newer terminals or through older infrastructure. To prepare for a busy summer season, we have given our staff extra training to enable them to deliver an improved passenger

Meanwhile, our MAG-O technology business continues to launch innovative new online products to help customers navigate our terminals and get a better deal.

Focus on operational excellence

Energise and unlock the potential of our people



CONNECTING

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

With passenger growth now passed the symbolic 60m passengers per annum mark, MAG Airports continue to grow and connect to more markets than ever before.

MAG has dedicated teams to proactively work with airline partners to establish new routes and make them a success.

Providing global connectivity for our customers

Attracting growth through our new products and services



new routes to Los Angeles and Addis Ababa and the expanding of short-haul networks across all our airports meant this year was successful in terms of route development.

Investing

Continued investment in enhancing and expanding our infrastructure is paying off and underpins our £1.5bn investment programmes





2019 witnessed the continuation of £1.5bn transformation programmes at MAG's two largest airports, Manchester and London Stansted.

£1.5bn

TRANSFORMATION PROGRAMME AT MAG'S **TWO LARGEST** AIRPORTS.

Transforming

We realise the full potential of our people and have the processes and systems to deliver the range of services our customers want





Driving up standards in passenger experience has been a key focus for the airport management teams this year. This has included investing in more car parking places more staff in security control and new staff training programmes. It has also meant introducing technological innovations, driven by our significant in-house digital capability in MAG-O.

MAG's strategy is to ensure that our investme in world-class facilities is matched by an equation focus on the experience that every one of our passengers has as they travel through our terminals, something we look to make as smooth as possible at all times.



Service innovations will allow us to raise the level of passenger experience at our airports, something which is central to our long-term strategy. Our investment in airport infrastructure is being complemented by a strong focus on passenger experience over the coming years to make our airports welcoming and relaxing places to travel through" - Sir Adrian Montague, MAG Chairman

Connecting

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



40+

NEW SERVICES INTRODUCED



With passengers now passed the symbol 60m passengers per annum mark, MAG continues to grow and connect to more markets than ever before.

MAG has dedicated teams to proactively work with airline partners to establish new routes and make them a success. These commercial relationships have yielded a wide range of new routes over the last year improving the choice and value available to passengers.

This year, one of the most significant route launches was the introduction, for the first time, of direct flights to Dubai from London Stansted Airport. Meanwhile, new full-service long-hau routes from Manchester to Addis Ababa and Los Angeles are proving popular additions.

A key part of how airlines' assess an airport's appeal is accessibility. Better rail and road inks can mean more people can access new outes, making them more commercially viable. For this reason MAG is currently ocused on campaigns supporting securing nigh-speed rail access to Manchester Airport, which will offer people across the North fast and direct access via HS2 and Northern Powerhouse Rail to the increasing range of alobal connections we offer.

to developing infrastructure investment in the North, it has the potential to further enhance the journey times and experience for more passengers from across the North and the rest of the UK who wish to be able to use Manchester Airport.

Financial review

Profitable growth supports investment in our airports.

"MAG has continued to increase both its profitability and cash generation, as we deliver our growth strategy."



Chief Financial Officer, MAG





£889.4m

+8.7%

2018: £818.1m

2019	£889.4m
2018	£818.1 m
2017	£742.7m

Aim: Achieve long-term growth in revenue.

Context: We aim to deliver sustainable growth across all areas of our business – aviation, car parking, retail and

Adjusted EBITDA*

£379.8m

+5.9%

2018: £358.8m

2019	£379.8m
2018	£358.8m
2017	£339.2m

Aim: Generate a level of profit that supports investment in

Context: Decisions around investments, revenue and costs have robust business cases to drive profitability and support



£215.1m **+4.0%** 2018: £206.8m

The Group continues to invest in our airports to improve the customer journey and enable future growth in line with our continuing long-term strategy.



During the year the Group has continued to deliver strong and profitable financial performance together with significant investment in our infrastructure, both of which will support the future growth of the Group and improve customer service. At the year end the Group started to experience the tangible delivery of this investment as April 2019 saw the opening of Pier 1 at Terminal 2 and the additional first car park - the completion of the first phase of MAN-TP.

With the continued growth we've achieved this year, together with the strong long-term prospects for the Group, we are pleased to declare sustainable and growing dividends to our shareholders.

RESULTS ANALYSIS - HEADLINE NUMBERS

			Variance 2018/19		
	Year ended 31 March 2019	Year ended 31 March 2018	million pax / £m	%	
Passenger numbers – continuing operations	61.8	58.9	2.9	4.9	
Passenger numbers – continuing and discontinued operations	61.8	59.5	2.3	3.9	
Revenue – continuing operations	889.4	818.1	71.3	8.7	
Revenue – discontinued operations	-	10.3	(10.3)	(100.0)	
Adjusted EBITDA ¹ – continuing	379.8	358.8	21.0	5.9	
Adjusted EBITDA ¹ – discontinued	-	2.9	(2.9)	(100.0)	
Adjusted operating profit ² – continuing operations	226.0	215.4	10.6	4.9	
Adjusted operating profit ² – discontinued operations	-	1.9	(1.9)	(100.0)	
Result from operations – continuing operations	215.1	206.8	8.3	4.0	
Result from operations – discontinued operations	(4.3)	(14.1)	9.8	(69.5)	
Result before taxation – continuing operations	189.9	157.9	32.0	20.3	
Result before taxation – discontinued operations	(4.3)	(14.1)	9.8	(69.5)	
Adjusted cash generated from operations ³	411.0	337.4	73.6	21.8	
Cash generated from continuing operations	401.4	328.8	72.6	22.1	
Capital investment	590.9	341.7	249.2	72.9	
Dividends paid in the period	174.7	149.2	25.5	17.1	
Net debt	(1,799.7)	(1,326.8)	(472.9)	35.6	
Equity shareholders' funds	1,492.7	1,520.6	(27.9)	(1.8)	

- 1 Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, share of results of associate, gains and losses on sales and valuation of investment property, and before
- 2 Adjusted operating profit is operating profit before significant items.

 3 Adjusted cash generated from operations is cash generated from operations before significant items.

Numbers relate to continuing operations unless stated.

^{*} As explained on page 31.

Continuing operations 2019 2018 After

	Before Significant Items	Significant Items	Atter Significant Items	Before Significant Items	Significant Items	Atter Significant Items
Adjusted EBITDA*	379.8	(10.9)	368.9	358.8	(8.6)	350.2
Depreciation and amortisation	(153.8)	_	(153.8)	(143.4)	-	(143.4)
Adjusted operating profit/result from operations	226.0	(10.9)	215.1	215.4	(8.6)	206.8

Income analysis (£m)	Continuing Operations		
	2019 £m	2018 £m	
Aviation	354.5	332.7	
Retail	198.1	181.6	
Car parking	221.4	187.2	
Property	46.2	44.4	
Other	69.2	72.2	
Total	889.4	818.1	

MEASURES USED TO ASSESS PERFORMANCE

The Group uses a number of measures to assess financial performance that are not defined within IFRS, and are widely referred to as 'Alternative Performance Measures' (APMs). The directors use these measures to review the performance of the Group, as evidenced by performance targets being significantly based on Adjusted EBITDA*.

The APMs referred to in this report are:

- Adjusted EBITDA*;
- Adjusted operating profit*; and
- Adjusted cash generated from operations*

As such, these measures are important and should be considered alongside the IFRS performance measures. The adjustments for each of the APMs from IFRS measures are separately disclosed and relate to items that are significant in size or non-recurring in nature, and where, in the directors' view, their separate disclosure gives a more accurate indication of the Group's underlying financial performance.

For example, costs incurred on Group-wide restructuring programs, certain one-off cost associated with significant new systems implementations, and M&A activity, are considered one-off and are presented within Significant items as adjustments to the IFRS measures of financial performance.

APMs used within these statements are accompanied by a reference to the relevant IFRS measure and the adjustments made.

SUMMARY TRADING PERFORMANCE

The Group has continued to drive growth in the year, with the passenger increases at Manchester and Stansted airports being significant factors for the improved performance in both revenue and Adjusted EBITDA*. A 4.9% uplift in passenger numbers has enabled the Group to not only invest in infrastructure, but also to commit more expenditure to supporting the customer journey through the airport transformations, whilst also delivering a strong £21.0m (5.9%) increase in Adjusted EBITDA* to £379.8m.

This year saw the full year effect of the collapse of Monarch Airlines. The Group successfully addressed the initial gap experienced in the early part of the year and successfully backfilled the routes and passengers during the summer period. However, the backfilled routes delivered a reduced aviation yield and, combined with the various pilot and ATC strikes in the summer, had a drag on Adjusted EBITDA* growth of circa 3%

The largest increase in passenger numbers has been at our two main airports, Manchester (growth of 2.5% on the prior year) and London Stansted (growth of 8.8% on the prior year).

This growth is largely driven by increased volume from low-cost carriers such as Ryanair and Jet2.com at both Manchester and Stansted. The growth at Manchester Airport was despite the loss of traffic from the collapse of Monarch Airlines.

The Group has also expanded its operations through the introduction of new services by Ethiopian Airlines at Manchester and Laudamotion at Stansted and a new daily service from Emirates at Stansted. These expansions more than compensate for the cessation of services by Primera and Cobalt.

Aviation, retail and car parking revenues have consequently all grown in the year, with the Group's revenue from continuing operations of £889.4m having increased by 8.7% on the prior year.

Aviation income of £354.5m has grown 6.6% on the prior year, reflecting an increase in passenger numbers. Included within aviation income, cargo income has seen growth of 2.5% on the prior year to £24.9m, as the Group continues to grow cargo volumes at its East Midlands operation.

Retail income of £198.1m has grown by 9.1% on the prior year, reflecting an increase in passenger volumes, and driven by growth in Food and Beverage at Stansted and increased Lounge income at MAG USA and Manchester.

Summary of Revenue by Division	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m	Change £m	Change %
Manchester Airport	425.7	389.5	36.2	9.3
London Stansted Airport	359.3	330.4	28.9	8.7
East Midlands Airport	68.9	66.8	2.1	3.1
MAG Property	24.3	25.7	(1.4)	(5.4)
Group, Consolidation and other	11.2	5. <i>7</i>	5.5	96.5
Total Revenue - continuing operations	889.4	818.1	71.3	8.7

Adjusted EBITDA* by Division	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m	Change £m	Change %
Manchester Airport	188.5	180.9	7.6	4.2
London Stansted Airport	166.4	151. <i>7</i>	14.7	9.7
East Midlands Airport	23.4	24.5	(1.1)	(4.5)
MAG Property	19.9	15.9	4.0	25.2
Group, consolidation and other	-18.4	-14.2	(4.2)	29.6
Total Adjusted EBITDA* - continuing operations	379.8	358.8	21.0	5.9

Results from operations by Division	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m	Change £m	Change %
Manchester Airport	108.9	106.4	2.5	2.3
London Stansted Airport	104.0	91.1	12.9	14.2
East Midlands Airport	11.6	13.1	(1.5)	(11.5)
MAG Property	16.7	15.9	0.8	5.0
Group, consolidation and other	(26.1)	(19.7)	(6.4)	32.5
Total result from operations - continuing operations	215.1	206.8	8.3	4.0

Car Parking continues to grow strongly, with revenues 18.3% higher than the prior year at £221.4m. During the year the Group has experienced loss of spaces as Transformation works have progressed, but has been able to restrict the reduction to 1.5% by expanding the delivery of its Meet & Greet facilities. The improved yield and utilisation of the available spaces, coupled with the acquisition of the Looking4Parking and SkyParkSecure businesses, has been key to the delivery of improved performance. The main drivers in the growth being the increases in pre-book (principally at Manchester and Stansted), along with FastTrack performance at Manchester.

The Adjusted EBITDA* in MAG's Property division has increased by £4.0m as a consequence of improved rental performance from the portfolio and property disposals

which produced a profit of £3.7m.

Additionally the Group experienced a £45.8m uplift shown as gains and losses on sales and valuation of investment properties, and a profit of £3.6m from its increased investment in the Airport City joint venture.

Other income, which includes utility cost recharges, fees for airline services and aviation fuel sales, reduced by £3.0m (4.2%) on the prior year. The reduction is principally due to the netting off of passed through costs.

Overall costs, excluding significant items, depreciation and profit on disposal of property, plant, equipment have increased by £50.8m (11.0%), largely driven by increased customer service investment to support higher passenger volumes and improve the customer experience during the period of infrastructure development.

In addition to inflationary increases in operating costs, money has been invested to support the higher passenger volumes and enhanced customer service across a range of areas in the terminal and wider airport operations. These costs are carefully managed to balance cost and passenger experience. The evolving nature of commercial activities, including more online channels, also increases costs that directly support higher income levels, such as pay-per-click costs, which will drive higher Adjusted EBITDA* in the future.

*As explained on page 31.

Financial review continued

Depreciation and amortisation costs relating to continuing operations are £10.4m higher than the prior year at £153.8m, reflecting the accelerated rate of investment in the Group's infrastructure works.

The Group undertook various planned inorganic growth and restructuring programmes during the year, most notably in relation to: the acquisition of Looking4Parking and SkyParkSecure; and the additional expenditure incurred as a result of

MAN-TP. Additionally, the Group has accounted for the impact of the additional pensions charge relating to equalisation of Guaranteed Minimum Pension following the Lloyds Banking Group case in October 2018. Combined these have resulted in a total of £10.9m being recognised as a Significant item within the consolidated income statement.

After deducting the above depreciation, amortisation and significant items from Adjusted EBITDA*, the result from operations for the year is £215.1m, an increase of £8.3m (4.0%) on the prior year.

MANCHESTER AIRPORT

Manchester Airport delivered another year of good growth with 28.6m passengers travelling through the airport in the year to 31 March 2019, an increase of 2.5% over the prior year.

			Variance	
	2019	2018	£m	%
Passengers (million)	28.6	27.9	0.7	2.5
Revenue (£m)	425.7	389.5	36.2	9.3
Adjusted EBITDA* (£m)	188.5	180.9	7.6	4.2

£ per Passenger	2019	2018	2017
Aviation	6.1	6.1	6.1
Commercial	8.3	7.7	7.7
Operating costs	11.0	10.0	10.2

This increase in passenger volumes of 2.5% compared to the prior year is after the business's successful backfilling of the routes lost after the collapse of Monarch Airlines in 2017. The backfilling of the Monarch loss and net growth has been driven through extra aircraft from Ryanair and Jet2.com and additional capacity from Thomas Cook and easyJet. Additionally, new long-haul routes to Addis Ababa and Mumbai as well as increased frequency to Doha, Orlando and Toronto have added to capacity.

Manchester experienced strong growth in total revenue by 9.3% over the prior year to £425.7m. The lower yield from backfilled Monarch passengers impacted aviation revenue, however aviation revenue overall was £173.9m, an increase of 1.9% which is broadly in line with the increase in passengers.

Commercial Revenues also saw strong growth led by car parking revenues which amounted to £105.4m, representing an improvement of 21.0% on the prior year. The biggest drivers of this increase being pre-book parking. Retail revenues remained flat with increases in Food and Beverage being offset by Duty Free reductions.

The airport has increased its investment in customer service during the year, acknowledging the efforts required to help the customer journey throughout the transformation programme. Even with this additional cost invested in the business, together with the impact of the Monarch collapse, Manchester has been able to deliver an increase of 4.2% to Adjusted EBITDA* which has increased to £188.5m. The result from operations has followed the same trend, increasing by £2.4m (2.3%) compared to the prior year.

During the year ended 31 March 2019 MAN-TP significantly accelerated its activity with over £300m of investment over the past 12 months. Accelerated progress has seen the programme deliver the new Pier 1 to terminal 2 and the first of the new car parks, which became operational in April 2019. The ongoing works, representing a £1bn investment, will deliver a significant extension to the terminal along with improvements to the car parking facilities, connectivity and infrastructure at the airport.

LONDON STANSTED AIRPORT

London Stansted Airport has experienced continued growth in passenger numbers, with an increase of 8.8% on the prior year to 28.4m passengers.

			Variance	
	2019	2018	£m	%
Passengers (million)	28.4	26.1	2.3	8.8
Revenue $\{\mathfrak{L}_m\}$	359.3	330.4	28.9	8.7
Adjusted EBITDA* (£m)	166.4	151.7	14.7	9.7

£ per Passenger	2019	2018	2017
Aviation	5.5	5.6	5.4
Commercial	7.0	6.9	6.4
Operating costs	9.0	9.2	8.3

The increase in passenger volumes of 8.8% is predominantly due to growth within the existing low-cost market, primarily through Ryanair and Jet2.com, with additional uplift delivered by a new daily service to Dubai by Emirates and routes to Austria with the new carrier Laudamotion. This is despite the impact of pilot and ATC strikes during the summer. Destinations served by the airport continue to increase, with a significant number of new routes launched including Lyon, Burgos, Innsbruck, Vienna, Kiev and St Petersburg.

The preparation for future growth in capacity to meet passenger demand and improve customer experience is to be delivered through the STN-TP.

The 8.8% growth in passengers has supported increases in total revenue to £359.3m, up by 8.7% on the prior year. This increase in volume has resulted in an increase in aviation income of 12.2% over the prior year value.

Additionally, the business has been able to maintain commercial revenue growth in line with the passenger number increases. Retail growth by 11% with the drivers of growth being the Food & Beverage, Newsagency and Financial Services sectors. Car parking revenues increased by 14% with the gain predominantly coming from the pre-booked channel but also with a 25% increase in FastTrack revenues.

The result of performance in the financial year has led to an Adjusted EBITDA* position which has increased by £14.7m (9.7%) to £166.4m, with the passenger growth enabling a reduced cost per passenger. This growth in profitability has supported the airport's investment in infrastructure of £151.8m.

*As explained on page 31 *As explained on page 31

EAST MIDLANDS AIRPORT

East Midlands Airport has a very important dual role as the biggest airport for dedicated cargo traffic in the UK, and as a passenger airport.

			Variance		
	2019	2018	£m	%	
Passengers (million)	4.9	4.9	0.0	0.0	
Revenue (£m)	68.9	66.8	2.1	3.1	
Adjusted EBITDA* (£m)	23.4	24.5	(1.1)	(4.5)	

$\mathfrak L$ per Passenger	2019	2018	2017
Aviation	5.1	4.7	4.3
Commercial	8.4	8.9	8.5
Operating costs	11.8	11.0	9.1

Revenue has increased by 3.1% to £68.9m, with cargo performance remaining strong, showing a 9% increase in activity from the prior year, reflecting the airport's reputation as a key cargo hub for the UK.

Car parking increased by 3.8% with the pre-booking channel providing the growth. Retail revenue remained flat, but with a positive contribution from the lounges business. This year also saw the launch of Proof 65, the first own-brand Food & Beverage unit, operated by the Group.

Adjusted EBITDA* has reduced marginally by $\mathfrak{L}1.1m$ to $\mathfrak{L}23.4m$, with the business managing its cost base given the limited revenue growth. The stronger growth in cargo, as opposed to passengers, partially explains the increase in operating costs per passenger experienced in the period.

DISCONTINUED OPERATIONS

During the year ended 31 March 2018 the Group disposed of its entire shareholding in Bournemouth Airport and recognised a loss on disposal of £14.1m. The loss on sale was re-estimated with an additional £4.3m charge recognised in the current year. This relates to an allocation of the Group's deferred taxation provision to the Bournemouth entity, discounting of deferred consideration and additional costs incurred in the year under the Transitional Services Agreement with the purchaser of Bournemouth Airport.

PROPERTY

The MAG Property division manages the investment portfolio comprising offices, hotels and cargo properties, and is also responsible for managing the Group's investment in the Airport City project.

The result from operations in MAG's Property division has increased by £6.7m, principally driven by the sale of options and non-core land across the airport estate. MAG Property has a solid portfolio of tenants on an investment property portfolio of £552.6m as at 31 March 2019.

The investment properties are revalued to fair value at each reporting date by independent property valuers. The £42.5m upward revaluation recognised in the current year represents an 8.1% underlying increase in the value of the portfolio.

MAG increased its holding during the period in the Airport City development at Manchester Airport from 50% to 70%. The purchase of the additional shareholding was a result of the insolvency of the parent of the Carillion JV partner, with the Group purchasing this shareholding and funding the outstanding capital contribution. As MAG does not exercise contractual control of the JV, the Group has continued to account for its investment on an equity basis. A balance of £23.7m is held as an investment in associate as at 31 March 2019.

The increase in the carrying value in the year of £8.0m was driven by the net profit achieved in the year, arising from the value uplift on the purchase of the additional equity and capital contributions made to the JV, both for the Group and to make up the Carillion shortfall. Management's view is that the development is expected to deliver good returns in the next few years as part of the agreed business plan. The development has a strong pipeline of deals under negotiation to provide return on the Group's investment.

MAG USA

As part of the overall Group strategy, opportunities were identified to utilise MAG's existing expertise, drawn from its running of the three UK airports, to provide a unique offering to the North American market, exploiting potential long-term opportunities across passenger lounges, car parking services and the development and operation of terminal and/or retail concessions.

MAG has added to its US business with the launch of two additional lounge concessions at Ontario International Airport in Los Angeles and at Greenville Spartanburg Airport. This has increased the Group's operations to eight by the end of March 2019. A further five concessions have also been won by the year end which the Group are planning to bring into operation in FY20. Ontario International Airport also saw MAG US launch its first car park concession during the year. The Group is in the process of securing further car parking concessions.

CASH FLOW

Cash generated from operations has increased by £72.6m to £401.4m (22.1%), supporting the Group's continuing investment in infrastructure and development opportunities. The growth in cash generation is higher than Adjusted EBITDA* growth of 5.9% due to strong working capital management and the unwinding of working capital from prior years.

FINANCING & INTEREST

MAG's financing strategy incorporates a commitment to its strong investment grade ratings with Fitch and Moody's and a long-term financing structure to support growth, including an ongoing programme of investment from capital markets, as the Group continues to grow.

Manchester Airports Holdings Limited Group Year ended 31 March 2019

Group Cash flow (£m)	2019	2018	% Change
Adjusted cash generated from operations*	411.0	337.4	21.8
Significant items	(9.6)	(8.6)	(11.6)
Cash generated from operations	401.4	328.8	22.1
Net operating cash from discontinued operations		2.7	(100.0)
Interest and tax	(139.2)	(114.7)	21.4
Net cash used in investing activities	(560.1)	(222.5)	151. <i>7</i>
Dividends paid	(174.7)	(149.2)	17.1
Net cash from financing activites	485.1	158.2	206.6
Net increase in cash and cash equivalents	12.5	3.3	278.8
Net debt	(1,799.7)	(1,326.8)	35.6

Group net debt has increased to help fund investment on its key infrastructure projects, to £1,799.7m (representing an increase of 35.6%). Funding for infrastructure has come from a balance of cash generation, shareholder loans and additional debt, whilst maintaining headroom in facilities and leverage ratios to maintain its strong ratings and support future investment in capital infrastructure.

Underlying interest payable has increased by 28.6% to £98.1m reflecting the uplift in Group net debt. Group net interest payable in the financial statements amounts to £74.5m and reflects an increase of 10.2% in comparison to the prior year, recognising the capitalisation of £24.0m of borrowing costs relating to capital investment programmes, in line with IAS 23 and the Group's accounting policies. As these assets come into use in FY20 and beyond, the capitalised interest will be depreciated in line with the underlying assets to which it relates.

The Group debt of £1,832.2m comprises: long-term fixed rate bonds (£1,098.4m); shareholder loans (£601.5m); and drawdown funds from the £500m Secured Revolving Credit Facility (£132.3m).

During the year, the Group secured an additional £350m of funding in the form of Shareholder Loans in two separate tranches. Post year end in May 2019 the Group successfully raised a further £350m through a bond issue. These cash inflows, coupled with the anticipated cash injection as a result of the sale of the non-core element of the Group's property portfolio, will provide the Group with the necessary funding to progress with the transformative activities.

CAPITAL EXPENDITURE

The Group has made an investment of £590.9m in its infrastructure during the year, with the MAN-TP representing over half of the

Group's total capital expenditure. The Group is now starting to see real benefit from the Programme as Pier 1 in Terminal 2, along with one of the major investments in car parking, came online in April 2019.

The other major programmes in the year included the investment to transform the existing terminal building at London Stansted.

PENSIONS

The accounting deficit for all Group schemes is calculated by independent scheme actuaries, Pricewaterhouse Coopers, who incorporate data taken from a number of markets in calculating the closing deficit position at the year end across the four defined benefit schemes. The Greater Manchester Pension Fund (GMPF) comprises 45.5% (2018: 52.7%) of the net aggregate Group pension scheme deficit.

Manchester Airports Holdings Limited Group Year ended 31 March 2019

rear ended 31 March 2019	
Summary of changes in aggregate pension scheme deficit	
Deficit as at 31 March 2018	[87.3]
Current service & past service cost	(14.1)
Other financial expenses	(2.1)
Contributions	16.1
Actuarial gain	3.5
Deficit as at 31 March 2019	(83.9)

During the year the aggregate of the Group's defined benefit schemes moved with the IAS 19 accounting deficit of £87.3m reducing to £83.9m.

Financial review continued

The modest reduction in the impact on liabilities of a falling discount rate and increased inflation assumptions were more than offset by strong asset growth.

Contributions of £16.1m in the year broadly offset the current and past service cost and administrative expenses of £16.1m (which included a Significant item of £1.3m relating to GMP equalisation). All of the Group's defined benefit schemes are closed to new entrants. The Group also operates a defined contribution scheme for all new staff.

TAX

The underlying effective current tax rate of 29.1% (2018: 22.4%) is higher than the standard rate of corporation tax of 19%, and is impacted by the level of disallowable depreciation in excess of capital allowances, as has been the case since the abolition of industrial building allowances. The total tax charge of $\pounds42.2m$ in the consolidated income statement is higher than the £35.4m charge in the prior year.

LEASES (IFRS 16)

In the year ending 31 March 2020 the Group will implement IFRS 16 which, as with many companies, will change the way that we account for leases. The Group has performed preparatory work to assess the impact of the new accounting standard, and in applying the modified retrospective method, estimate that the impact on the group balance sheet as at 31 March 2019 would be to increase plant, property and equipment and finance lease liabilities in the order £437m. The impact upon the income statement is currently anticipated to be to increase EBITDA by £14.4m and to reduce profit before tax by £15.9m

EQUITY SHAREHOLDERS' FUNDS & DIVIDENDS

Equity shareholders' funds are £1,492.7m as at 31 March 2019 (2018: £1,520.6m). The movement comprises £143.4m profit after tax and significant items, gains on remeasurement of pension liabilities (net of tax) of £2.9m, recorded in equity, foreign exchange gain of £0.5m on the investment in MAG US and the payment of dividends of £174.7m comprising a £110.7m dividend paid for the year ended 31 March 2018, and an interim dividend for the year ended 31 March 2019 of £64.0m.

The Group has a long-term objective to provide sustainable and growing dividends to shareholders. Based upon the Group's robust financial position and looking forward to strong long-term growth prospects, the directors have proposed a final dividend for the year ended 31 March 2019 of £128.0m, which will be paid to the shareholders shortly after the signing of these financial statements.

This final dividend, together with the £64.0m interim dividend paid in the year, represents a total dividend of £192.0m in relation to 2019 (£166.0m in relation to 2018), representing dividend growth of 15.7%.





Risk management

At MAG we believe that effective risk management is critical to our success as a business – from delivering safe, secure and efficient operations which provide a great customer experience, to the delivery of our strategy and business plans, all of which are underpinned by a clear understanding of the risk environment and robust strategies to manage and mitigate material risks.



MAG's Risk Management Framework covers the full spectrum of our corporate and operational activities - the framework is embedded in day-to-day operations and is characterised by strong management ownership and engagement.

MAG operates a '3 Lines of Defence' governance model whereby risk is owned and managed by management within the business ('1st Line'), supported and facilitated by a Risk Management function ('2nd line') and independently assured by functions including MAG's own Internal Audit Department ('3rd Line').

MAG's Risk Management Framework is focused on providing management, the Audit Committee and Board with a clear and current view of the organisation's risk profile and our strategies to manage and mitigate material risks and to identify emerging risks. The framework is structured to ensure that all aspects of the Group's risk profile are subject to regular review at the strategic, corporate and operational levels, and to provide for prompt escalation and assessment of material risks, and/or those that may be emerging at the appropriate governance level(s), as they arise or are identified. This assessment process is underpinned annually through the delivery of an extensive programme of risk review workshops, facilitated by our team of risk specialists, who support management across the organisation in identifying and evaluating key risks, and those that are emerging and developing effective mitigation strategies designed to manage risk exposure to an acceptable level.

The framework also enables management to identify and evaluate potential business and operational opportunities, enhancing the ability of the organisation to maximise these at an early stage and in a controlled manner.

Risk appetite is well understood within the business and forms a key element of our risk evaluation methodology, providing clear boundaries for management on the levels of risk the business is prepared to accept, and prompting action where risks fall outside our defined appetite. Defined risk tolerances provide the foundation for consistent evaluation of risk across the business and the basis for assessing risks against our stated risk appetites.

Strong emphasis is placed on the development and implementation of robust action plans to mitigate or manage identified risks to a level which is inside MAG's risk appetite. Timely implementation of risk action plans is monitored by our Risk Team and progress is regularly reported to senior management and, where appropriate, to the Audit Committee and Board.

Ownership and accountability are key to the success of any risk framework, and management at all levels are expected to engage actively in the risk management process and take full ownership of risks within their areas of responsibility. As a minimum, management are required to engage in risk review workshops in advance of each Audit Committee meeting, ensuring that the Executive Committee and Audit Committee have an accurate and up-to-date view of the Group's risk profile throughout the year. This process is supported by the regular engagement of MAG's Risk Business Partners with Risk Owners and their teams. This ensures that risk is considered on a regular basis and remains at the forefront of business planning and decision-making.

The Audit Committee and our Executive Team receive regular detailed management information on the Group's risk profile through risk reports which highlight key risks, material changes to the risk profile and risks outside appetite. In addition, Airport Leadership Teams receive regular risk reports with a focus on both the risk profile and management's progress in implementing agreed mitigating actions. Management is accustomed to regular constructive challenge on its strategies to manage key risk exposures and is held to target deadlines to implement agreed mitigating

Risk management is embedded in MAG's decision-making processes through the requirement to provide detailed risk assessments within business case submissions and decision papers submitted to the Board and our various other governance forums. In addition, the Board receives periodic updates on the Group's risk profile to support strategic decision-making. This includes the outputs of biannual Strategic Risk workshops held with the Executive team to ensure that MAG's strategic and emerging risk assessments remain up to date and accurate

At MAG we continuously strive to maintain a strong risk management culture which is open and transparent. It is important that management feel able to discuss risk issues openly and receive the support it needs to ensure that risks are actively managed or mitigated. The Risk Team engages regularly with management across the business to achieve this, facilitating open conversations around risk, ensuring they have the knowledge and tools to manage risk effectively within their own areas of responsibility.

Our Internal Audit Team provides Management and the Audit Committee with independent assurance over the management of MAG's risk profile through the delivery of a risk-based Strategic Internal Audit Plan which assesses the adequacy and effectiveness of the internal control environment. The Plan is designed to provide assurance over the Group's risk profile across a five-year period with a focus on prioritising the biggest risks. In this way there is a clear process to ensure that the Strategic Internal Audit Plan is aligned with the assessment of MAG's key risks. Findings from Internal Audit reports are reflected in the risk register to contribute to enhancing the robustness of existing controls, identifying new controls and management agreeing actions where areas for development are identified.

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Risk management

The table below summarises the key strategic, corporate and operational risks identified during the year, with details of the strategies for managing them and some of the potential opportunities they present:

Risk	Mitigation strategy	Opportunities
	We continue to invest heavily year-on-year in ensuring our customers, employees and stakeholders remain safe and secure at all of our sites in the context of the current threat environment.	Whilst security is paramount, we also want our customers to continue to enjoy a positive experience at our airports.
	We work closely with the Police and Government security agencies to ensure that our security facilities and processes meet the high standards required to respond to new and existing security threats.	We look for opportunities to enhance the customer experience whilst maintaining the high standards of security our stakeholders expect, in particular
SECURITY BREACH	Drone related disruptions at Gatwick, Heathrow and Dublin airports in 2018-19 illustrates a risk that has long existed on MAG's key risk registers. Working closely with operations and security colleagues as well as Government organisations, MAG has revised and updated its approach to anti-drone controls to ensure we reflect on the lessons learned from events and the resulting guidance and advice.	working to minimise security queuing times through continuous improvement and innovative approaches to our security processes and facilities.
	Our security facilities and processes are subject to extensive internal and external inspections and audits by regulators, external specialists and internal teams who regularly test the effectiveness of our security processes and identify opportunities for improvement.	
MATERIAL SUSTAINED DISRUPTION to operations	We have a clear process across the Group to identify the key factors that could cause significant disruption to our operations. Working with senior management we identify the controls and further actions required to minimise the likelihood of such events occurring where practicable, and the impact of these should they occur. Each of our sites has emergency response, crisis management and business continuity plans in place which are regularly tested and updated to ensure we are able to respond quickly and effectively to disruptions to our operations. Our insurance programme provides financial protection for a wide range of events and incidents causing operational disruption.	Regular review and testing of our plans enables opportunities for improvement to be identified and implemented on an ongoing basis. Our insurance programme is reviewed annually to ensure it continues to provide the financial protection the Group needs. We have supported this via a reconciliation of our key risks against our insurance portfolio having regard to our appetite for risk, which risks are insured, are insurable and/or should remain uninsured. This ensures that MAG is using its insurance cover appropriately to transfer risk where possible and commercially viable to do so.
MAJOR HEALTH &	The Health & Safety of our customers, employees and stakeholders is a fundamental priority for us. Robust Health & Safety policies, procedures and processes are in place, and compliance is monitored by our experienced team of Health & Safety specialists who undertake a programme of inspections and audits throughout the year.	Continuous improvement of our Health & Safety arrangements is a key focus for each of our operations. This is facilitated by our specialist Health & Safety Teams and underpinned by strong ownership and accountability by our
SAFETY INCIDENT affecting our customers or colleagues	Health & Safety training is provided to all employees and briefings are provided to contractors and other visitors to our sites to ensure that key Health & Safety risks are understood and effectively managed.	management teams.
	Our Health & Safety governance structure is designed to ensure that there is appropriate oversight of our management of Health & Safety risk, and enables material risks to be quickly escalated and addressed.	
	Compliance with regulatory requirements is a priority for MAG, and we invest in extensive internal and external assurance to ensure we continue to be fully compliant across all aspects of our operations.	We work closely and have strong relationships with our regulators to ensure we understand and can fully comply with their requirements. We strive to act
REGULATORY RISK	We also deploy risk management evaluation criterion specifically for regulatory risk. Given the number and complexity of the regulatory requirements we are subject to, this allows us to articulate and compare our key regulatory risks using a comprehensive approach.	quickly when opportunities for improvement are identified, and through our regulator relationships we are able to plan well in advance for successful responses to future requirements.

Risk

Mitigation strategy

Opportunities

in the medium and longer term.

BREXIT

The 2016 'Brexit' referendum decision and the continuing uncertainty concerning the outcome for the UK's relationship with the EU and international trading options more generally presents a significant macroeconomic risk to the business, and the aviation industry faces uncertainty over the short and longer term impacts of the UK's exit from the ELI

We monitor the economic environment closely and have ensured that our business plans are resilient to economic shocks through prudent scenario planning and sensitivity analysis. This, coupled with resilient foundations built during a successful period of growth, provides a positive long-term outlook.

MAG will work closely with the aviation industry to ensure that the UK continues to enjoy liberal access to the EU aviation market.

MAG has a successful track record of delivering major programmes.

The design phases of the Stansted Transformation
Programme and the ongoing construction of the

Manchester Transformation Programme have given

us the opportunity to raise the bar even higher for

programme management and governance.

to review our product and geographical diversification.

Whilst carefully monitoring and managing exposure to

the risks, we will seek to ensure that the business is well

positioned to take the opportunities Brexit may present.

MAG continues to enjoy record passenger growth, and

we are focused on ensuring our airports have the capacity and quality of facilities our customers expect

The uncertainty around Brexit and other potential

economic shocks has provided the opportunity

DELIVERING MAJOR PROGRAMMES This year saw the continuation of our biggest ever programme – the transformation of Manchester's terminal, airfield and car parking facilities. We are also progressing with the proposed transformation of London

Stansted Airport. This will include a new terminal for arriving passengers and the conversion of the existing terminal into a dedicated departing passengers-only facility.

We have established rigorous governance arrangements to ensure that the programmes are delivered in a controlled manner, to high quality standards and with the minimum possible disruption to our customers.

Opportunities to improve our existing capital delivery processes are being identified and implemented as the programme progresses.

The start of the 2019-20 financial year saw Manchester Airport experience the biggest milestone to date in the transformation works with the opening of a new pier and multi-storey car park.



MAG has a number of significant opportunities to grow its business and having a talented and diverse workforce will play a critical role in the successful delivery of these strategies. MAG actively manages these issues through its Talent, Diversity and Inclusion strategies which include incentive schemes, career development programmes and mentoring, as well as policies to ensure we build a diverse and inclusive workforce.

We are also adapting our recruitment approach in key areas such as 'digital' to reflect the changing external environment, where the competition for talent is high

MAG is seeking to offer employment opportunities in areas of relatively high unemployment through targeted interventions, and is supporting the education of young people in a variety of ways to provide career opportunities within aviation and ensure our airports have a pipeline of new talent. Over the last year, MAG has supported education and skills training for over 30,000 people.

CYBER SECURITY The security of our technology systems, and in particular our customer, employee and stakeholder data is extremely important to us. We have a wide range of multi-layered defences within our Technology infrastructure to ensure that our systems remain operational and our data remains secure and have delivered a range of significant enhancements to our systems and

We also run security and education programmes for our colleagues and contractors to ensure they are aware of cyber risks and how to take action to mitigate them at an individual level.

Contingency plans are in place to detect and respond to threats, security breaches and data loss, minimising the impact on our customers, stakeholders and the business.

We have devoted significant resource to ensure that we have appropriate systems and processes in place to ensure our compliance with EU General Data Protection Regulation (GDPR). Measures included ensuring appropriate governance, awareness and data assessment and storage capacity, overseen by a dedicated Group Data Protection Officer.

MAG's Cyber Security Strategy sets out a programme of improvements to our technology systems and infrastructure designed to ensure that the growth of our business is supported and underpinned by a secure and effective IT environment.

Cyber security enhancements are reported through the Cyber Security Programme Board and to the Information Security Steering Committee. This provides appropriate governance and oversight of our ongoing cyber security. Initiatives include work in progress to deal with changing cyber threats and MAG's evolving digital online business.

Sustainability at MAG

In 2017 we began one of the most ambitious periods in our history announcing a £1.5bn transformation programme.

This work is already boosting capacity and creating world beating new passenger facilities.

In 2018, we began a new guest experience programme to make sure that our passengers get the most out these investments throughout their journey with MAG.

This year, as our ambitions develop from ideas and plans to working infrastructure and new services, we will be launching our new Corporate Social Responsibility strategy.

Before this new strategy's introduction we want to outline some of the exciting work we've undertaken this year.

Our work with our communities, our growing impact on the economy and how we can create cleaner, greener aviation are all key themes that we have continued to focus on and we summarise our work in this chapter.

In line with best practice, we annually publish a full CSR report, modern slavery statement and gender pay gap report. All of these documents can be found on our Corporate website www.magairports.com.



MAG PERFORMANCE

2018/19 saw another year of substantial growth in the number of passengers travelling through our airports, up 4.9% from 58.9m to 61.8m - the highest number of passengers served in MAG's history. Our airports are significant national assets and this growth, combined with our investments, has seen the value they deliver grow to $\pounds 7.8bn$ (in GVA). This growing contribution to the UK economy from the areas we serve is especially important as Britain prepares to leave the EU.

This growth in our business feeds back into the wider prosperity of the regions we serve. This year MAG was able to deliver £349,000 into community projects, raised more than £800,000 for charity partnerships and increased the number of people we supported into work, using our on-site academies, by 50%. Together with our work on the environment, working with local businesses and our wider community outreach programmes, we are proud that when we grow, the whole community shares the benefits.

MANCHESTER

MAN-TP has now entered its third year, with more than 1,750 people, including 100 apprentices, working on the Manchester Airport expansion. The £1bn programme will deliver significant enhancements to current facilities and major improvements to customer experience. This year saw a number of construction milestones met, including our first new pier. Already, MAN-TP is one of the largest privately funded investments in the North and has contributed significantly to the local and regional economy.

"The growth we've delivered at MAG airports over the last five years has made a huge contribution to driving economic growth, both nationally and in the communities around our airports."

TIM HAWKINS

MAG CHIEF STRATEGY OFFICER

STANSTED

Stansted is the fourth largest airport in the UK with more European connections than any other UK airport. Stansted grew again this year with an 8.8% increase in passengers to 28.4 million.

This growth significantly benefits the UK, but in particular the East of England and the airport's local communities. The £11m Stansted Airport college, for example, will this year see its first highly skilled graduates ready to move into the aviation industry.

EAST MIDLANDS

East Midlands Airport saw impressive growth to the Eastern Mediterranean area, with eight of the top ten growth destinations from the airport being in this region. Overall, the number of passenger journeys from EMA were flat. However impressive growth in cargo cemented its role as the UK's largest pure freight hub.

In February, East Midlands was the only UK airport to be shortlisted for the prestigious Air Cargo News' annual awards, a valued recognition of the investments made at airports to improve cargo infrastructure and cater for the needs of airline customers.

"As Stansted continues to grow, we remain committed to maximising the social and economic benefits of this growth in the most sustainable and efficient way possible for local residents, passengers, businesses and airlines."

"The airport provides a valuable service to leisure and business passengers across the region and through its significant cargo operation is an invaluable asset for the national economy."

CHARLIE CORNISH

CHIEF EXECUTIVE OFFICER

SETTING A NEW STRATEGIC DIRECTION

We are basing our new strategy around the United Nations sustainable development goals. These ambitious, internationally agreed targets are key to the future of our planet and can drive the future sustainability of business and wider society.

For years, MAG has been at the forefront of sustainable growth in the aviation industry and it is right, that as we update our CSR strategy, we align ourselves with these global goals. A transparent approach to environmental responsibility has provided the foundation to our strategy since the beginning, and 2018-19 was the right time to review our strategy alongside broader political and socioeconomic changes.

WORKING TOGETHER FOR A BETTER FUTURE

As we grow we know how important it is to work together with our communities on the things that matter to them. This means helping to create opportunity, protecting the environment and keeping MAG at the heart of the community through consultation, transparency and investment.

As we move towards renewed commitments and new targets it is important to reflect on how far we have come in the past year, the targets we have achieved and the difference we have made. A full update on our KPIs will be included in our CSR report later this year.

OPPORTUNITY FOR ALL

As we grow, we seek to maximise our social and economic contribution in the regions we serve, enabling our communities to grow with us. We commit to creating good work opportunities for local people and, through MAG Connect, to reach those furthest from the workplace, and we commit to helping small and local businesses prosper.

Government forecasts show that the demand for aviation will continue to rise significantly and annual UK passenger numbers are likely to increase to 435 million by 2050. Indeed, we forecast that over the next 20 years, we will need to double our operations in response to rising demand. Keeping in step with our core business values, we want to do everything in our power to keep the economic value of those jobs within our local communities



"We seem to be moving away from work experience weeks. Even if you are fortunate enough to have the connections necessary for placement, we find that the value of the MAG CONNECT programme to be far greater. We find it gives the students greater exposure, and raises the students' aspirations, confidence and ability to learn."

DEPUTY HEAD AT FARNBOROUGH ACADEMY - MAG CONNECT PARTNER SCHOOL

MAG CONNECT

This is our flagship programme. It is a broad based employment and skills training programme designed to support education, an individual's personal growth and to provide employment opportunities to anyone in our communities, regardless of age, experience, or background.

MAG CONNECT opens up the world of work to people of all ages and abilities – from a primary school student who has never been exposed to the diverse careers available at airports and the importance of Science, Technology, Engineering and Maths ('STEM'), to an adult seeking to reinvent themselves in

a world of changing work demands, to the underserved members of our diverse community in search of support and guidance, as they navigate unique challenges to bring their valuable skills and talents to the workplace.

AEROZONE

Our on-site centres for children and young adults from ages 4-18, these centres help prepare young people for the world of work, with a particular focus on key STEM skills that are so important in the workplace. They are a free resource for schools and colleges.

SCHOOL PARTNERSHIPS

MAG partners with four schools. Our work ranges from mentoring students as they begin their careers, outreach programmes to explain the benefits of different cultures and languages, or the development of materials with qualified teachers for our Aerozones. At East Midlands, our partnership with Farnborough Academy has set new standards. Over the course of seven sessions, it provides young people with a deep insight into the vast array of careers available at an airport.



Sustainability continued

APPRENTICESHIPS AND GRADUATES

MAG's graduate and apprenticeship programmes are flexible to the needs of the business, meaning that graduates are recruited where there is a genuine opportunity for them to take on a role within our business and make it their own.

We currently have 43 graduates at MAG and as they move into permanent roles, a further eight have been recruited for September this year. MAG also has 26 apprentices this year across our sites, in areas as diverse as social media, customer service and engineering services. A further eight are due to start with us in September.

"We introduced eight brand new apprenticeship opportunities within the business this year – these have come around by discussing the new apprenticeship standards within the business, helping people looking at their skills gap and challenges in recruitment standards, and highlighting to them what apprenticeships there are available which they could utilise."

KATY HENNESSEY

APPRENTICESHIP MANAGER

ACADEMIES

Airport Academies act as employment hubs between the airports and our business partners. Our academies are open to everyone whether they are currently working for us, looking for a new career, or need support to find a job. They include targeted interventions, including courses on employment skills, work experience and CV development.

This year 780 people received a training placement through Airport Academy, an increase of 23% for the year. Meanwhile, 79% of the trainees we placed in 2018/19 went on to paid employment through the airport, well outstripping our goal of 50% by 2020.

PARTNERSHIPS WITH DWP AND JOB CENTRE PLUS

These partnerships allow us to take our employment programmes out of our airports and into those areas where they will have the

greatest impact. For example, we have a permanent presence in Tottenham's Job Centre Plus to raise the profile of the airport and support people in that area to work at Stansted.

AIRPORT SKILLS COLLEGE

2018/19 marked the launch of the Stansted College, a truly pioneering programme and a world first, bridging the gap for those just leaving school or college and preparing them with real-world, marketable skills.

"In one year this beautiful place has been built. It is extraordinary, and I want to give special thanks to Manchester Airports Group because they are an extraordinary company and they genuinely care about the community. They invest in the community, they care about people and they do a lot of work in Harlow. They're going to give jobs to thousands of people over the years because of this college."

ROBERT HALFON MP

CHAIR OF THE EDUCATION SELECT COMMITTEE

PURE INNOVATIONS

Pure Innovation is a supportive employment provider, operating in the Greater Manchester Area and our partner at Manchester Airport. The organisation works with 18-24 year olds and currently supports over 270 people. They have a direct, on-site team dedicated to Manchester Airport, supporting people with learning disabilities into paid employment, volunteering, and independent life skills.

We are the only Airport Group that has created such an holistic education and skills infrastructure, rooted in deep partnership and innovation, specifically geared at removing the barriers for people of every age and at every stage of their career.

We are proud that our programme not only encourages employment and offers opportunity but creates the ladder people need to achieve it. "When I first got the call that I had secured paid employment at Manchester airport, I couldn't believe it."

RACHEL

EMPLOYMENT AT MAG

As MAG grows, we are able to create and provide more employment opportunities within our communities, and we are pleased to see positive employment growth across the board in 2019

HEALTH AND SAFETY

The health, safety and well-being of our colleagues is tantamount to our success, and we are committed to creating and upholding a safe environment. Although we have seen an increase in the absolute number of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reports submitted this year, the rate over a five-year period continues to show an improving position. In line with our Vision Zero initiative, we have a long-term target of having no injuries to anyone across our airports.

DIVERSITY AND INCLUSION

We believe in equal pay for equal work, and while we still have some work to do before the gender pay gap is completely closed at MAG (in 2018 the gap sits at 7%), we are proud to have reduced the gap by a full point in both 2017 and 2018, a 22% improvement since we started publishing our measurements in 2016. Our gender pay gap reporting can be found at www.magairports.com.

LOCAL VOICES

Being part of a community means more than just offering jobs and careers to local people. It means playing an active part in making it a better place to live and listening to all those with whom you share your community.

At MAG, we want the communities that live near us to have a voice to help shape our activity and feel comfortable raising any concerns with us. We believe in responding to local voices, building long-lasting and collaborative relationships that engender trust and understanding on both sides. For us, this includes a programme of regular outreach sessions in areas surrounding the airport. This year, we held a total of 83 outreach events, each one helping us to talk directly to local people about what we do and in turn allowing us to hear from them.

INVESTING IN OUR LOCAL COMMUNITY

We care about the people that work and live around our airports and believe that what they care about and where they invest their time really matters. To support as many different voices in our community as possible, we have an independently administered Community Grant programme, which offers funds to local groups through a local application process. MAG has a long-standing commitment to support the charities, groups and people that make a difference.

This year we were able to increase our local investment by 37%, granting £349,124 to a total of 344 local community projects – increasing the number of local projects by 54% compared to last year. All of these projects make a difference to the communities around our airports and help contribute to making them better places to live and work at. We are committed to enriching the arts and culture in the regions we operate, and this year contributed £225,000 to supporting the vibrancy of the cities and regions we serve. Since the arts sponsorship programme began, more than £8 million has been allocated to arts sponsorship projects. Our approach has been to support a range of schemes - from high profile organisations to smaller community initiatives - and to promote art forms to those who would not normally have access to them.

Outside of this, we are proud to once again be working with CLIC Sargent as our corporate charity. CLIC fights for children who have cancer, supporting the children and their families through the toughest times. Their specialist care teams provide practical, emotional and financial support, from diagnosis to life after treatment, and, in the most unfortunate cases, bereavement. This year, we raised a further £85,509 for this important charity, and our work continues to grow.



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Sustainability continued

VOLUNTEERING

Our teams are incredibly busy, but we encourage all colleagues to volunteer if they can. Offering their skills on a voluntary basis helps to strengthen ties to our local areas. This year, MAG staff volunteered over 17,000 hours of service, an increase of 41% on last year.



ZERO CARBON AIRPORTS

It is important for businesses to do whatever they can to mitigate their impact on the environment. We have already led the UK airport drive for carbon neutrality, operating three of only five carbon neutral airports. In the next year, we will build on this platform of carbon neutrality and continue to work on reducing any remaining reliance on fossil fuels.

We know that protecting the environment means more than just reducing levels of CO₂ and we are also committed to minimising the impacts of waste, noise and air pollution from our operations. All of our airports are accredited to the international environmental management standard ISO 14001, helping us and our business partners to deliver continual operational improvements.

CLIMATE CHANGE

Climate change is an important issue for us and for our stakeholders, and it is vital that we play our part in mitigating its impacts. We are proud to have achieved significant long-term efficiencies and decarbonisation on the road to carbon neutrality, but our work does not end there.

In the past year, we have cut waste, implemented smarter operations, and continued to retro-fit and replace inefficient technologies. We continue to generate electricity from wind turbines at East Midlands Airport, an anaerobic digester to create renewable energy from food waste at Manchester Airport, and last year, Stansted Airport was the first UK airport to be accredited to energy management standard, ISO 50001. At Group level, since 2010, MAG has purchased its electricity from renewable sources through a supply agreement with an independent supplier.

Further still, we recognise the risks posed by climate change to our business and are taking the necessary steps to ensure we remain resilient. To this end, we have produced two climate adaptation assessments which have been submitted to the Government and are working on our third.

Alongside our own work, we recognise that tackling aviation's emissions effectively means we must work in close partnership with the rest of our industry, including other airports, airlines, manufacturers, air traffic controllers and transport providers. To support this work and collaborate with the wider industry, we work closely with Sustainable Aviation. This brings together companies from across the UK's aviation industry, so that we can work together to improve the sustainability of the sector.

NOISE

Aircraft noise can be disruptive and difficult for those who live closest to an airport, so finding ways to reduce the impacts of aircraft noise is an important part of our environmental work. We work closely with airlines, air traffic controllers, the Government and regulators, as well as local communities, to better assess and understand the effects of aircraft noise and keep them to an acceptable minimum.

All our airports have a long-term commitment to manage and reduce, where possible, the effects of aircraft noise on local communities. Our track record in reducing the size of our noise footprint, despite the airports' ongoing growth, continues to reflect best practice.

We are pleased that this year the number of noise complaints per 1,000 Air Traffic Movements has fallen at both East Midlands Airport and Manchester Airport to 2.50 and 3.27 respectively. At Stansted Airport, the total number of complainants has also fallen and, when taking into consideration the multiple reports from our most frequent complainant, total complaints have fallen from 4,355 in 2017/18 to 3,802 in 2018/19.

AIR QUALITY

As we grow, we are committed to protecting the air quality around our airports. We recognise the need to manage the emissions for which we are directly responsible, and to work in partnership with airport users and on-site partners to manage air quality impacts.

In response, we have collaboratively developed techniques to help maintain clean, healthy air at and around our airports. For example, we work with airlines to ensure that wherever possible, taxiing aircraft use the minimum number of engines required; and we are supporting the creation of new cleaner aircraft fuels and modern airspace infrastructure to bring down overall emission levels. We closely monitor and report air quality to assess the effectiveness of our actions.

KEY PERFORMANCE INDICATORS

Issue	Objective	Indicator	On Track	2018/19	2017/18	Change %
Carbon reduction	Minimise the environmental impact of our operations	We closely monitor our CO ₂ emissions and environmental impact.	^	0. <i>7</i> 08	0.870	-18.6%
Number of people within noise footprint (000s) ²	Being good neighbours within our communities	Minimising the impact of our operations on the local community.	^	38.3	41.1	-6.8%
Number of training placements provided ³	Supporting work in our communities	Create opportunity by offering jobs, and support with skills by developing the scope of our airport academies.	^	<i>7</i> 59	634	+19.7%
Health and Safety RIDDOR - reportable accidents ⁴	Maintain robust health and safety standards	The safety of our customers and colleagues is extremely important to us, and we value a safe working and operating environment for all.	V	20	10	100%

- 1 Our emissions are calculated based on data gathered for voluntary emissions reporting under, and compliance with, the CRC Energy Efficiency scheme and EU 'Emissions Trading System' ('ETS'). UK Government Conversion Factors for Company Reporting published by Defra and DECC in 2015 were used, with historic emissions recalculated where required. We have chosen against a traffic unit, which is defined by the International Air Transport Association (IATA) as equivalent to 1,000 passenger or 100 tonnes of freight.
- 2 2018 figures restated (40.4 to 41.1) to reflect the latest contour modelling.
- 3 The primary cause of the decrease in the number of training placements has been a reduction in referrals at Manchester, and we are working with DWP and Job Centre Plus to improve performance in this area. Three months in to 2018/19 we are now on track to meet this year's target. Whilst the number of placements recorded in 2017/18 was a reduction, it was still the second highest ever recorded and represents an increase of 26% on 2015/16.
- 4 Whilst the numbers of incidents this year remain incredibly low we have been disappointed to see a rise, compared to prior year, in their number. All our airports are live operational e on a 24/7 basis, and we do everything we can to minimise the risk of injury. On closer study of the increases in RIDDORs we have seen these relate to minor injuries that have resulted in time off work exceeding 7 days. As a result a greater focus is being placed on return to work interviews. We believe our standards remain robust and remain committed to minimising these in the coming year.



Chairman's introduction to corporate governance



MAG considers that strong corporate governance is a core foundation for any successful company and is committed to maintaining the highest standards of corporate governance and adopting best practice as it emerges.

To date (including for the 2018-19 financial year) MAG has adopted the applicable 'comply or explain' elements of the UK Corporate Governance Code (the Code) as its governance benchmark, while recognising the limitations in doing so, as the Code is designed to apply primarily to companies with a premium listing on the London Stock Exchange. As such, the Board welcomed the publication of the Wates Principles by the Financial Reporting Council in December 2018 (Wates) as a corporate governance code that specifically applies to large private companies. Having undertaken a review of our governance arrangements (including the revisions to directors' duties under Section 172 of the Companies Act 2006) the Board has determined that MAG will apply Wates as its corporate governance code for its 2019/20 financial year and thereafter.

The Board has assessed the Annual Report and Accounts for the year ended 31 March 2019 (including the Strategic report contained in it). It has concluded that it is fair, balanced and understandable and, in particular, the Strategic report provides a balanced and comprehensive analysis of the development and performance of the Company's business during the 2018/2019 financial year, consistent with the size and complexity of the business.

"Welcome to the Corporate Governance Report for the year ended 31 March 2019 which I am pleased to introduce on behalf of the Board."

We reported in 2018 that David Molyneux resigned as a director. I am pleased to update that during the year John Blundell was appointed to the Board as a replacement voting shareholder-appointed non-executive director and welcome John to the Board. Additionally we would also like to welcome Andrew Cowan to the Board. Andrew continues in his role as Chief Executive Officer for Manchester Airport and was appointed to the MAG Board in April 2018.

The opportunities and challenges outlined in my statement on pages 8-11 of this report means that the Board needs to continue to maintain its scrutiny and healthy challenge of the executive team as they navigate through the emerging risks and opportunities. One key deliverable that the Board keeps under continuous review is the focus upon customer service, to mitigate against the risks of it being materially impacted during our major build programmes. During the year, as well as reviewing and agreeing the annual business plan and overseeing the two major construction programmes (including the successful opening of the new Pier at Manchester Airport on time and budget) the Board considered contingency planning including Brexit and authorised a process designed to explore the potential opportunity from realisation of value in the non-core property estate. The Board also conducted a strategy session looking at future opportunities for the development of the Group, with some focus upon the development of the MAG-Services business including the Group's digital IT strategy. We also reviewed and updated the terms of reference for the Board Committees.

The review of Board effectiveness, assisted by Independent Audit, concluded that the Board was generally working well and the suggestions for ways to improve have been acted on, including how the Board and its Committees assess and monitor the interests of all our stakeholders, the Group's people strategy and the engagement of our workforce and MAG's business culture. We will address these matters during the 2019-20 financial year.

Sir Adrian Montague, CBE

MAG STRUCTURE AND GOVERNANCE ARRANGEMENTS CONYERS TRUST COMPANY **MANCHESTER** (CAYMAN) LIMITED **CITY COUNCIL** as Trustee for IFM Global **GREATER MANCHESTER** DISTRICT **COUNCILS*** (50% voting) **MANCHESTER AIRPORTS HOLDINGS LIMITED**

Board of Directors

As at 31 March 2019, the Board of Manchester Airports Holdings Limited comprised the following individuals:

CHAIRMAN



SIR ADRIAN MONTAGUE CBE

Sir Adrian is currently the Chair of Aviva plc and Cadent Gas Ltd. He is also a Trustee of the Commonwealth War Graves Foundation. Previous Chairs include 3i Plc, Anglian Water Group, London First and British Energy. Sir Adrian was awarded a CBE in 2001.

EXECUTIVE DIRECTORS



CHARLIE CORNISH

Appointed Group Chief Executive in October 2010. Prior to joining MAG, Charlie was Managing Director of Utility Solutions, the commercial business of United Utilities (UU) which had operations in the UK, the Middle East, Australia, Bulgaria, Poland, Estonia and the Philippines and was a Director of UU Group Plc. Previously he worked for a number of manufacturing and service companies including Plessey Telecommunications, British Aerospace and ABF.



NEIL THOMPSON ACA, CTA

Neil joined MAG in 2005, being Commercial FD and then Corporate FD, prior to taking on the role of Chief Financial Officer in March 2011. Neil previously held senior finance roles in listed international businesses at The MAN Group and ALSTOM, with responsibility across businesses in the UK, Europe, North America, Canada, India, Singapore and Australia. This followed on from seven years in financial practice, specialising in Corporate Finance and M&A transactions, latterly with PricewaterhouseCoopers.



KEN O'TOOLE FCA

Ken was appointed as Divisional Chief Executive of London Stansted Airport in August 2017. Prior to this he was Divisional Chief Executive of Manchester Airport. Ken was appointed to the MAG Board in January 2013, having joined the Group as it's Chief Commercial Officer in January 2012. Prior to joining MAG he spent six years with Ryanair Holdings Plc, initially as Head of Revenue Management and latterly as Director of New Route Development. A Fellow of the Institute of Chartered Accountants, his previous experience includes Musgrave Group, a leading Irish based retailer, and Credit Suisse First Boston



ANDREW COWAN

Andrew joined MAG in 2013 and was appointed as Divisional Chief Executive of Manchester Airport in August 2017. Prior to this he was Divisional Chief Executive of Stansted Airport and has previously held the roles of Chief Strategy Officer and Chief Operating Officer for the Group. Andrew was appointed to the MAG board in April 2018. Prior to MAG, Andrew was Group Chief Executive of Robertson Group, an infrastructure, construction and services company. Previously he has held senior roles in water, electricity and gas utilities including assignments throughout the UK, Europe, Australia, India and the Middle East and was formerly a director of United Utilities International, United Utilities Electricity Plc, a Trustee of the ESPS and regional Chair of BiTC.

VOTING SHAREHOLDER-APPOINTED NON-EXECUTIVE DIRECTORS



SIR RICHARD LEESE

Leader of the City Council of Manchester since 1996. His other roles include Deputy Mayor of Greater Manchester and Vice-Chair of the Combined Authority, Chair of LGA City Regions Board. He is also a Director of Manchester Life.



COUNCILLOR JOHN BLUNDELL

John is an economist at a large engineering and construction consultancy working on the strategic and economic cases for infrastructure and transport related projects. He is a councillor on Rochdale Borough Council, occupying the Regeneration cabinet post, and is a director of Rochdale Development Agency.



MANOJ MEHTA

Executive Director (Europe) for IFM Investors with responsibility for evaluating, implementing and managing European investments. Prior to this role, he held senior positions within Transport for London and the Infrastructure Advisory Group at Citigroup.



CHRISTIAN SEYMOUR

Head of Infrastructure (Europe) for IFM Investors with responsibility for business expansion in Europe and oversight of IFM's existing European asset portfolio. He has over 20 years of experience working for companies including Duke Energy, Santos, BHP Billiton, Bechtel and Woodside, successfully delivering large scale projects involving multidisciplinary teams.

INDEPENDENT NON-EXECUTIVE DIRECTORS



VANDA MURRAY OBE

Vanda holds a portfolio of non-executive directorships: Bunzl Plc and Redrow Plc; and she is chair of Marshalls Plc. Vanda is also Pro-Chancellor and Chair of Governors at Manchester Metropolitan University. Prior to this, she was CEO of Blick Plc, a FTSE quoted international support services group. She was awarded an OBE in 2002 for services to industry and to export.



ROBERT NAPIER CBE DL FRCS (HON)

Robert was, until December 2015, Chair of the Homes and Communities Agency for eight years and prior to that Chair of the Board of the Met Office. He had a business career which included being the Finance Director and then Chief Executive of Redland Plc. He has held various non-executive positions and is currently on the Board of the Anglian Water Group. His community involvement includes Chair of the Trustees of St Mungo's, the homelessness charity.



CATHERINE (CATH) SCHEFER

Appointed to the Board in September 2016. Cath is currently the Director of Global Operations for Stantec's International business. Cath has more than 25 years' experience in design, construction and programme management of large infrastructure projects and is a chartered civil engineer and a Fellow of the Institution of Civil Engineers.

COMPANY SECRETARY



JONATHAN (JON) WRAGG

Appointed to the Board in September 2016. Jon is Global Wholesale Director at Superdry plc, where he has been since 2014. Prior to Superdry, Jon held the position of Multichannel Director at Asda WalMart, and before that he held various roles at Shop Direct Group, including those of Trading Director and Business Development Director. Jon has broad functional experience within the retail industry, comprising both physical and digital channels.



TOM KEEVIL

Tom has provided governance advice to the Boards of FTSE 100 PLCs for over 15 years, following a career, since qualification, in an international law firm. After 16 years there, he joined Gallaher Group PLC in 2000 and served on its PLC Board as Group General Counsel and Company Secretary until its take over in 2007. He performed similar roles at United Utilities Group PLC (2007 to 2011) and then Barratt Developments PLC (2011 to 2016). His community involvement includes being a Trustee of the Land Trust. He is also a non-executive director

Corporate governance report

THE ROLE OF THE BOARD

The Board is accountable to the shareholders for developing, setting and delivering the Group's strategic objectives, safeguarding its reputation and maximising its multiple stakeholder relationships. The directors satisfy themselves that the necessary resources and controls are in place to do this and to manage risks effectively, whilst at the same time setting and overseeing maintenance of the Group's values and standards.

The names of the directors who served on the Board during the year and their biographical details are set out on pages 56 to 58.

Of these, Vanda Murray, Catherine (Cath) Schefer, Robert Napier and Jonathan (Jon) Wragg are non-executive directors whom the Board consider to be independent as defined in the Code.

Sir Adrian Montague also met the independence criteria set out in the Code, both on his appointment as Chair, and at all times since. Shareholder appointed non-executive directors during the year were Sir Richard Leese and John Blundell (representing The Council of the City of Manchester) and Manoj Mehta and Christian Seymour (representing IFM). It is considered that the size of the Board is sufficient for the requirements of the business and that there is an appropriate balance of independent and shareholder-appointed non-executive and executive directors on the Board, with the shareholder representative groups being equally represented.

The Board meets formally six times per year and on additional occasions to consider specific business matters. Directors' attendance at Board and Board committee meetings held during the year ended 31 March 2019 is set out below.

	12.4.18	6.6.18	27.6.18	26.7.18	27.9.18	27.11.18	21.1.19	31.1.19	11.2.19	TOTAL
Adrian Montague	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	9
Richard Leese	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	9
Christian Seymour	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Manoj Mehta	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	9
Vanda Murray	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	8
Robert Napier	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	8
David Molyneux	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
Cath Schefer	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	8
Jon Wragg	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	9
Charlie Cornish	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	9
Neil Thompson	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	9
Ken O'Toole	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	9
Andrew Cowan	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	9
John Blundell	N/A	N/A	NI/A	NI/A	N/A	N/A	No	Yes	Yes	2

The Board meeting on 27 June 2018 took place via a teleconference.

The Board meeting on 21 January 2019 took place via a teleconference

The Board meeting on 31 January 2019 took place via a teleconference.

David Molyneux resigned from the Board on 10 May 2018 and was replaced on John Blundell on the 8 December 2018 as a new representative for the Council of the City of Manchester.

CHAIR AND CHIEF EXECUTIVE

The roles of the Chair and Group Chief Executive are separate and clearly defined. The Chair is responsible for the leadership of the Board: he orchestrates its work (in close consultation with the Chief Executive) and plays a critical role in ensuring that it delivers effectively on its accountabilities, and that the diverse capabilities of individual Board members are used to the best advantage of the Group as a whole.

Certain matters are reserved for decision by the Group's voting shareholders, and others are reserved for the Board. The day-to-day management of the Group, the development and implementation of strategy, and the delivery of Group financial and operational objectives are the responsibilities of the Chief Executive, who is supported by his executive committee which comprises the Chief Executive, the Chief Financial Officer, the Divisional CEOs of each of the Group's three airports, the CEO of Airport Services, the executive responsible for MAG's property business, the Chief Strategy Officer, the Chief Customer Officer and the General Counsel and Company Secretary.

NON-EXECUTIVE DIRECTORS

The non-executive directors bring extensive knowledge, skills and experience, from both the private and public sectors, which allows the executive team to be supported in the development and execution of strategy whilst ensuring that plans and proposals are constructively challenged and the performance of management in meeting agreed goals and objectives is scrutinised.

All non-executive directors are appointed subject to objective capability criteria and the appointment of every independent non-executive director (including their remuneration) is, in common with that of executive directors, subject to prior approval of the voting shareholders. The non-executive directors appointed by the appointing voting shareholders hold office for so long as the shareholder wishes them to do so. The remaining non-executive directors are appointed initially for a term of three years, with any renewal of that (and any subsequent) term being a matter for the voting shareholders (on the recommendation of the Board and the Nomination Committee), having regard to the contribution made by the director in the immediately preceding period and relevant corporate governance best practice at the time. Arrangements are in place for the Chair to meet the non-executive directors without the executive directors present, such meetings being held as and when required.

Corporate governance report continued

BOARD EFFECTIVENESS

To support quality decision-taking, the Board receives, prior to each meeting on a timely basis, a comprehensive suite of executive reports and papers covering, as standing items, commercial, operational and health and safety matters across the Group, together with a detailed Group finance review, and when appropriate, an appraisal of current strategic opportunities and corporate risks. In the months when it does not meet, an abridged reporting pack is provided.

The Board has established Audit, Corporate Social Responsibility and Remuneration Committees with specific delegated authorities (more information on the membership and remit of each of these is provided later in this report). The Board also ensures, through the work of the Nomination Committee, that succession planning at Board, executive and senior management levels reflects the changing needs of the Group's businesses.

The Group has a formal induction programme comprising a combination of introductory meetings, site visits, briefing materials, and the opportunity to meet the shareholders and external auditors. Its content includes: corporate strategy and structure; current and recent Board topics; sectoral and competitive context; key operations; financial performance and funding; reputation and brand; and stakeholder management.

The Group seeks to provide the necessary resources to enable directors to remain abreast of developments relevant to the Group's businesses and their own responsibilities. In addition, the directors may take independent advice in relation to their duties at the Company's expense, if appropriate.

As outlined on page 54, the Board conducts annual assessments of its own effectiveness and that of Board committees, supplemented from time to time by external evaluation.

INTERNAL CONTROL

The directors are responsible for the Group's system of internal control, which aims to safeguard assets and shareholders' investment, and seeks to ensure that proper accounting records are maintained, that statutory and regulatory requirements are met, and that the Group's business is operated economically, effectively and efficiently. It is acknowledged that any system of internal control is most likely to manage rather than eliminate risk, and can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The Group's system of internal control has been in place throughout the year and up to the date of this Annual Report. The key elements of the internal control environment, which includes the process for preparing the consolidated financial statements, are:

- clearly defined organisational structures, schemes of delegation and lines of responsibilities;
- the involvement of qualified, professional employees with an appropriate level of experience (both in the Group's Finance function and throughout the business);
- regular meetings of the Board and of the Chief Executive's Executive Committee:
- Board approval of long-term business strategies, key business objectives and annual budgets (with an annual review being undertaken to update the business strategies and key business objectives);
- preparation, and Board approval, of revised financial forecasts during the year; monitoring financial performance on a monthly basis against budget, and the benchmarking of key performance indicators, with remedial action being taken where appropriate;
- monitoring annual performance against business plans;
- established procedures for planning, approving and monitoring capital projects, together with post project investment appraisal;
- regular review by the Group's Finance function of each business unit including a reconciliation to the management accounts on a segmental basis;
- the review by the Audit Committee and the Board of the draft consolidated financial statements, and receipt of and consideration by the Audit Committee of reports from management and the external auditor, on significant judgements and other pertinent matters relating to those statements;
- the activities of the Internal Audit function (see below); and
- implementation of Group-wide procedures, policies, standards and processes concerning business activities, including financial reporting, health and safety, and human resources.

The Group has an established, independent Internal Audit function, the role of which is to provide impartial, objective audit, assurance and consulting activity that is designed to strengthen, improve and add value to core processes and procedures across the Group.

The Internal Audit team takes a disciplined and risk-based approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes, aimed at providing assurance that risks are being well managed, and controls are adequately designed and operating effectively. Their approach is based on professional best practice, in particular, the Chartered Institute of Internal Auditors Standards.

An annual risk-based Internal Audit Plan is developed which provides coverage of the Group's risk profile over a rolling five-year period, with an initial focus on areas of high inherent risk and areas where the Group is heavily reliant on mitigating controls to manage the risk to an acceptable level. The plan is dynamic, and is refreshed as required, to reflect the evolution of the Group's risk profile over time. Over the course of the year, the Internal Audit team has carried out 29 reviews across a broad range of areas including: staff and goods security screening; services relating to persons with reduced mobility; operational capacity management; document control and data security; IT availability management; accounts receivable; and aviation billing.

In respect of key strategic and capital projects, the overall Group Internal Audit Plan is supplemented by an individual Project Assurance Plan, which is kept under regular review, and given the prevalence of major projects across the Group, is the subject of dedicated Internal Audit resource. During the year, the team have undertaken a number of project assurance reviews, including those relating to the ongoing transformation programmes at Manchester and Stansted airports.

The Internal Audit team carries out an annual self-assessment exercise to establish its effectiveness and any areas for improvement, based on the Chartered Institute of Internal Auditors Standards. The most recent exercise confirmed full compliance with those Standards.

In line with best practice, MAG also operates an independently provided, confidential reporting telephone helpline and web portal for employees to raise matters of concern in relation to fraud, dishonesty, corruption, theft, security and bribery. All claims are fully investigated in line with MAG's standard policies and procedures and a full whistleblowing update is provided at each Audit Committee meeting.

Based on the Internal Audit work delivered during the year, in the context of materiality, and considering management's commitment to implement agreed control improvement recommendations, the Internal Audit team concluded that MAG's internal control and risk activities were operating effectively for the period under review. On behalf of the Board, the Audit Committee has received the Director of Internal Audit's annual report and has conducted a review of the effectiveness of the system of internal control. Regular reports on control issues are presented to, and discussed with, the Audit Committee, and there is a process in place to ensure that audit recommendations are fully implemented by senior executive management. All recommendations made in the prior financial year have been implemented, together with 99% of those made in this financial year that are currently actionable. The Board, having considered the Audit Committee's review, is able to confirm that no significant failings have been identified in the system of internal control.

RISK MANAGEMENT

The management of risks rests ultimately with the Board, notwithstanding that the Audit Committee performs a significant role, outlined above, relative to risk oversight. The most significant strategic, corporate and operational risks and uncertainties identified during the year, and the prevailing approach to management of these, appear on pages 42 and 43. The Risk and Internal Audit Department, covering Risk Management, Internal Audit and Security Assurance, reports directly to the Company Secretary, who habitually attends every Audit Committee meeting. Risk Registers are managed by individual risk owners, are updated on a regular basis, and are discussed regularly between risk owners, their teams and the Risk Team. The holding of regular business risk workshops at a divisional level, and formal biannual review of the Group's strategic risk register by the executive directors, support this process.

The Board can confirm that it, and the Audit Committee, regularly review the process for the identification, evaluation and management of the strategic and significant corporate risks faced by the Group. In the judgement of the Board, progressively enhanced risk management procedures have continued to promote greater business-wide awareness of the potential sources and mitigants of risk within the Group.

Nomination Committee



In an organisation as varied and diverse as MAG, the Nomination Committee plays an important role in: ensuring that the structure, size and composition of the Board is appropriate; monitoring the balance of skills, knowledge, experience and diversity on the Board; leading the process for potential appointments to the Board; and overseeing succession planning in respect of the directors (other than the shareholder-appointed directors) and senior executives. The appointment of the Chair is undertaken by the voting shareholders. As set out below, I am satisfied that the Nomination Committee met its responsibilities. Alongside myself as the Chair, the other committee members are the non-executive directors of the Board

The Nomination Committee meets at least once per year and at other times as required. During the financial year ended 31 March 2019 the Committee met once. All of the members of the Committee attended that meeting, at which the following was considered:

- the re-appointment of Robert Napier as a Non-Executive Director;
- update and assessment of proposed senior management appointments within MAG and changes in roles; and
- talent and succession planning.

In respect of its people more generally, the Group recognises that diversity in its workforce provides access to a wider range of talents, experience and skills, promoting greater creativity and innovation. By increasingly reflecting the communities and cultures that surround it, the Group continues to believe it can become ever more responsive to the many and varied needs of its customers.

MAG is committed to promoting inclusion and creating a positive and diverse environment, where all individuals are valued and respected, but recognises that engendering and maintaining that environment requires constant attention and a strong emphasis on leadership awareness and capability. These are the cornerstones of the MAG Diversity Programme. The Board, as whole, will review the progress with the programme as part of its assessment of the Group's people strategy during the 2019 financial year.

The table below shows the gender split at different levels within the Group as at 31 March 2019.

Sir Adrian Montague CBE Chairman of the Nomination Committee

	Male	Female	Total	Male %	Female %
Group Board	4	0	4	100%	0.0%
Executive Committee	7	2	9	77.8%	22.2%
Senior Management	34	7	41	82.9%	17.1%
Whole Company	4,388	2,609	6,997	62.7%	37.3%

Audit Committee

STRATEGIC REPORT



Alongside myself, members of the Audit Committee at 31 March 2019 were Jon Wragg, Vanda Murray and Manoj Mehta (all non-executive directors, with Manoj Mehta being shareholder-appointed).

The Audit Committee is responsible, primarily, for monitoring the Group's financial statements, the adequacy and effectiveness of its internal control systems (including financial controls), the operation of its risk management frameworks and whistleblowing procedures, and for reviewing the appointment, independence, performance and cost effectiveness of the Group's external auditor. During the year, the Committee:

- reviewed the Annual Report and Accounts and Interim Report and Accounts:
- reviewed and approved an updated Treasury Policy;
- monitored the Group's cyber security and major IT system implementation programmes receiving reports from the executives responsible for cyber security and Group IT services at each meeting;
- considered the impact of changes to the accounting and financial reporting regimes applicable to the Group;
- reviewed the Group's internal control and risk management systems, and the outcomes of risk management and internal audit work, including those related to the assessment of and mitigation of emerging
- reviewed the Group's independent 'whistleblowing' arrangements to allow employees to raise any matters of concern and any reports into alleged inappropriate activities by employees and considered the reports from management concerning individual whistleblowing occurences;
- reviewed and challenged management in relation to findings from internal audit
- assessed the adequacy and basis of renewal of the Group's insurance provision;

- evaluated the external audit activity, specifically in relation to the key risks (capitalisation of fixed asset spend, valuation of investment property and intangibles, and revenue on airline contracts) and key judgemental areas (pensions and tax);
- in the course of satisfying itself as to the independence and objectivity of the external auditor, analysed the level of fees paid to the external auditor for audit and non-audit work, and the performance of the external auditor; and
- reviewed and updated its terms of reference to ensure the Committee has an appropriate focus upon the 'going concern' and 'viability' assessments and narratives in the accounts, and external auditor independence, in line with best governance practice.

The Audit Committee met three times during this financial year. All of the members attended all of those meetings. The external auditor, the Chief Executive, the Chief Financial Officer, the Head of Risk, the Head of Internal Audit and the Company Secretary attend the Committee's meetings by invitation. Each of the external auditor and the Head of Risk and Head of Internal Audit has the opportunity to meet the members of the Committee and/or the Committee's Chair, without executive management present. The Board is satisfied that, through the range of skills and business experience possessed by each member of the Audit Committee, throughout this financial year the Audit Committee as a whole had the competence relevant to the sectors in which the Group operates.

Robert Napier CBE Chairman of the Audit Committee

Corporate Social Responsibility (CSR) Committee



As Chair of the CSR Committee I am proud that MAG is so active in responding to its responsibilities to shareholders, employees, customers, suppliers and the wider communities its airports serve. The creation of this committee last year demonstrates not only that MAG is committed to operating to the highest standards of Corporate Social Responsibility, but also that the policies under the CSR remit sit at the core of MAG's operations.

The CSR Committee met three times during the year. All members, which comprise my fellow non-executive directors, Cath Schefer and Jon Wragg, attended all of those meetings. The meeting is also attended by the Non-Executive Chairman, Chief Executives of MAG's principal businesses, the Chief Strategy Officer, Group CSR Director, other senior executives and external speakers, as necessary.

The Committee is responsible for maintaining and reviewing the Group's CSR Strategy, as well as offering advice where necessary and ensuring that the Strategy is effectively implemented. In addition to receiving regular reports on performance, this year matters considered by the Committee included:

- the measurement of social value resulting from the MAG CSR Strategy through key performance monitoring.
- management of environmental impacts, including noise action plans.
- diversity and inclusion strategy, including consideration of the gender pay gap.
- the Employability strategy.
- social media updates and monitoring, supporting an increase in local knowledge of the services and opportunities MAG provides.
- matters related to the provision of an inclusive customer service.
- Governance policy and practice, including the prevention of modern forms of slavery.
- the integration of CSR provisions within the major investment programmes.

More information about the Group's commitment to corporate responsibility can be found in the Sustainability section of the Report on pages 44 to 51.

Vanda Pensony

Vanda Murray OBE
Chair of the CSR Committee

Remuneration Committee



I am pleased to present the Remuneration Report for the year ending 31 March 2019, setting out details of our remuneration policy for our Executive Directors and senior management, along with information on how that policy cascades to other employees throughout the Group.

WHAT ARE OUR REWARD PRINCIPLES AND HOW DO THESE LINK TO MAG'S STRATEGY?

When setting the remuneration packages for our executives and colleagues, the Committee is guided by the following principles:

- attract and retain talent allow the Group to attract, motivate and retain senior executives of high-calibre who are capable of delivering the Group's stretching objectives;
- performance-driven link rewards to both individual and corporate performance, responsibility and contribution over both the short and long term;
- market aligned position the Group competitively in the principal markets (both private and listed companies) where it competes for talent;
- fair fairly designed and applied with consideration to market positioning, internal relativity and individual contribution, in the context of pay within the wider workforce; and
- simple rewards are simple and understandable with a clear link between performance expectations, outcomes and rewards.

- Alongside these principles, the Committee considers the Group's key strategic and operational priorities when setting remuneration. This year, as in previous years, we considered the following:
- Ensuring long-term sustainable financial performance. Short-term and long-term incentives remain linked to stretching profit and cash generation targets (EBITDA and net cash) to drive sustainable growth and returns for our shareholders. We ensure that any incentive structure that we put in place drives performance that enhances the experience of stakeholders, including our colleagues and our customers.
- Upgrading our infrastructure through projects such as MAN-TP and STN-TP and growing digital and non-airport revenues. Growth in our infrastructure remains key to ensuring success in tomorrow's competitive marketplace and to delivering sustainable long-term value for shareholders.

- Therefore a significant proportion of our current long-term incentives are linked to delivery of strategic milestones in relation to these projects.
- The Group structure we keep the Group talent structure under review, look to promote diversity, focussing on positions at a senior level to ensure that we have the right skills and calibre of individuals in place to support our strategic vision.
- Doing the right thing. As one of the largest employers in each of the regions we operate in, MAG is committed to being a good corporate citizen and to doing the right thing for our colleagues and our local communities. The Remuneration Committee works closely with the Corporate Social Responsibility (CSR) Committee to support areas such as fairness, gender pay, diversity and inclusion. More details of the work we are doing in this area is set out in pages 44 to 51 in this report.

MAG
Annual Report and Accounts 2019

OVERVIEW

STRATEGIC REPORT

WHAT WERE THE COMMITTEE'S RESPONSIBILITIES AND KEY ACTIVITIES UNDERTAKEN IN 2018/19?

The key responsibilities and activities that the Committee undertook during the year were:

- considering market remuneration and corporate governance trends with the Committee's advisers, including total remuneration benchmarking for Executive Directors and senior executives, and discussion of remuneration trends in the wider market (both listed and private business);
- making recommendations regarding the Group's remuneration policy (for Executive Directors and all employees);
- recommending the total remuneration packages of the Executive Directors (including the Chief Executive) and other senior executives within the Group;
- considering remuneration decisions in the context of the overall business performance of the Group;
- setting and reviewing STIP and LTIP performance targets for the Executive Directors (including the Chief Executive) and other senior executives within the Group:
- reviewing performance against STIP and LTIP targets, and recommending any payments to be made as a result;
- reviewing the remuneration report and considering appropriate levels of disclosure;
- oversight of the pay and conditions of the wider workforce, including review of Group remuneration policies and wider pay increases within the Group;
- · consideration of the gender pay gap analysis prepared by the Group and the Group's response to it;
- assessing the readiness of MAG to adopt the remuneration related principles contained in the Wates Principles in conjunction with a more general governance review by the Board; and
- revising the Committee's Terms of Reference to ensure alignment with the application of the Wates Principles and developments in respect of corporate governance for private businesses more generally.

WHAT ARE THE COMMITTEE'S PRIORITIES FOR 2019/20?

Specific priorities for the Committee in 2019/20, in addition to its usual scheduled activities, will be to:

- review any proposed revisions to the remuneration policy and structure to ensure (i) alignment with the Group's values, purpose and culture and the delivery of strategy to support long-term sustainable success and (ii) guard against reputational and behavioural risks from inappropriate incentive structures;
- continue oversight of the application of reward policies across the wider workforce, including consideration of gender pay analysis; and
- oversight of the workflows and reporting structures to ensure full application of the Wates Principles from a remuneration perspective moving forward

Vanda Pensony

Vanda Murray OBE

Chair of the Remuneration Committee

Directors' remuneration report

MEMBERSHIP OF THE COMMITTEE, REMIT AND ATTENDANCE AT MEETINGS

The Committee's members during the year were Vanda Murray (Chair), Christian Seymour, Cath Schefer and Sir Richard Leese (all non-executive directors, with Christian Seymour and Sir Richard Leese being shareholder-appointed). All members attended the four meetings held during the financial year.

HOW DO WE REWARD OUR EXECUTIVES AND HOW DOES THIS LINK TO THE GROUP'S STRATEGY?

Reward element and purpose in supporting the Group's strategy

Basic Salary

Support the recruitment and retention of executive directors and other senior executives, recognising the size and scope of the role and the individual's skills and experience.

Operation of reward element for Executive Directors and senior executives

The basic salaries of Executive Directors and senior executives are reviewed annually and set based on:

- personal performance;
- Group size and performance;
- responsibility levels;
- affordability; and
- competitive market practice against a comparator group of similar sized organisations.

The Committee also gives consideration to salary increases in the context of wider salary awards to employees across the Group. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher until the target positioning is achieved.

Short-Term Incentive Plan (STIP)

Ensures a market-competitive remuneration package. Links total remuneration to achievement of the Group's strategy against measurable performance criteria in the short-term, both driving individual performance and creating shareholder value.

The executive directors and some senior executives are eligible to participate in the MAG Executive Directors Short-Term Incentive Plan (STIP). Subject to satisfactory personal, strategic and financial Group performance, the maximum incentive opportunity is 130% for the CEO, 120% of base salary for other Executive Directors and 75% of base salary for senior executives.

For executive directors, any incentive value in excess of 60% of salary is paid in the form of deferred cash to be released to the directors two years after the initial payment, subject to their continued employment. For senior executives, any incentive value in excess of 80% of salary is paid in the form of deferred cash to be released to the directors two years after the initial payment, subject to continued employment.

In addition to the challenging performance targets, the Committee retains discretion to reduce STIP awards in part or in full, in exceptional circumstances. In line with best practice, a clawback provision is included in the STIP. This provision enables the Group to reduce awards or reclaim payments made, in the event of a material misstatement or error in the financial results, where the Group has made an error in calculating the amount of award, or where there has been gross misconduct on the part of the participant.

Long-Term Incentive Plan (LTIP)

Designed to incentivise executive directors and key senior managers towards long-term sustainable results and creating shareholder value, whilst acting as a retention tool.

Executive directors participate in a long-term incentive plan where an incentive of up to 170% of base salary for the CEO, up to 150% for other executive directors and up to 100% of base salary for senior executives can be paid. Awards under the LTIP scheme are subject to the achievement of a combination of financial and business health targets measured over a three-year period.

Annual Report and Accounts 2019

Directors' remuneration report continued

Reward element and purpose in supporting the Group's strategy	Operation of reward element for Executive Directors and senior executives
Pension The pension arrangements comprise part of a competitive remuneration package and facilitate long-term retirement savings for executive directors and senior executives.	The Company provides pension benefits to eligible employees through legacy defined benefit arrangements or the MAG Defined Contribution Pension Scheme, which is a defined contribution (DC) arrangement. The DC arrangement is available for newly eligible employees and provides money purchase pension benefits. Executive directors and senior executives are entitled to receive
	a salary supplement in lieu of pension contributions.
Additional benefits Provide a market competitive benefits package that is consistent with Group values and supports executives to carry out their duties effectively.	Other benefits include a car cash allowance, or an equivalent car, in addition to permanent health insurance, private health insurance, critical illness cover and death-in-service life cover.

CASCADE OF INCENTIVES THROUGH THE GROUP

The table below shows how the incentive opportunity for executive directors and senior executives cascades throughout the wider MAG workforce.

Level	Number of employees	Pension eligible?	STIP eligible?	LTIP eligible?	All colleague incentive bonus
Chief Executive Officer	1	✓	✓	✓	×
Chief Financial Officer	1	✓	✓	✓	×
Divisional CEO Manchester	1	✓	✓	✓	×
Divisional CEO London Stansted	1	✓	✓	✓	×
Executive Committee	6	✓	✓	✓	×
Senior Management	35	✓	✓	✓	×
STIP eligible staff	712	✓	✓	×	×
Colleague bonus-eligible staff	5,548	✓	*	*	✓

HOW DOES THE COMMITTEE GIVE CONSIDERATION TO THE WIDER EMPLOYEE WORKFORCE?

The Committee understands the importance of giving consideration to the wider employee workforce when making remuneration decisions, in terms of fairness, gender pay and diversity and inclusion. The Remuneration Committee works closely with the Corporate Social Responsibility (CSR) Committee to understand the positive work being done in this area and the stakeholder engagement undertaken as part of the CSR agenda. More information about the Group's Commitment to gender pay and diversity and inclusion can be found in the Sustainability section of the report on page 49. Examples of the initiatives MAG have implemented are:

- We allow our Colleagues two days' paid time off per year to volunteer in the community.
- We continue to offer a Flexible Benefits system that allows employee to choose the benefits most appropriate for their circumstances.
- We have complied with the Gender Pay Regulations and have set out internally a number of initiatives through our Diversity and Inclusion
- We ensure compliance with the National Living wage.

HOW DO WE PAY OUR NON-EXECUTIVE DIRECTORS?

The Board Chair and independent non-executive directors receive fees for their services but do not participate in any of the incentive or benefit schemes of the Group, including pensions. The shareholder-appointed non-executive directors do not receive any fees for their services.

The Remuneration Committee recommends the remuneration for non-executive directors excluding the Board Chair. The voting shareholders determine the remuneration for the Board Chair, and approves the recommended fees of the independent non-executive directors. The Board's current policy with regard to independent non-executive directors is that appointments are on fixed terms of either one, two or three years, with a notice period of one month.

for the year ended 31 March 2019 and additional disclosures

The directors present their annual report on the affairs of Manchester Airports Holdings Limited ('the Company') together with the audited consolidated financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the 'Group') during the year were the ownership, operation and development of airport facilities in the UK. The Group's revenues were derived from aircraft and passenger handling charges, airport-based commercial and retail activities, and property.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The consolidated results for the year under review commence on page 86. The Company intends to continue its development of the Group as an operator of high-quality airports and airport facilities both within the UK and overseas, meeting the increasing demand for air travel and with a reputation for quality, customer service, value for money and a sustainable approach to development. A more detailed review of the Group's principal activities, results and future developments is provided in the strategic report, the Chief Executive's operating review and the financial review

DIVIDENDS AND TRANSFERS TO RESERVES

The retained loss for the year of £27.9m (2018: loss of £21.4m) after dividends paid of £174.7m (2018: £149.2m) will be transferred from reserves.

THE BOARD OF DIRECTORS

At 31 March 2019, the Board comprised:

Sir Richard Leese Adrian Montague CBE Manoj Mehta Christian Seymour Vanda Murray OBE Robert Napier CBE John Blundell Cath Schefer Jon Wragg Charlie Cornish Ken O'Toole Neil Thompson Andrew Cowan

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

CONFLICTS OF INTEREST

The Company has procedures in place for managing conflicts of interest. Should a director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they should notify the Board in writing as soon as reasonably practicable. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

INDEMNITY AND INSURANCE

The Company's Articles of Association provide that, to the extent permitted by the Companies Acts, the Company may indemnify any director, or former director, of the Company or of any associated companies, against any liability. Directors' and Officers' insurance has been established to provide cover for all Directors against their reasonable actions on behalf of the Company.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE

Each person who is a director at the date of approval of this report

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

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

CONTRACTS OF SIGNIFICANCE

Details of contracts of significance with The Council of the City of Manchester are set out in note 35 to these financial statements.

RISK MANAGEMENT

As outlined above, the Board as a whole, including the Audit Committee members, consider the nature and extent of the risk management framework, and the risk profile that is acceptable in order to achieve the Group's strategic objectives. The Audit Committee has reviewed the work done by management, the Committee itself and the Board, on the assessment of the Group's principal risks, including their impact on the prospects of the Company. The most significant strategic, corporate and operational risks and uncertainties, and the prevailing approach to their management, are detailed on pages 42 and 43.

GOING CONCERN

It should be recognised that any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events, which are inherently uncertain. Nevertheless, at the time of preparation of these financial statements, and having assessed the principal risks and the other matters discussed in connection with the viability statement set out below, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further details can be found in the accounting policies on pages 78 to 85.

VIABILITY STATEMENT

In accordance with the 2016 revision of the UK Corporate Governance Code, the directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 42 and 43. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2022.

The directors have determined that a three-year period to 31 March 2022 constitutes an appropriate period over which to provide its viability statement. This is the period focused on by the Board during the strategic planning process and is aligned to our detailed passenger projections. Whilst the directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved we believe this presents users of the Annual Report with a reasonable degree of confidence while still providing a longer-term perspective.

In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board considers annually and on a rolling basis, a three-year bottom-up strategic plan. The output of this plan is used to perform Group debt and financial headroom profile analysis, and includes a review of sensitivity to 'business as usual' risks, such as profit growth, reduction in passenger numbers and working capital variances. In addition, the potential impacts of the UK's decision to leave the EU, based on current consensus views, have been assessed, as well as severe but plausible events, in the overall context of the significant level of headroom in the Group's financial covenants.

During the year ended 31 March 2019, the Group issued £350m in shareholder loans. This increases the Group's committed facilities comprising: borrowings of £1.7bn of bonds and shareholder loans which mature in greater than five years; and a £500m Secured Revolving Credit Facility (of which £350m was undrawn as at the year end). Additionally in May 2019 the Group issued a £350m bond with a 2.875% coupon rate maturing in September 2044.

These facilities will provide strong support over the next few years for the Group's growth and investment activities, including the ongoing Airport Transformation Programmes.

These facilities, combined with MAG's strong credit rating, financing plan and financial covenant headroom, support the directors' positive confirmation on the viability of the Group that it will be able to continue in operation and meet its liabilities as they fall due, over the three-year period to 31 March 2022.

EMPLOYEES

Employment policies

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

Apprentices and the National Living Wage

MAG remains fully supportive of apprenticeships. It increased its intake during the year ended 31 March 2019 and is currently in the recruitment cycle for the 2020 financial year, with a view to enhancing talent pool diversity. The new and compulsory National Living Wage for workers aged 25 and over became effective on 1 April 2016. MAG is committed to paying all of its employees above the prescribed level.

Consultation and communication

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are being made that may affect their interests. As part of the Trade Union recognition arrangements, various employee forums exist for each business area, and more information on consultation is provided in the annual CSR report.

In addition, there are regular briefings in relation to key business and operational developments. These are cascaded throughout the organisation via weekly newsletters, face-to-face events and online forums. MAG also relaunched it's colleague magazine "Take Off" which celebrates the work of individuals and teams across all airport and business areas.

This year also saw the continued success of AIM (All Ideas Matter), MAG's idea scheme which gives all colleagues the opportunity to share ideas for innovation and business improvement. Thousands of ideas were generated across all of our airports, which were reviewed by a panel with the best being taken forward for implementation.

Directors' report continued

for the year ended 31 March 2019 and additional disclosures

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code, copies of which are available from the CBI, Cannon Place, 178 Cannon Street, London, EC4N 6HN. For other suppliers the Group's policy is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.

These payment practices apply to all payments to creditors for revenue and capital supplies of goods and services without exception. The period of credit taken by the Group at 31 March 2019 was 58 days (2018: 62 days has been recalculated to reflect a consistent basis of calculation with the biannual prompt payment submission to Companies House), reflecting the average number of days between receipt of the invoice and its subsequent payment.

MODERN SLAVERY ACT 2015

Our principal reference point for slavery and human trafficking are the definitions set out in the Modern Slavery Act 2015. We recognise that slavery and human trafficking can occur in many forms such as forced labour, child labour, domestic servitude, sex trafficking and workplace abuse. We are also aware that forced labour as a form of slavery includes debt bondage and the restriction of a person's freedom of movement whether that be physical or non-physical, for example, by the withholding of a worker's identity papers. We use the terms 'slavery' and 'human trafficking' to encompass all of these various forms of coerced labour.

We are committed to maintaining, and continuously improving, our practices to combat slavery and human trafficking. We are totally opposed to such abuses in our direct operations, our indirect operations and our supply chain as a whole, and understand that we have a responsibility to be alert to these risks in our business. All employees are expected to report concerns and management are expected to act upon them.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the Group during the year totalled £1.0m (2018: £1.0m). The donations were all made to recognised local and national charities for a variety of purposes. It is the Group's policy not to make contributions to political parties.

AUDITOR

Written resolutions relating to the reappointment of KPMG LLP as auditor, and to the authority of the directors to fix the auditor's remuneration, are to be put before the Company's voting shareholders for execution in the short term (and in the case of the former resolution, within the relevant period prescribed by statute).



Charlie Cornish

Chief Executive MAG

For and on behalf of the Board of Directors of the Company 4 July 2019

Directors' responsibilities statement

In respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements:
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.





Independent Auditor's Report to the Members of Manchester Airports **Holdings Limited**

OPINION

We have audited the financial statements of Manchester Airports Holdings Limited ("the Company") for the year ended 31 March 2019 which comprise the Group Statement of Financial Position and Parent Company Balance Sheet, the Group Statement of Comprehensive Income, the Group Statement of Cash Flows, the Group and Parent Company's Statements of Changes in Equity, and related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

THE IMPACT OF UNCERTAINTIES DUE TO THE UK EXITING THE **EUROPEAN UNION ON OUR AUDIT**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as fair value of investment property, valuation of the Group's liability for pension obligations, impairment of assets, recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period"). 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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

STRATEGIC REPORT AND GOVERNANCE REPORT

The directors are responsible for the strategic report and the governance 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 governance 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 governance report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are
- 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 73, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative

AUDITOR'S RESPONSIBILITIES

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

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE **OUR RESPONSIBILITIES**

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

Nieda Ovayle

Nicola Quayle (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor Chartered Accountants 1 St Peter's Square Manchester M2 3AE 4 July 2019



Accounting policies

GENERAL INFORMATION

Manchester Airports Holdings Limited (the 'Company') is a limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is Olympic House, Manchester Airport, Manchester, M90 1QX.

The principal activities of the Group are set out within the Directors' Report. These consolidated financial statements were approved for issue by the Board of Directors on 4 July 2019.

BASIS OF PREPARATION

These consolidated financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and with those parts of the Companies Act applicable to companies reporting under adopted IFRS. The historical cost convention is applicable to these financial statements with the exception of investment properties, financial instruments, assets held for sale and employee benefit scheme assets and obligations, which are fair valued at each reporting date.

The principal accounting policies applied in the preparation of the financial information presented in this document are set out below. These policies have been applied consistently to the periods presented unless otherwise stated.

The preparation of these financial statements in accordance with prevailing accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The assumptions and estimates are based on management's best knowledge of the event or actions in question, however actual results may ultimately differ from these estimates. The accounting policies that the Group has adopted to determine the amounts relating to material items shown in the statement of financial position, and also to determine the profit or loss, are shown below. Unless stated otherwise, these have been applied on a consistent basis.

GOING CONCERN

At the year ended 31 March 2019, the Group had £2,196.9m (2018: £1,846.9m) of committed facilities and a net debt position of £1,799.7m (2018: £1,326.7m). The Group had financial headroom of circa £400m at the year end, a level comfortably in excess of compliance targets within the Group's internal treasury policy.

After the year end the Group issued £350m of Bonds at a coupon rate of 2.875% with a maturity date of September 2044 adding to the existing facilities in place. These facilities will provide strong support over the next few years for the Group's profit and investment activities,

including the Manchester and London Stansted Airport Transformation Programmes, ensuring sufficient headroom throughout the business plan period to ensure compliance with the Group's internal treasury policy.

The Group is subject to two historical financial covenants: Net debt/EBITDA and EBITDA less tax paid/ Net finance charges. The covenants are tested half yearly on 31 March and 30 September. As at 31 March 2019 the Group had complied with both of the covenants and as a result of the Group's prudent financial policy there is significant covenant headroom. The financial covenants are not impacted by the shareholder loans issued during the period.

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

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

The following new accounting standards, amendment to standards and interpretations both have an effective date of 1 January 2018 but the Group decided to adopt both standards early in last year's financial statements with an initial application date of 1 April 2017:

 IFRS 9, 'Financial Instruments' Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition.

The adoption of this standards and interpretations has not had any material effect on the Group's results or net assets for the year ended 31 March 2019.

The Group's treatment of its financial instruments is detailed under the financial instruments section.

• Adoption of IFRS 15 'Revenue from Contracts with Customers' IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards, such as IAS 17 'Leases'. The Group decided to adopt this standard early using the full retrospective method.

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

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

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

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

Details of how the business applies IFRS 15 to its accounting treatments are detailed in the Revenue Section.

NEW AND REVISED STANDARDS AND INTERPRETATIONS NOT

The following new or revised standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these accounts as their effective dates fall in periods beginning on or after 1 January 2019.

Effective for the year ending 31 March 2020

• IFRS 16, 'Leases'.

IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. For the Group the first reported accounting period under IFRS 16 will be the year ending 31 March 2020. On the adoption of IFRS 16, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. The right of use asset will be depreciated on a straight-line basis over the life of the lease. Interest will

be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

In preparation for the adoption of IFRS 16, in the financial statements ending 31 March 2020, management are in the process of fully quantifying the impact due to the change in definition of leases. The minimum lease commitment of these at the financial year end is $\pounds442.9m$ (see note 34).

Transition

The Group has decided to adopt the modified retrospective transition approach and will not restate comparative amounts. The Group has elected to measure the right-of-use asset at the lease liability on adoption and apply the recognition exemption for both short-term and low-value assets.

The Group is taking all necessary steps to comply with the requirements of IFRS 16. Significant work has been completed, including collection of relevant data and the determination of relevant accounting policies. The weighted average discount rate, based on incremental borrowing rates, across the Group lease portfolio was 4.94%. The discount rate for each lease is dependent on lease start date and term.

Impact on financial statements

Restating the 2018/19 financial statements upon transition, the Group currently estimates that it will recognise an opening right of use assets and lease liabilities in the order of £437.0m with no impact upon the net assets or on deferred tax.

The Group expects the income statement will reflect an increase to EBITDA for the year ending March 2020 of approximately $\mathfrak{L}14.4m$. Operating profit is expected to increase by circa $\mathfrak{L}5.7m$ as the new depreciation charge will be lower than the current operating lease payments. However, finance charges are expected to increase by circa $\mathfrak{L}21.6m$ with an overall decrease in profit before tax of circa $\mathfrak{L}15.9m$.

We do not expect the adoption of IFRS 16 to have a material impact on the Group's effective tax rate. There will be no impact on cash flows, although the presentation of the cash flow statement will change significantly, with an increase in net cash inflows from operating activities being offset by an increase in net cash outflows from financing activities (interest paid).

Accounting policies continued

BASIS OF CONSOLIDATION

These consolidated financial statements include the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position, and statement of cash flows of the Company and all of its subsidiaries.

Subsidiaries are entities controlled directly or indirectly by the Company. Control exists when the Company has the power (directly or indirectly) to direct relevant activities of an entity so as to obtain benefits from its activities.

Subsidiaries have been consolidated from the date that control commences until the date that control ceases.

Associates

Entities, other than subsidiaries, over which the Company (directly or indirectly) exerts significant influence, but not control or joint control, are associates. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

REVENUE

The Group operates a number of revenue streams and accordingly applies methods for revenue recognition, based on the principles set out in IFRS 15. The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

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

- Various passenger charges for handling and security, based upon the number of departing passengers, are recognised at point of
- Aircraft departure and arrival charges levied according to weight and time of departure/arrival, are recognised at point of departure/ arrival.
- Aircraft parking charges based upon a combination of weight and time parked, are recognised at point of departure. The contracts entered into are short-term pricing arrangements, which are complex in nature given the breadth of discounts and rebates that the Group offers. Judgement is applied to assess the impact any contract amendments have when determining the appropriate contract term.

Retail concession income:

- Concession income from retail and commercial concessions is recognised in the period to which it relates on an accruals basis.
- The contracts entered into are long-term income-sharing concession agreements, with the concession fee based on turnover.
- Income from airport lounges is recognised at the point of usage.

Car park income:

- Car parking income is recognised at the point of exit for turn-up, short and long-stay parking.
- Contract parking and pre-book parking is recognised over the period to which it relates on a straight-line basis. The Group considers the performance obligation is satisfied through the provision of a car park space for each day the car is parked.
- Where car parking is booked through a third party, income and related commissions are accounted for on a gross basis as the Group is acting as a principal, rather than an agent, through its control of the pricing and availability of car park spaces.

During the year Looking4Parking Limited and Skyparksecure Limited have been acquired by the Group. The nature of performance obligations and indicators of control within revenue transactions have been considered and it has been determined that the Group has no control over the pricing and the availability of the car parking spaces. Therefore, the income and related commissions are accounted for on a net basis, as the Group are acting as the agent in this relationship.

Property income:

• Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term. The contracts entered into are long-term lease agreements. Revenue is disaggregated at the income stream level, and all segments generate revenue from all of the Group's income streams, with the exception of MAG Property, which generates only property income, and the Group, consolidation and other segment, which does not earn aviation income.

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

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Group's performance may result in additional revenues based on the achievement of certain performance measures. In determining the amount of revenue and profits to record, and related balance sheet items (such as trade receivables, accrued income and deferred income) to recognise in the period, management are required to form a number of judgements and assumptions.

The Group's customer contracts include a diverse range of payment schedules dependent on the nature and type of services being provided. The Group agrees payment schedules at the beginning of contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery. Payments for transactional goods and services may be at delivery date, in arrears or part payment in advance. Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income asset for this difference. All performance obligations are satisfied within the financial year and there are no judgements or assumptions required to estimate transaction price or allocate revenue to performance obligations

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. when the Group assumes control. Control exists when the Group has the power to direct relevant activities of an entity so as obtain benefits from its activities. For acquisitions completed before 1 April 2010, attributable costs of the acquisition formed part of goodwill. For acquisitions completed on or after 1 April 2010, attributable costs of acquisition are expensed in the income statement in the period incurred.

Goodwill arising on acquisitions represents the difference between the fair value of the consideration given over the fair value of the assets, liabilities and contingent liabilities of an acquired entity. Positive goodwill is capitalised as an asset in the consolidated statement of financial position and is subject to annual impairment reviews, or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately in the Group's consolidated income statement and is not subsequently reversed.

CONTINGENT CONSIDERATION

The Group evaluate any contingent consideration payable and apply the application guidance set out in IFRS 3 to the particular circumstances of the transaction. The contingent consideration will accordingly be categorised as part of the consideration of the acquisition or as post-acquisition remuneration. In all instances where the contingent consideration is dependent upon the continuing employment of the recipients, the Group will treat the amount as post-acquisition remuneration.

OTHER INTANGIBLE ASSETS

Intangible assets that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific assets to which it relates. Amortisation is based on the costs of an asset less its residual value.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful economic life of the specific asset to which it relates, from the date that it is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The useful economic lives of the Group's intangible assets are detailed below:

	Years
Metrolink	20
Customer Relationships	10
Brands	10
Software & Intellectual Property	10

If there are indications of impairment in the carrying value then the recoverable amount is estimated and compared to the carrying amount.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment constitutes the Group's operational asset base, and includes terminal, airfield, car parking, land, plant, and owner-occupied property assets. Investment properties held to earn rentals or for capital growth are accounted for separately under IAS 40 'Investment properties'.

The Group has elected to use the cost model under IAS 16 'Property, plant and equipment', as modified by the transitional exemption to account for assets at deemed cost that were revalued previously under UK GAAP. Deemed cost is the cost or valuation of assets as at 1 April 2005. Consequently, property, plant and equipment is stated at cost or deemed cost, less accumulated depreciation. Cost includes directly attributable own labour.

The Group does not capitalise borrowing costs into the cost of property, plant and equipment, unless the criteria under IAS 23 are met. Depreciation is provided to write off the cost of an asset on a straightline basis over the expected useful economic life of the relevant asset. Expected useful lives are set out below:

Accounting policies continued

	Years
Freehold and long leasehold property	10 – 50
Runways, taxiways and apron	5 – 75
Mains services	7 - 100
Plant and machinery	5 – 30
Motor vehicles	3 – 7
Fixtures, fittings, tools and equipment	5 – 10

Useful economic lives are reviewed on an annual basis, to ensure they remain relevant and appropriate.

No depreciation is provided on land. Repairs and maintenance costs are written off as incurred.

Assets under construction, which principally relate to airport infrastructure, are not depreciated until such time as they are available for use. If there are indications of impairment in the carrying value, then the recoverable amount is estimated and compared to the carrying amount. The recoverable amount is determined as the value that will ultimately be capitalised as an asset, based upon IAS 16 recognition and capitalisation criteria.

INVESTMENT PROPERTIES

The Group accounts for investment properties in accordance with IAS 40 'Investment properties'. An investment property is one held to either earn rental income or for capital growth. The Group has elected to use the fair value model, and therefore investment properties are initially recognised at cost and then revalued to fair value at the reporting date by an independent property valuer.

Investment properties are not depreciated. Gains or losses in the fair value of investment properties are recognised in the income statement for the period in which they arise. Gains or losses on the disposal of an investment property are recognised in the income statement on completion.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

IMPAIRMENT

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset, or cash-generating unit, exceeds its recoverable

LEASES

Leases are classified according to the substance of the agreement. Where substantially all the risks and rewards of ownership are transferred to the Group, a lease is classified as a finance lease. All other leases are classified as operating leases. Costs relating to operating leases are charged on a straight-line basis to the income statement over the lease term. Any benefits received by the Group as an incentive to sign the lease are spread on a straight-line basis over the lease term. Finance leased assets are capitalised in property, plant and equipment at the lower of fair value and the present value of minimum lease payments, and depreciated over the shorter of the lease term and the estimated useful life of the asset.

Obligations under finance leases are included within payables, with minimum lease payments being apportioned between the finance charge and the reduction in the outstanding liability. The finance charge is allocated to each period during the term of the lease so as to produce a constant periodic rate of interest on the remaining statement of financial position liability.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

GRANTS

Revenue grants are recognised in the income statement during the periods to which they relate.

Grants received and receivable relating to property, plant and equipment are shown as a deferred credit in current and non-current liabilities on the statement of financial position. An annual transfer to the income statement is made on a straight-line basis over the expected useful life of the asset for which the grant was received.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at fair value, and subsequently less any provision for impairment.

Trade and other receivables are appraised throughout the year to assess the need for any provision for impairment. Specific provision for impairment has been determined by identifying all external debts where it is more probable than not that they will not be recovered in full, and a corresponding amount is charged against operating profit. Trade receivables are stated net of any such provision. With regard to other receivables, specific provision for impairment would be recognised upon the carrying value of such receivables being higher than their recoverable amount. In addition to specific provisions the Group also recognise a general reserve to reflect the estimated credit loss.

FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

Financial instruments are classified at initial recognition, and subsequently measured at amortised cost, Fair Value through Profit or Loss (FVPL) or Fair Value through Other Comprehensive income (FVOCI).

The Group's treatment of financial assets and liabilities:

- Trade receivables are recognised initially at their transaction price.
 with a loss allowance provided based upon the estimated credit loss.
- All financial liabilities (corporate bonds, bank loans and overdrafts and trade and other payables) within the scope of IFRS9 are recognised at amortised cost.

The implementation of IFRS 9 has not had a material impact upon the net assets of the Group. All financial instruments continue to be accounted for at amortised cost. Resulting from the implementation of the standard, the Group have recognised a general reserve for its trade receivables balances and have discounted longer-term receivable balances.

CONTINGENT ASSETS

Contingent assets are primarily insurance related, and mitigate losses caused by claims against the Company. Contingent assets are only recognised when they are virtually certain and are presented in other debtors, separate from the associated provision amount. However, they are presented net in the profit and loss account.

ASSETS HELD FOR SALE

The Group accounts for assets held for sale when the active marketing of the asset has commenced and has met all of the held-for-sale criteria as set out in IFRS 5. The Group recognises assets held for sale in the accounts at fair value.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, bank deposits and short-term deposits net of bank overdrafts, which have an original maturity of three months or less.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

BORROWING COSTS

The Group does not capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets into the cost of property, plant and equipment, unless the criteria under IAS 23 are met. Where the criteria is met, borrowing costs are calculated by applying an average interest rate in the period to the expenditure incurred on qualifying assets.

All other borrowing costs are recognised in the income statement over the period of the borrowings using the effective interest method.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised at fair value.

PROVISIONS

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

TAXATION

The tax expense for the year comprises current and deferred tax. The charge for taxation is based on the profit for the year and takes into account deferred tax due to temporary differences between the tax bases of assets and liabilities, and the accounting bases of assets and liabilities in the financial statements. The principal constituents of the deferred tax liability in the Group financial statements are temporary differences on property, plant and equipment, where the carrying value in the financial statements is in excess of the tax base due to accelerated capital allowances, and the previous effects of revaluations under UK GAAP.

Accounting policies continued

Deferred tax assets are recognised to the extent that it is regarded as probable that the temporary difference can be utilised against taxable profit in the future. Current tax and deferred tax relating to items recognised directly in equity, are also recognised directly in equity. Deferred tax is based on the tax laws and rates that have been enacted at the statement of financial position date and which are expected to apply when the relevant deferred tax item is realised or settled. Current tax has been calculated at the rate of 19% applicable to accounting periods ending 31 March 2019 (2018: 19%).

EMPLOYEE BENEFIT COSTS

The Group participates in four defined benefit schemes, which are contracted out of the state scheme, as well as two defined contribution schemes. The costs of defined contribution schemes are charged to the income statement in the year in which they are incurred. Defined benefit schemes are accounted for as an asset or liability on the statement of financial position. The asset or liability reflects the present value of defined benefit obligations, less the fair value of plan assets. The amount reported in the income statement for employee benefit costs includes past service costs, current service costs, interest costs and return on assets income. Past service costs are charged to the income statement immediately, and current service costs are charged to the income statement for the period to which they relate.

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

Actuarial gains and losses are recognised in the statement of comprehensive income in the period in which they arise. The defined benefit asset or liability, together with the current and past service costs, are calculated at the reporting date by an independent actuary using the projected unit credit method.

Under IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', surpluses on pension schemes are not recognised unless there is an unconditional right to recover or realise them at some point during the life of the plan. The unconditional right would not exist when the availability of the refund or the reduction in future contribution would be contingent upon factors beyond the entity's control (for example, approval by third parties such as plan trustees). To the extent that the right is contingent, no asset would be recognised.

SIGNIFICANT ITEMS

Significant items are material items of income and expense that, because of the unusual nature or frequency of the events giving rise to them, merit separate presentation to allow an understanding of the Group's underlying financial performance. Such items include impairment of assets, major reorganisation of businesses and integration costs associated with significant acquisitions. They also include the costs associated with the close out of previous financing arrangements upon refinancing.

DIVIDENDS

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Group's accounting policies, the Group has made estimates and judgements concerning the future. Actual results may, however, differ from the estimates calculated, and management believe that the investment properties, pensions and goodwill categories contain the more significant judgements impacting these financial statements.

INVESTMENT PROPERTIES

Investment properties were valued at fair value at 31 March 2019 by Savills, Strutt and Parker and Wright Marshall. The valuations were prepared in accordance with IFRS and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

PENSIONS

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

Changes in assumptions can vary from year to year as a result of changing conditions and other determinants which may cause increases or decreases in the valuation of the Group's liability for pension obligations. The objective of setting pension scheme assumptions for future years is to reflect the expected actual outcomes. The impact of the change in assumptions on the valuation of the net financial position for pension schemes is reflected in the statement of recognised gains and losses. Further details are available in note 28.

GOODWILL

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



Consolidated income statement

for the year ended 31 March 2019

	Note	2019 £m Total before significant items	2019 £m Significant items	2019 £m Total after significant items	2018 £m Total before significant items	2018 £m Significant items	2018 £m Total after significant items
Continuing operations Revenue	1	889.4	_	889.4	818.1	_	818.1
Result from operations before significant items	4	226.0	-	226.0	215.4	_	215.4
Significant items	3	-	(10.9)	(10.9)	-	(8.6)	(8.6)
Result from operations		226.0	(10.9)	215.1	215.4	(8.6)	206.8
Share of result of associate Gains and losses on sales and valuation of investment properties Finance costs	17 14 7	3.5 45.8 (74.5)	-	3.5 45.8 (74.5)	4.2 14.5 (67.6)	- - -	4.2 14.5 (67.6)
Result before taxation		200.8	(10.9)	189.9	166.5	(8.6)	157.9
Taxation	9	(44.3)	2.1	(42.2)	(37.0)	1.6	(35.4)
Result from continuing operations		156.5	(8.8)	147.7	129.5	(7.0)	122.5
Discontinued operation Result from discontinued operation (net of tax)	10	-	(4.3)	(4.3)	1.3	(14.1)	(12.8)
Result for the year		156.5	(13.1)	143.4	130.8	(21.1)	109.7
Earnings per share expressed in pence per share Continuing operations Discontinued operations	12 12			46.6 (1.4)			38. <i>7</i> (4.0)

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

Consolidated statement of comprehensive income

for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Result for the year		143.4	109.7
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit liabilities	28	3.5	21.8
Deferred tax on remeasurement of retirement benefit liabilities	9	(0.6)	(3.7)
Other comprehensive income/(expense) for the year		2.9	18.1
Total comprehensive income for the year		146.3	127.8

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

Consolidated statement of changes in equity

for the year ended 31 March 2019

	Attribut	Attributable to equity holders of the Company				
Note	Share capital £m	Share premium £m	Reserves £m	Total £m		
Balance at 1 April 2018	316.7	687.2	516.7	1,520.6		
Total comprehensive income for the year						
Result for the year	-	-	143.4	143.4		
Foreign exchange movement	-	-	0.5	0.5		
Remeasurement of retirement benefit liabilities, net of tax 9, 26	-	-	2.9	2.9		
	_	_	146.8	146.8		
Transactions with owners recorded directly in equity						
Dividends paid to equity holders	-	_	(174.7)	(174.7)		
Balance at 31 March 2019	316.7	687.2	488.8	1,492.7		

Consolidated statement of changes in equity

for the year ended 31 March 2018

		olders of the Company			
	S Note	hare capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2017		316.7	687.2	538.1	1,542.0
Total comprehensive income for the year					
Result for the year		-	_	109.7	109.7
Remeasurement of retirement benefit liabilities, net of tax		-	-	18.1	18.1
Transactions with owners recorded directly in equity		-	-	127.8	127.8
Dividends paid to equity holders		_	-	(149.2)	(149.2)
Balance at 31 March 2018		316.7	687.2	516.7	1,520.6

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

Consolidated statement of financial position

as at 31 March 2019

	Note	2019 £m	2018 £m
ASSETS	11010	2	2.111
Non-current assets			
Goodwill	16	170.8	166.3
Property, plant and equipment	13	2,978.8	2.535.2
Investment properties	14	552.6	526.1
Intangible assets	16	47.0	42.0
Investment in associate	17	23.7	15.7
Deferred tax assets	29	14.2	14.8
		3,787.1	3,300.1
CURRENT ASSETS			
Assets held for sale	15	2.6	-
Inventories	19	3.5	2.5
Trade and other receivables	20	129.7	149.2
Cash and cash equivalents	21	32.5	20.0
		168.3	171.7
LIABILITIES			
Current liabilities			
Trade and other payables	27	(252.6)	(222.3)
Deferred income		(25.7)	(24.8)
Current tax liabilities		(24.4)	(37.4)
		(302.7)	(284.5)
NET CURRENT LIABILITIES		(134.4)	(112.8)
Non-current liabilities			
Borrowings	22–26	(1,832.2)	(1,346.8)
Retirement benefit liabilities	28	(83.9)	(87.3)
Deferred tax liabilities	29	(225.1)	(220.2)
Other non-current liabilities	30	(18.8)	(12.4)
		(2,160.0)	(1,666.7)
NET ASSETS		1,492.7	1,520.6
Shareholders' equity			
Share capital	31	316.7	316.7
Share premium	31	687.2	687.2
Retained earnings	32	488.8	516.7
TOTAL EQUITY		1,492.7	1.520.6

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

The financial statements on pages 78 to 124 were approved by the Board of Directors on 4 July 2019 and signed on its behalf by:



Charlie Cornish Group Chief Executive MAG

Consolidated statement of cash flows

for the year ended 31 March 2019

		2019	2019	2019	2018	2018	2018
	Note	£m Before significant items	£m Significant items	£m After significant items	£m Before significant items	£m Significant items	£m After significant items
Cash flows from operating activities							
Result before taxation – continuing operations		200.8	(10.9)	189.9	166.5	(8.6)	157.9
Gains and losses on sales and valuations of investment properties		(45.8)	_	(45.8)	(14.5)	_	(14.5)
Share of result of associate		(3.5)	_	(3.5)	(4.2)	_	(4.2)
Net finance income and expense		74.5	_	74.5	67.6	_	67.6
Depreciation and amortisation		153.6	-	153.6	143.4	-	143.4
Profit on sale of property, plant and equipment		(1.8)	_	(1.8)	(1.3)	_	(1.3)
Increase in trade and other receivables and inventories		13.0		13.0	(26.4)	_	(26.4)
(Decrease)/increase in trade and other payables		13.5	1.3	14.8	0.6	_	0.6
Increase/(release) of grants Increase in retirement benefits provision		6.6 0.1	_	6.6 0.1	1.2 4.5	_	1.2 4.5
Cash generated from continuing operations		411.0	(9.6)	401.4	337.4	(8.6)	328.8
Result before taxation – discontinued operation				(4.3)			1.9
Depreciation and amortisation – discontinued operation							1.0
Movement in working capital - discontinued operation				4.3			(0.2)
Interest paid				(98.1)			(76.5)
Interest received							-
Tax paid				(41.1)			(38.2)
Net cash from operating activities				262.2			216.8
Cash flows from investing activities							
Purchase of property, plant and equipment				(566.5)			(319.1)
Distributions from/(investment in) associate Purchase of goodwill				(4.5)			3.5
Proceeds (net of selling costs) from sale of property, plant,				(4.5)			_
equipment and investment properties				15.4			48.3
Proceeds from sale of discontinued operation				-			44.9
Cash outflow from discontinued operation				-			(O.1)
Net cash used in investing activities				(560.1)			(222.5)
Cash flows from financing activities							
Decrease/(increase) in bank loan borrowings, net of debt issue costs	23			135.1			(136.9)
Issue of shareholder loans	25			350.0			0051
Bond issued in the year, net of issue costs				-			295.1
Repayment of loans and borrowings Dividends paid to shareholders	11			(174.7)			(149.2)
Net cash used in financing activities				310.4			9.0
Net increase in cash and cash equivalents	36			12.5			3.3
Cash and cash equivalents at beginning of the year				20.0			16.7
Cash and cash equivalents at end of the year				32.5			20.0

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

Notes to the financial statements

for the year ended 31 March 2019

1. REVENUE

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

	2019 Continuing operations £m	2019 Discontinued operation £m	2018 Continuing operations £m	2018 Discontinued operation £m
Aviation income	354.5	-	332.7	2.3
Commercial income				
Retail concessions	198.1	_	181.6	0.7
Car parking	221.4	_	187.2	2.0
Property and property related income	46.2	_	44.4	3.0
Other	69.2	-	72.2	2.3
Total commercial income	534.9	-	485.4	8.0
Total income	889.4	-	818.1	10.3

Aviation income includes passenger facility charges, runway charges, passenger security charges and aircraft parking charges, all of which are recognised at the point of departure.

Retail concessions includes duty free income, food and beverage income and airport lounge income.

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

Revenue from all income streams is recognised in line with IFRS $\,15.$

As at 31 March 2019 there were no performance obligations that were unsatisfied.

for the year ended 31 March 2019

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

YEAR ENDED 31 MARCH 2019

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property	Group, consolidation and other ³ £m	Consolidated - continuing operations £m	Airport ⁵ - discontinued operation £m
Revenue							
Gross sales Inter-segment sales ⁴	425.7	359.3	68.9	28.3 (4.0)	12.2 (1.0)	894.4 (5.0)	-
Total external sales	425.7	359.3	68.9	24.3	11.2	889.4	-
Result Segment operating profit/(loss) before significant items Significant items	111.8 (2.9)	104.1 (0.1)	11.8 (0.2)	18.3 (1.6)	(20.0) (6.1)	226.0 (10.9)	-
Segment operating profit/(loss) after significant items	108.9	104.0	11.6	16.7	(26.1)	215.1	-
Share of result of associate Gains and losses on sales and valuation of investment properties Finance costs						3.5 45.8 (74.5)	-
Result before taxation						189.9	-
Other information Segment assets	2,028.4	938.5	241.5	(note 1)	747.0	3,955.4	
Segment liabilities	(397.7)	83.6	25.4	(note 1)	(2,174.0)	(2,462.7)	-
Capital expenditure	408.3	151.8	13.4	(note 1)	17.4	590.9	-
Depreciation	75.8	62.3	11.6	(note 1)	1.1	150.8	-
Amortisation	2.5	-	-	(note 1)	0.5	3.0	-
Taxation	3.7	24.4	4.9	(note 1)	9.2	42.2	-
Result – geographical location ² Segment operating profit/(loss) before significant items	130.1	104.1	11.8	(note 2)	(20.0)	226.0	-

2. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

YEAR ENDED 31 MARCH 2018

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Group, consolidation and other ³ £m	Consolidated - continuing operations £m	Bournemouth Airport ⁵⁻ discontinued operation £m
Revenue External sales	391.5	330.4	66.8	27.0	2.4	818.1	10.3
Inter-segment sales ⁴	(2.0)	330.4	-	(1.3)	3.3	-	-
Total revenue	389.5	330.4	66.8	25.7	5.7	818.1	10.3
Result							
Segment operating profit/(loss) before significant							
items	110.1	91.1	13.1	15.9	(14.8)	215.4	1.9
Significant items	(3.7)	-	-	-	(4.9)	(8.6)	(14.1)
Segment operating profit/(loss) after significant items	106.4	91.1	13.1	15.9	(19.7)	206.8	(12.2)
Share of result of associate						4.2	-
Gains and losses on sales and valuation of							
investment properties						14.5	-
Finance costs						(67.6)	-
Result before taxation						157.9	(12.2)
Other information							
Segment assets	1,686.6	842.5	239.2	(note 1)	703.5	3,471.8	-
Segment liabilities	(206.9)	(163.2)	(61.5)	(note 1)	(1,519.6)	(1,951.2)	-
Capital expenditure	259.2	68.0	11.5	(note 1)	2.9	341.6	0.1
Depreciation	68.3	60.6	11.4	(note 1)	0.6	140.9	1.0
Amortisation	2.5	_	_	(note 1)	_	2.5	_
Taxation	14.0	20.9	2.7	(note 1)	(2.2)	35.4	0.6
Result – geographical location ²							
Segment operating profit/(loss) before significant							
items	126.0	91.1	13.1	(note 2)	(14.8)	215.4	1.9

- 1 The Group's reporting structure is such that the assets and liabilities of MAG Property are included in the Manchester Airport statement of financial position.
- 2 For management accounting purposes MAG reports property income and profit on sale of property assets (excluding London Stansted) within the MAG Property division. For statutory purposes property income and profit on disposal of core property assets is reported in the subsidiary companies depending on the geographical location of the investment properties and property, plant and equipment. For non-core properties these are reported within the figures of the property division.
- 3 Group consolidation and other includes Group, Head Office, MAG USA, and other subsidiary companies and balances arising on consolidation, which are not specific to the other main operating divisions. Assets include goodwill and fair value adjustments arising on consolidation. Liabilities include borrowings, further details of which can be found in note 22 Borrowings.
- Sales between segments are at arm's length.

 5 Discontinued operation includes all items relating to the Bournemouth operations that were disposed of by the Group in December 2017. These operations were previously disclosed in the Bournemouth Airport segment and the MAG Property segment for income statement related items, and the Bournemouth Airport segment and Manchester Airport segment for balance sheet related items.

for the year ended 31 March 2019

3. SIGNIFICANT ITEMS

	2019 £m	2018 £m
Recorded in result from operations Significant items ¹	10.9	8.6
Total significant items recorded in result from continuing operations	10.9	8.6
Recorded in result from discontinued operation Loss on sale of discontinued operation ²	4.3	14.1
Total significant items recorded in result from discontinued operation	4.3	14.1
Total significant items	15.2	22.7

NOTES

1 Significant items

Significant items of £10.9m (2018: £8.6m) include costs of a number of restructuring programmes across the Group, M&A activity, contingent consideration for the Looking4Parking acquisition, the impact of GMP equalisation and additional operating costs that have been incurred as a result of the ongoing Manchester Transformation Programme works.

2 Loss on sale of discontinued operation

On 4 December 2017, the Group disposed of Bournemouth International Airport Limited and its subsidiaries: Bournemouth Airport Property Investments (Offices) Limited, Bournemouth Airport Property Investments (Industrial) Limited and Bournemouth Airport Core Property Investments Limited. A loss of £14.1m was recognised in the accounts for the the year ended 31 March 2018.

The loss on sale is an additional charge of £4.3m, which has been recognised in the current year. This additional charge relates to an allocation of the Group's deferred taxation provision discounting of deferred consideration and additional costs incurred during the transitional services agreement period with the purchaser of Bournemouth Airport during the year ended 31

4. RESULT FROM CONTINUING OPERATIONS

	2019	2019	2019	2018	2018	2018
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	operations	operation	£m	operations	operation	£m
	£m	£m		£m	£m	
Turnover	889.4	-	889.4	818.1	10.3	828.4
Wages and salaries	(209.5)	_	(209.5)	(183.3)	(3.5)	(186.8)
Social security costs	(20.5)	-	(20.5)	(17.6)	(0.4)	(18.0)
Pension costs	(19.1)	-	(19.1)	(17.5)	(O.1)	(17.6)
Employee benefit costs	(249.1)	_	(249.1)	(218.4)	(4.0)	(222.4)
Depreciation and amortisation	(153.8)	-	(153.8)	(143.4)	(1.0)	(144.4)
Profit on disposal of property, plant and equipment	1.8	_	1.8	1.3	_	1.3
Other operating charges ¹	(262.3)	_	(262.3)	(242.2)	(3.5)	(245.7)
Result from continuing operations before significant items	226.0	_	226.0	215.4	1.8	217.2

1 Other operating charges includes maintenance, rent, rates, utility costs and other operating expenses.

5. EMPLOYEE INFORMATION

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

	2019 Number	2018 Number
By location		
Manchester Airport	3,397	2,943
London Stansted Airport	1,694	1,555
East Midlands Airport	558	515
Bournemouth Airport	-	132
	5,649	5,145

Manchester Airport includes Group, Head Office, MAG USA, Looking 4Parking and SkyParkSecure, as well as operational employees. The average number of employees has been calculated for both 2019 and 2018 to reflect full-time equivalent (FTEs) employees as opposed to actual headcount.

The average employee figure in 2018 included the average number of persons employed at Bournemouth Airport over the whole year, however the Group sold this Airport on 4 December 2017. After this date, the Group has not employed any persons at this site.

6. DIRECTORS' EMOLUMENTS

Further details of directors' emoluments and a description of the Group's remuneration policy are set out on pages 67 to 69 in the remuneration

	2019 £m	2018 £m
Directors' emoluments		
Aggregate emoluments	6.5	5.2

An amount of £0.2m (2018: £0.1m) was paid into money purchase schemes in respect of two directors (2018: three). Included within the amounts above is £2.4m (2018: £1.9m paid in July 2018) payable in July 2019 relating to the 2016-2019 LTIP after certain targets were met over the three year period. As the financial performance in relation to the 2017 and 2018 LTIP is so uncertain at this stage, no value is attributed to any prospective awards under those plans. Changes to the Board of Directors are detailed on page 54.

	2019	2018
	£m	£m
Key management compensation		
Aggregate emoluments	9.2	11.1

Key management for the Group are the Board of Directors and members of the Executive Committee (EXCO) who control and direct the Group's operational activities and resources. Included within the amounts above is £3.0m payable in July 2019 relating to the 2016-2019 LTIP (2018: £2.4m paid in July 2018 in relation to the 2015-2018 LTIP) after certain targets were met over the three year period. As the financial performance in relation to the 2017 and 2018 plans is so uncertain at this stage, no value is attributed above to any prospective awards under those plans.

	2019 £m	2018 £m
Highest paid director		
Aggregate emoluments	2.2	2.1

for the year ended 31 March 2019

7. FINANCE COSTS

Note	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	2.6	3.1
Interest payable on bonds	45.2	40.3
Interest payable on other borrowings	48.6	30.3
Interest cost on defined benefit pension schemes 28	2.1	2.8
Capitalisation of borrowing costs	(24.0)	(8.9)
Total finance costs	74.5	67.6

8. RESULT BEFORE TAXATION

	Note	2019 Continuing operations £m	2018 Continuing operations £m	2018 Discontinued operations £m
Result before taxation has been arrived at after charging/(crediting):				
Hire of plant and machinery – operating leases		0.4	0.4	-
Hire of other assets – operating leases		27.0	28.3	-
Release of capital based grants		(0.4)	(0.4)	-
Depreciation of property, plant and equipment:				
Owned assets – continuing operations	13	150.6	140.9	_
Amortisation of intangible assets	15	3.0	2.5	_
Profit on disposal of property, plant and equipment		(1.8)	(1.3)	_
Significant items ¹	3	10.9	8.6	14.1
Gains and losses on sales and valuation of investment properties	2, 14	(45.8)	(14.5)	_
Employee benefit costs	4	249.1	218.4	4.0
Auditor's remuneration ²				
Audit of these financial statements		0.1	0.1	_
Amounts receivable by the Company's Auditor and its associates in respect of:				
Audit of subsidiaries' financial statements		0.2	0.2	_
Other services relating to taxation & other consultancy		0.1	0.1	_
Total auditor's remuneration		0.4	0.4	-

NOTES

9. TAXATION

ANALYSIS OF CHARGE IN THE YEAR

	2019	2019	2019	2018	2018	2018
	£m	£m	£m	£m	£m	£m
	Before	Significant	After	Before	Significant	After
	significant	items	significant	significant	items	significant
	items		items	items		items
Current taxation						
UK corporation tax on profits for the year	42.0	(2.1)	39.9	45.8	(1.6)	44.2
Adjustment in respect of prior year	(2.0)	-	(2.0)	2.2	-	2.2
Total current taxation	40.0	(2.1)	37.9	48.0	(1.6)	46.4
Deferred taxation						
Temporary differences arising in the year	6.4	_	6.4	(10.4)	_	(10.4)
Adjustment in respect of prior year	(2.1)	-	(2.1)	(0.6)	-	(0.6)
Total ordinary deferred taxation	4.3	-	4.3	(11.0)	-	(11.0)
Total taxation charge	44.3	(2.1)	42.2	37.0	(1.6)	35.4

TAXATION ON ITEMS CHARGED/(CREDITED) TO EQUITY

	2019 £m	2018 £m
Deferred taxation on remeasurement of retirement benefit liabilities	0.6	3.7
Total taxation charge/(credit)	0.6	3.7

FACTORS AFFECTING THE TAXATION CHARGE FOR THE YEAR

The total taxation charge for the year ended 31 March 2019 is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

	2019 £m Before significant items	2019 £m Significant items	2019 £m After significant items	2018 £m Before significant items	2018 £m Significant items	2018 £m After significant items
Result before taxation	200.8	(10.9)	189.9	166.5	(8.6)	157.9
Result before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	38.2	(2.1)	36.1	31.6	(1.6)	30.0
Effect of: Lower than standard rate used for DT temporary differences	0.6	_	0.6	(1.8)	-	(1.8)
Non-taxable items	9.6	_	9.6	5.6	_	5.6
Adjustments to prior year taxation charge	(4.1)	_	(4.1)	1.6	-	1.6
Effect of change in rate of corporation tax	-	-	-	-	-	_
Total taxation debit/(credit)	44.3	(2.1)	42.2	37.0	(1.6)	35.4

The March 2016 Budget included a reduction in the rate of corporation tax from 1 April 2020 of 20% to 17%.

Deferred tax balances at 31 March 2019 have therefore been calculated at 17%.

^{1.} Significant items have been separately disclosed on the face of the consolidated income statement. Further details of these items are shown in note 3 Significant items.

^{2.} A description of the work of the Audit Committee is set out in the Corporate Governance Report and includes an explanation of how Auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditor.

for the year ended 31 March 2019

10. DISCONTINUED OPERATION

On 4 December 2017, the Group entered into a sale agreement to dispose of its entire shareholding of Bournemouth International Airport Limited and its subsidiaries: Bournemouth Airport Property Investments (Offices) Limited, Bournemouth Airport Property Investments (Industrial) Limited and Bournemouth Airport Core Property Investments Limited, which carried out all of the Group's Bournemouth Airport operations. As part of the disposal there was a Transitional Services Agreement (TSA) between MAG and the Purchaser, which came to an end in November 2018, as such there have been costs associated to this TSA incurred during the year.

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

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Revenue	-	10.3
Operating costs	_	(8.4)
Operating profit	-	1.9
Significant items	(4.3)	(14.1)
Movement in investment properties fair values	-	-
Attributable tax expense	-	(0.6)
(Loss) of discontinued operation	(4.3)	(12.8)
Net loss attributable to discontinued operation (attributable to owners of the Company)	(4.3)	(12.8)

The loss on sale is an additional charge of $\pounds 4.3m$, which has been recognised in the current year. This additional charge relates to an allocation of the Group's deferred taxation provision, discounting of deferred consideration and additional costs incurred during the transitional services agreement period with the purchaser of Bournemouth Airport during the year ended 31 March 2019.

11. DIVIDENDS

	£m	£m
Amounts recognised as distributions to equity holders in the period Final dividend for the year ended 31 March 2018 of 34.95 pence (2017: 29.65 pence) per share	110.7	93.9
Interim dividend for the year ended 31 March 2019 of 20.21 pence (2018: 17.46 pence) per share	64.0	55.3
Amounts recognised as distributions to equity holders in the year	174.7	149.2
Dividends not recognised at the end of the reporting period In addition to the above dividends, since year end the directors have recommended the payment of a final dividend for the year ended 31 March		
2019 of 40.42 pence (2018: 34.95 pence) per share	128.0	110.7

12. EARNINGS PER SHARE

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

	Earnings		2019 Weighted average number of shares	:	ire amount	We av nur		2018 Weighted average number of shares	ted ge r of	
	Continuing operations			Continuing operations	Discontinued operation	Continuing operations	Discontinued operation		Continuing operations	Discontinued operation
	£m	£m	m	Pence	Pence	£m	£m	m	Pence	Pence
EPS attributable to ordinary shareholders – before significant items	156.5	-	316.7	49.4	-	129.5	1.3	316. <i>7</i>	40.9	0.4
EPS attributable to ordinary shareholders – after significant items	147.7	(4.3)	316.7	46.6	(1.4)	122.5	(12.8)	316 <i>.7</i>	38. <i>7</i>	(4.0)

13. PROPERTY, PLANT AND EQUIPMENT

2019	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	fixtures and equipment £m	Assets in the course of construction £m	Total £m
Cost						
At 1 April 2018	203.2	451. <i>7</i>	2,105.3	659.4	369.0	3,788.6
Additions	-	0.2	-	0.5	590.2	590.9
Reclassification from assets in the course of construction	-	31.6	76.0	81.3	(188.9)	_
Reclassification to/from investment properties (note 14)	6.7	_	(0.7)	(0.2)	(2.3)	3.5
Disposals	-	(1.9) (7.5)	(2.0)	-	(11.4)
At 31 March 2019	209.9	481.6	2,173.1	739.0	768.0	4,371.6
Depreciation	<u> </u>					
At 1 April 2018	64.5	187.1	513.3	488.5	_	1,253.4
Charge for the period	-	13.0	81.2	56.4	-	150.6
Depreciation on disposals	-	(1.9	(7.3)	(2.0)	-	(11.2)
At 31 March 2019	64.5	198.2	587.2	542.9	-	1,392.8
Carrying amount	'					
At 31 March 2019	145.4	283.4	1585.9	196.1	768.0	2,978.8
Carrying amount						
At 31 March 2018	138.7	264.6	1,592.0	170.9	369.0	2,535.2

for the year ended 31 March 2019

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

2018	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
Cost						
At 1 April 2017	215.0	478.7	2,074.0	633.5	199.3	3,600.5
Additions	_	-	-	_	341.7	341.7
Reclassification from assets in the course of construction	_	6.3	80.6	80.8	(167.7)	_
Reclassification to investment properties	_	-	-	-	(3.1)	(3.1)
Disposal of discontinued operation	(8.5)	(20.2)	(32.6)	(21.2)	-	(82.5)
Disposals	(3.3)	(13.1)	(16.7)	(33.7)	(1.2)	(68.0)
At 31 March 2018	203.2	451.7	2,105.3	659.4	369.0	3,788.6
Depreciation						
At 1 April 2017	69.8	201.5	485.4	482.7	_	1,239.4
Charge for the period	_	13.1	70.4	58.4	_	141.9
Disposal of discontinued operation	(5.3)	(16.1)	(26.4)	(19.0)	-	(66.8)
Depreciation on disposals	-	(11.4)	(16.1)	(33.6)	-	(61.1)
At 31 March 2018	64.5	187.1	513.3	488.5	-	1,253.4
Carrying amount						
At 31 March 2018	138.7	264.6	1,592.0	170.9	369.0	2,535.2
Carrying amount						
At 31 March 2017	145.2	277.2	1,588.6	150.8	199.3	2,361.1

The carrying amount of land not depreciated as at 31 March 2019 is £235.8m (31 March 2018: £235.9m). The disclosure amount has been recalculated to include the amount of land not depreciated held within the category of airport assets.

CAPITALISED BORROWING COSTS

During the year ended 31 March 2019, borrowing costs of £24.0m were capitalised (31 March 2018: £8.9m), relating to borrowing costs incurred in FY19. Capitalised borrowing costs were calculated on a monthly basis, by applying the rate of interest for the relevant month to expenditure incurred in that month. The average rate of interest applied in FY19 was 6.07% (2018: 5.72%). These borrowing costs were capitalised due to the transformational capital investment projects being undertaken at Manchester and London Stansted Airports.

14. INVESTMENT PROPERTIES

2019	Investment properties £m
Valuation	
At 1 April 2018	526.1
Additions	0.2
Reclassification to property, plant and equipment (note 13)	(3.5)
Reclassification to assets held for sale (note 15)	(2.6)
Disposals	(10.1)
Revaluation	42.5
At 31 March 2019	552.6
Carrying amount	
At 31 March 2019	552.6
At 31 March 2018	526.1

14. INVESTMENT PROPERTIES CONTINUED

2018	Investment properties £m
	ZIII
Valuation	
At 1 April 2017	603.3
Reclassification from assets in the course of construction (note 13)	3.1
Disposals	(35.5)
Disposal of discontinued operation	(54.8)
Revaluation	10.0
At 31 March 2018	526.1
Carrying amount	
At 31 March 2018	526.1
At 31 March 2017	603.3

INVESTMENT PROPERTIES

The fair value of the Group's commercial investment property at 31 March 2019 has been arrived at on the basis of a valuation carried out at that date by Savills Plc. Strutt & Parker carried out the valuation of the London Stansted residential property portfolio, and Wright Marshall carried out the valuation of the Manchester residential property portfolio at 31 March 2019. 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.

Under IAS 40 a fair value method has been adopted to revalue investment properties that become occupied by the Group and are transferred to property, plant and equipment.

The rental income earned by the Group from its investment property amounted to \$32.0m (2018: \$35.4m). Direct operating expenses arising on the investment property in the year amounted to \$4.8m (2018: \$4.6m), which includes \$nil (2018: \$nil) of operating costs where no income was derived.

Gains and losses on sales and valuation of investment properties reported in the consolidated income statement of £45.8m in the year (2018: £14.5m) comprise £42.5m of valuation gains (2018: gains of £10.0m), and profits on sale of £3.3m (2018: profits on sale of £4.5m).

15. ASSETS AND LIABILITIES HELD FOR SALE

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 March 2019:

	2019 £m
Assets classified as held for sale	
Property, plant and equipment	2.6
Total assets of disposal group held for sale	2.6

for the year ended 31 March 2019

16. INTANGIBLE ASSETS

Goodwill	assets	Total
£m	£m	£m
166.3	50.5	216.8
4.5	8.0	12.5
170.8	58.5	229.3
-	8.5	8.5
_	3.0	3.0
-	11.5	11.5
170.8	47.0	217.8
166.3	42.0	208.3
	£m 166.3 4.5 170.8 170.8	£m £m 166.3 50.5 4.5 8.0 170.8 58.5 - 8.5 - 3.0 - 11.5 170.8 47.0

GOODWILL

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

The recoverable amount of the Stansted cash generating unit has been determined from value-in-use calculations. Key assumptions for these calculations are those regarding discount rates, terminal value growth rates, expected changes to passenger and revenue growth rates, EBITDA margin and the level of capital expenditure required to support trading.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the Board covering five years. The Group used detailed longer term forecasts to review a period for 25 years. A terminal value is calculated beyond that point. The discount rates used in the cash flow forecasts have been estimated based on pre-tax rates that reflect the Group's current market assessment of the time value of money and the risks specific to the cash generating unit. In determining the discount rates, the Group has sought to arrive at a Weighted Average Cost of Capital (WACC) using the capital asset pricing model for a market participant. The key assumptions in calculating the discount rate have been a 0.60 unlevered beta and a risk-free rate based on long-term UK Government gilts. Consequently, the rate used to discount the forecast cash flows was calculated as 6.6% (2018: 6.0%). The long-term growth rate used in calculating the terminal value was 2.5%.

Sensitivity analysis shows that the discount rate would have to increase by over 700 basis points, in addition to limiting growth to 2.5% from year 4 onwards and restricting the assets to a 50 year remaining life, for an impairment to be triggered.

OTHER INTANGIBLE ASSETS

In 2014 the Group secured rights to ensure that the Greater Manchester Metrolink light rail system was extended to Manchester Airport, connecting the airport to the wider Metrolink network. The contractual agreement ensures that the Metrolink service, which commenced in November 2014, will be operated for a period of 30 years. The cost of securing the rights has been capitalised and is being amortised over 20 years from November 2014, which the directors believe to be the foreseeable period over which the majority of the benefits from the service will accrue to the Airport.

Additional goodwill and intangible assets acquired in the year relate to software, intellectual property, customer lists and brands as part of the acquisition of Looking 4 Parking and SkyParkSecure.

17. INVESTMENT IN ASSOCIATE

2019	£m
Cost and carrying value	
At 1 April 2018	15.7
Investment in associate	4.5
Profit	3.6
Group's share of associate's result	(0.1)
At 31 March 2019	23.7

The investment in associate relates to the Group's investment in Airport City.

Included within the investment in associate balance is an amount of £2.5m (31 March 2018: £2.5m) relating to MAG's own costs incurred in the setting up of its share in Airport City, plus an additional £0.3m investment in property development. This will be released to the consolidated income statement on a proportional basis on the sale of plots within the Airport City development.

Airport City, a partnership with three other partners to develop part of the land around Manchester Airport for hotels, offices and logistics and advanced manufacturing, was formally constituted on 8 October 2014. During the year ended 31 March 2019 the Group purchased a further 20% share in Airport City, following the insolvency of the parent of the Carillion JV partner, increasing the shareholding to 70%. The directors have applied IFRS 10 'Consolidated Financial Statements' and IAS 28 Revised 'Investment in Associates' in maintaining the classification of the Group's 70% share in Airport City as an associate, determining that MAG has significant influence over Airport City by virtue of its shareholding, but not control given that all key matters require a super-majority of more than 79.9%, such that MAG plus all but one other party must be in agreement to exercise control.

The increase in investment in associate of £8.0m during the period resulted from a £3.6m uplift in value on the additional 20% of equity acquired, a £4.5m funds investment into Airport City (including providing outstanding contributions from the Carillion JV partner), less a £0.1m charge of administration costs incurred during the period.

Airport City's year end date is coterminous with the Group's year end, and the financial information detailed below is consistent with the Airport City financial statements prepared to the same date. Summarised financial information of the Group's investment in Airport City is as follows.

	2019 £m	2018 £m
Current assets Current liabilities Net assets	33.4 (3.5) 29.9	29.5 (3.9) 25.6
Group's share of associate's net assets	20.9	13.2
Revenue Result for the period	(0.2)	28.9 11.2
Group's share of associate's result for the period	(0.1)	5.6

As part of its investment in Airport City, the Group has agreed to pay an equity contribution up to a maximum of £42m if required.

Airport City has no significant contingent liabilities to which the Group is exposed, and there are no restrictions that would prevent the transfer of funds to the Group (2018: none).

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18. ACQUISITIONS

CURRENT PERIOD ACQUISITIONS

Looking4Parking

On 21 June 2018, the Group acquired 100% of the issued share capital of Agency of the North Limited ('AOTN') for cash consideration of £3.9m with an additional payment of up to £5.0m payable if certain criteria are met (as at 31 March 2019 the Group have accrued £1.3m based upon current estimates that these criteria had been partially met). In the Annual Report the Group has treated this amount accrued as post acquisition remuneration which has been accounted for in the income statement, reported within significant items.

 $AOTN\ currently\ trades\ through\ its\ wholly\ owned\ subsiary\ Looking 4Parking\ Limited.$

The Board believes that the excess of cash consideration paid over net identifiable assets on acquisition of £3.1m is best considered as goodwill on acquisition. The provisional goodwill calculation is summarised below:

	Book value £m	Measurement adjustments £m	Provisional fair value at 31 March 2019 £m
Acquiree's net assets at acquisition date:			
Goodwill	2.3	-	2.3
Property, plant and equipment	0.1	-	0.1
Intangible assets	1.3	3.0	4.3
Cash	2.0	-	2.0
Trade and other receivables	0.7	-	0.7
Trade and other payables	(6.1)	-	(6.1)
Deferred tax liability	-	(0.2)	(0.2)
Net indentifiable assets	0.3	2.8	3.1
Goodwill identifiable on acquisition			0.8
Total consideration			3.9

Included in the 12 month period ended 31 March 2019 is revenue of £3.7m and a profit before tax of £0.2m in respect of AOTN.

Had the acquisition of AOTN been affected at 31 March 2018, the revenue and profit/(loss) before tax of the Group for the year to 31 March 2019 would have been £5.0m and £(0.1)m higher/(lower) respectively.

Acquisition related costs amounting to £0.2m have been excluded from the consideration transferred and have been recognised as an expense in the year, within significant items in the consolidated income statement.

18. ACQUISITIONS CONTINUED

On 29 November 2018, the Group acquired 100% of the issued share capital of Simmerdown Limited ('Simmerdown') for cash consideration of £4.3m with an additional payment of up to £0.9m payable.

Simmerdown Limited currently trades through its wholly owned subsiary, SkyParkSecure Limited.

The Board believes that cash consideration equates to the net identifiable assets on acquisition. Consequently no additional goodwill is deemed to be created upon acquisition. The provisional goodwill calculation is summarised below:

	Book Value £m	Measurement adjustments £m	Provisional fair value at 31 March 2019 £m
Acquiree's net assets at acquisition date:			
Goodwill	2.3	(1.0)	1.3
Intangible assets	-	3.7	3.7
Cash	2.8	_	2.8
Trade and other receivables	0.2	_	0.2
Trade and other payables	(2.5)	_	(2.5)
Deferred tax liability	_	(0.3)	(0.3)
Net indentifiable assets	2.8	2.4	5.2
Goodwill identifiable on acquisition			-
Total consideration			5.2

Included in the 12 month period ended 31 March 2019 is revenue of £0.9m and a profit before tax of £0.1m in respect of Simmerdown.

Full year impact of acquisitions

Had the acquisition of Simmerdown been effected at 31 March 2018, the revenue and profit before tax of the Group for the year to 31 March 2019 would have been £2.9m and £0.9m higher respectively.

Acquisition costs

Acquisition related costs amounting to £0.1m have been excluded from the consideration transferred and have been recognised as an expense in the year, within significant items in the consolidated income statement.

19. INVENTORIES

	2019	2018
	£m	£m
Consumables	3.5	2.5
	3.5	2.5

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20. TRADE AND OTHER RECEIVABLES

	2019	2018
	£m	£m
Trade receivables	75.0	94.7
Other receivables	11.7	7.8
Prepayments and accrued income	43.0	46.6
Amounts receivable from associate	-	0.1
	129.7	149.2

The average credit period taken on sales is 26 days (2018: 31 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £3.2m (2018: £3.0m). This includes reserving against specific debts estimated as irrecoverable and additional amounts included comprising a £0.3m additional reserve relating to estimated of credit losses.

The directors consider that the carrying amount of trade and other receivables approximates to fair value.

Trade receivables are non-interest bearing and are generally on 30 day terms. The level of past due debt over 90 days old has been recalculated to reflect age based upon due date:

	2019	2018
	£m	£m
Debt due over 90 days	7.5	12.1
Total	7.5	12.1

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

	£m
Balance at 1 April 2018	3.0
Increase in allowance for impaired receivables	2.0
Additional general provision raised	0.3
Discounting of long-term receivable	
Provision utilised during the year	(2.1)
Balance at 31 March 2019	3.2

The creation and release of provisions for impaired receivables have been included in 'operating expenses' in the consolidated income statement.

Amounts charged to the provision account are generally written off when there is no expectation of recovery. The ageing of these receivables is as follows:

	2019 £m	2018 £m
Less than 60 days	-	0.1
60 to 90 days	0.1	_
Over 90 days	3.1	2.9
Total	3.2	3.0

The Group has limited exposure to foreign currency exchange risk with trade and other receivables including £1.6m held in US dollars by the MAG US business. All other receivables amounts are denominated in pounds sterling. There are no credit quality issues with receivables that are not past their due date. Additional disclosure on financial risk is included in note 26.

21. CASH AND CASH EQUIVALENTS

	2019	2018
	£m	£m
Cash at bank and in hand	32.5	20.0
	32.5	20.0

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

22. BORROWINGS

		2019	2018
	Note	£m	£m
Bank loans	23	132.3	(2.8)
Bonds	24	1,098.4	1,098.1
Other borrowings	25	601.5	251.5
		1,832.2	1,346.8
Borrowings are repayable as follows:			
In one year or less, or on demand			
Bank loans	23	-	-
		-	_
In more than one year, but no more than two years	'		
Bank loans		-	-
		-	-
In more than two years, but no more than five years			
Bank loans	23	132.3	(2.8)
In more than five years – due other than by instalments			
Bonds	24	1,098.4	1,098.1
Other borrowings	25	601.5	251.5
		1,699.9	1,349.6
Non current borrowings		1,832.2	1,346.8
Total borrowings		1,832.2	1,346.8

The Group is party to a Common Terms Agreement (CTA) where bank and bond creditors benefit from the same suite of representations, warranties and covenants. The CTA was signed on 14 February 2014.

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22. BORROWINGS CONTINUED

The CTA, together with a Master Definitions Agreement covers, inter alia, The Amended and Restated Initial Authorised Credit Facility Agreement (ACF), The Amended and Restated Liquidity Facility Agreement (LF), and the Group's various issue of publicly listed fixed rate secured bonds to date.

During the year ended 31 March 2018 the Group completed the maturity extension of its revolving credit and liquidity facilities, comprising a £500.0m revolving credit facility and £60.0m in standby liquidity facilities, each with a five year term, maturing in 2023.

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

The Group issued a £360.0m publicly listed fixed rate secured bond on 16 April 2014 with a scheduled and legal maturity of 2024. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay a large portion of the secured senior term facility.

The Group issued a £300.0m publicly listed fixed rate secured bond on 15 November 2017 with a scheduled and legal maturity of 31 March 2039. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay the revolving credit facility. The Amended and Restated LF Agreement had total facilities of £60.0m as at 31 March 2019 and is sized to cover 12 months interest on secured debt. The LF Agreement is a 364-day revolving facility with a five year term on each annual renewal. On 1 April 2019 the Group increased the size of its standby liquidity facility to £90m, with all other terms unchanged.

The Group issued a £350.0m bond on 9 May 2019 with a 2.875% coupon and a legal maturity of 30 September 2044.

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

23. BANK LOANS

	2019 £m	2018 £m
Secured Revolving Credit Facility	135.0	_
Less: unamortised debt issue costs ¹	(2.7)	(2.8)
	132.3	(2.8)

NOTE

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

At 31 March 2019 the Group had £350.0m (31 March 2018: £485.0m) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £500.0m secured revolving credit facility (£135.0m drawn at 31 March 2019), less certain carve-outs in respect of ancillary facilities of £15.0m. The Group also had access to £10.0m of overdraft facilities.

Interest on the secured revolving credit facility is linked to LIBOR plus a margin.

See note 22 for further information on financial liabilities, including maturity analysis.

24. BONDS

	2019 £m	2018 £m
Repayable other than by instalments		
MAG bond 4.125% £360.0m due 2024	360.0	360.0
MAG bond 4.75% £450.0m due 2034	450.0	450.0
MAG bond 2.875% £300.0m due 2039	300.0	300.0
Less: discount on issue	(5.3)	(5.4)
Less: unamortised debt issue costs	(6.3)	(6.5)
	1,098.4	1,098.1

See note 22 for further information on financial liabilities, including maturity analysis.

25. OTHER BORROWINGS

	2019	2018
	£m	£m
Repayable other than by instalments		
Shareholders' loan at an interest rate of 12% expiring on 9 February 2055	251.9	251.9
Shareholders' loan at an interest rate of 10% expiring on 30 September 2056	175.0	_
Shareholders' loan at an interest rate of 10% expiring on 30 September 2057	175.0	_
Less: unamortised debt issue costs	(0.4)	(0.4)
	601.5	251.5

Shareholder loans increased to £601.5m as at 31 March 2019 following the issue of two tranches of shareholder loans amounting to £350m during the year.

The shareholder loans are unsecured.

26. FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES

(a) Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 March 2019 was as follows:

	2019 £m	2018 £m
Fixed rate financial liabilities	1,699.9	1,346.8
Floating rate financial liabilities	132.3	(2.8)
	1,832.2	1,344.0

The revolving credit facility bears an interest rate based on LIBOR at the Group's discretion, between 1 week and 6 months, plus a credit margin.

The overdrafts bear interest at Bank of England Base Rate plus a credit margin.

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

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26. FINANCIAL INSTRUMENTS CONTINUED

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

	2019 £m	2018 £m
Impact on income statement	(1.0)	0.2
Impact on equity	-	_
	(1.0)	0.2

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

	2019 £m	2018 £m
Weighted average annual interest rate	6.43%	5.51%
Weighted average period for which interest rate is fixed	21yr 6m	18yr 3m

(c) Maturity analysis of financial liabilities

The table below shows the gross undiscounted contractual cash outflows in relation to the Group's financial liabilities as at 31 March 2019 to the contract maturity date.

	2019	2018
	£m	£m
In one year or less, or on demand	245.1	75.1
In more than one year but not more than two years	110.1	<i>7</i> 5.1
In more than two years but not more than five years	690.2	225.2
In more than five years	3,787.1	2,717.2
	4,832.5	3,092.6

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

Undrawn committed borrowing facilities

As at 31 March 2019, the Group had an undrawn committed borrowing facility available amounting to £350.0m (2018: £485.0m).

	2019	
	Floating	2018
	rate	Floating rate
	£m	£m
Expiring in less than one year	-	_
Expiring in one to two years	-	_
Expiring in more than two years	350.0	485.0
	350.0	485.0

26. FINANCIAL INSTRUMENTS CONTINUED

(d) Fair values versus carrying amounts of financial statements

The following table provides a comparison, by category, of the carrying amounts and the fair values of the Group's financial instruments as at 31 March 2019 and 2018. Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced liquidation sale, and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates.

	Note	2019 Carrying amount £m	2019 Fair value £m	2018 Carrying amount £m	2018 Fair value £m
Financial liabilities:					
Instruments held at amortised cost					
Bank loans and overdrafts	23	(132.3)	(132.3)	2.8	2.8
Trade payables	27	(60.5)	(60.5)	(50.9)	(50.9)
Bonds	24	(1,098.4)	(1,266.6)	(1,098.1)	(1,253.0)
Other borrowings	25	(601.5)	(660.2)	(251.5)	(374.6)
		(1,892.7)	(2,119.6)	(1,397.7)	(1,675.7)
Financial assets:					
Instruments held at amortised cost					
Cash at bank and in hand	21	32.5	32.5	20.0	20.0
Trade receivables	20	75.0	75.0	94.7	94.7
Other assets held at fair value					
Assets held for sale	15	2.6	2.6	-	-
Investment properties	14	552.6	552.6	525.3	525.3
		662.7	662.7	640.0	640.0
Net financial liabilities		(1,230.0)	(1,456.9)	(757.7)	(1,035.7)

FAIR VALUE HIERARCHY

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

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

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

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

MAG

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26. FINANCIAL INSTRUMENTS CONTINUED

SUMMARY OF METHODS AND ASSUMPTIONS USED FOR DETERMINING FAIR VALUES

Bonds The fair value of publicly listed bonds is based on market prices or, if not available, brokers'

quotes. The carrying value is net of unamortised issue costs.

Bank loans The fair value of the bank loans approximates to the carrying value given their floating rate basis

and interest setting frequency. The carrying value is net of unamortised issue costs.

Other borrowings The fair value of other borrowings is based on a discounted cash flow methodology that reflects

movements in underlying market rates.

Cash at bank and in hand

The fair value of cash at bank and in hand approximates to the carrying value as all deposits

have same day access.

Trade receivables and payables The fair value of trade receivables and trade payables approximates to the carrying value given

their short-term nature.

Investment properties The fair values of investment properties are based on an income capitalisation methodology.

(e) Credit risk exposure

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

	Carrying	Carrying
	amount	amount
	2019	2018
	£m	£m
Trade receivables	75.0	94.7
Cash at bank and in hand	32.5	20.0
Credit exposure	107.5	114.7

Further analysis on the credit risk, ageing and impairment of trade receivables can be found in note 20.

27. TRADE AND OTHER PAYABLES

	2019 £m	2018 £m
Trade payables	60.5	50.9
Other taxation and social security	6.5	4.6
Other payables	11.8	2.8
Accruals	173.4	162.6
Capital-based grants	0.4	1.4
	252.6	222.3

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

28. RETIREMENT BENEFITS

GUARANTEED MINIMUM PENSION ('GMP') EQUALISATION

A past service cost of £1.3m has been recognised in the income statement, reflecting an estimate of the impact of allowing for the equalisation of GMPs. This follows a case brought before the High Court by the Trustees of the Lloyds Bank Pension Schemes, judgement of which was delivered on 26 October 2018.

DEFINED CONTRIBUTION SCHEMES

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

The total cost charged to income of £6.9m (2018: £7.8m) represents contributions payable to the scheme by the Group at rates in the pension scheme's contribution schedule. As at 31 March 2019, there was £nil (2018: £nil) of contributions due in respect of the current reporting period that had not been paid over to the scheme.

DEFINED BENEFIT SCHEMES

The Group operates four defined benefit pension schemes as follows:

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

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

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

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

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

Total employer's pension contributions for defined benefit schemes across the Group during the year ended 31 March 2019 amounted to £16.1m (2018: £10.7m) and there were no one-off contributions during this period (2018: £nil).

Total employees' pension contributions for defined benefit schemes across the Group during the year ended 31 March 2019 amounted to £2.8m (2018: £2.7m) and there were no one-off contributions during this period (2018: £nil).

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

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28. RETIREMENT BENEFITS CONTINUED

THE GREATER MANCHESTER PENSION FUND (GMPF)

Certain employees of the Group participate in the GMPF, administered by Tameside Borough Council. Of the total Group pension contributions noted above, some £5.0m (2018: £5.5m) related to payments into the GMPF.

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

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

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

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

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

MAG (STAL) PENSION SCHEME

On 28 February 2013, the Group acquired the entire share capital of Stansted Airport Limited. A condition of the purchase was that a new defined benefit pension scheme was set up to provide comparable benefits to those employees who had previously participated in the BAA pension scheme prior to the acquisition. Current employees transferred their accrued benefits to the MAG (STAL) Pension Scheme, but no liability for pensioners or deferred members was transferred. The last full actuarial valuation of the M.A.G (STAL) pension scheme was carried out by the scheme actuary on 30 September 2016. The aggregate market value of the assets in the scheme at the date of that actuarial valuation was £153.4m (previous valuation £104.9m), which represented approximately 87.9% (previous valuation 104.9%) of the present value of the liabilities. The scheme was valued using the projected unit method.

OTHER SCHEMES

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

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

The aggregate market value of the assets in the EMIA scheme at the date of that actuarial valuation was £59.8m (previous valuation £48.4m), which represented approximately 74% (previous valuation 94%) of the present value of the liabilities. The scheme was valued using the projected unit method

The other scheme is not significant to the Group and details of its valuation are included in the relevant entity's financial statements.

The numerical disclosure provided below for the defined benefit schemes is based on the most recent actuarial valuations disclosed above, which have been updated by independent qualified actuaries to take account of the requirements of IAS 19.

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28. RETIREMENT BENEFITS CONTINUED

The key assumptions used are as follows:

	GA	GMPF		MAG (STAL)		IIA	AVPS	
	2019	2018	2019	2018	2019	2018	2019	2018
Rate of increase in salaries	3.25%	3.15%	3.25%	3.15%	2.00%	2.00%	N/A	N/A
Rate of increase of pensions in payment	2.25%	2.15%	2.25%	2.15%	2.25%	2.15%	2.25%	2.15%
Discount rate	2.40%	2.60%	2.45%	2.60%	2.40%	2.60%	2.40%	2.55%
Inflation assumption	2.25%	2.15%	2.25%	2.15%	2.25%	2.15%	2.25%	2.15%
Life expectancy from 65								
Longevity at age 65 for current pensioners								
Males	20.7 years	20.9 years	22.7 years	23.0 years	22.9 years	22.7 years	20.9 years	21.1 years
Females	23.2 years	23.3 years	24.4 years	25.7 years	24.0 years	25.1 years	23.2 years	23.4 years
Longevity at age 45 for current members								
Males	22.2 years	22.3 years	23.7 years	24.1 years	24.0 years	23.7 years	22.0 years	22.2 years
Females	24.4 years	24.8 years	25.6 years	26.9 years	25.2 years	26.3 years	24.4 years	24.6 years

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

RISK AND RISK MANAGEMENT

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

Asset volatility

For the purpose of setting the contribution requirements, the calculation uses a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio - whereas under IAS 19 (R), the defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields. GMPF, MAG (STAL) and EMIA hold a significant proportion of their assets in return-seeking funds. The returns on these assets may be volatile and are not closely correlated to the value placed on the liabilities. This means that the deficit may be volatile in the shorter term, which may result in an increase in the contribution requirements and an increase in the net defined liability recorded on the statement of financial position. However, the Group believes that return-seeking assets offer an appropriate level of return over the long term for the level of risk that is taken. Furthermore, the schemes' other assets are well-diversified by investing in a range of asset classes, including diversified growth funds, government bonds and corporate bonds.

Changes in bond yields

A fall in bond yields increases the value placed on the liabilities for reporting purposes and for setting the Group's contribution requirements. However, in the scenario the schemes' investment in corporate and government bonds is expected to incease and therefore offset some of the increase in the value placed on the liabilities.

Inflation risk

The majority of the schemes' benefit obligations are linked to inflation and higher outturn levels of inflationary increases are in place to protect the benefits against extreme inflation. Inflation will lead to a higher benefit obligation (although in most cases caps on the majority of the schemes' assets do not provide a direct hedge against changes in inflation as they are either fixed-interest in nature e.g. corporate bonds and government bonds, or have an indirect link to inflation e.g. equities).

Life expectancy

The majority of the schemes' obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities. This is particularly significant where the longer duration and inflation-linked nature of the payments result in higher sensitivity to changes in life expectancy. The schemes do not contain a hedge against increases in future life expectancy.

for the year ended 31 March 2019

28. RETIREMENT BENEFITS CONTINUED

DETAILS OF THE NET PENSION LIABILITY BY SCHEME ARE AS FOLLOWS:

		Present value	
	Fair value of	of defined	(Deficit)/
	scheme	benefit	surplus in the
	assets	obligation	scheme
	£m	£m	£m
GMPF ¹			
2019	465.7	(503.9)	(38.2)
2018	437.5	(483.5)	(46.0)
2017	435.2	(489.4)	(54.2)
2016			
	363.1	(402.6)	(39.5)
2015	377.7	(432.5)	(54.8)
2014	346.0	(383.9)	(37.9)
MAC (STAIL)			
MAG (STAL) 2019	185.0	(209.8)	(24.8)
2018	172.5	(195.0)	(22.5)
2017	161.4		
		(189.2)	(27.8)
2016	131.8	(133.4)	(1.6)
2015	130.3	(134.9)	(4.6)
2014	113.9	(107.1)	6.8
EMIA			
2019	61.9	(82.8)	(20.9)
2018	61.3	(80.1)	(18.8)
2017	59.9		
		(82.5)	(22.6)
2016	52.9	(64.7)	(11.8)
2015	55.1	(69.1)	(14.0)
2014	48.5	(57.6)	(9.1)
AVPS ²			
2019	3.7	(3.7)	_
2018	3.9	(3.9)	
2017	4.0	(4.0)	
2016	3.5	(3.5)	
2015	3.6	(3.6)	_
2014	3.1	(3.1)	_
2014	3.1	(3.1)	_
Total ²			
2019	716.3	(800.2)	(83.9)
2018	675.2	(762.5)	(87.3)
2017	660.5	(765.1)	(104.6)
2016	551.3	(604.2)	(52.9)
2015	566.7	(640.1)	(73.4)
2014	511.5	(551.7)	(40.2)
2014	311.5	(331./)	(40.2)

- 1 The figures as shown represent the proprtion of the scheme that is attributable to the Group. £6.0m (2018: £6.2m) of the liabilities are unfunded.
- 2 The AVPS has a surplus of £0.7m (2018: £0.9m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.
- 3 The present value of the deficit funding commitments to the three schemes GMPF, MAG (STAL), EMIA, is less than the IAS19 deficit at the balance sheet date and therefore IFRS14 has no effect on the figures disclosed.

28. RETIREMENT BENEFITS CONTINUED

STRATEGIC REPORT

PLAN ASSETS

	GMPF		MAG (STAL)		EMIA		AVPS		Total	
	2019 £m	2018 £m								
Equities and other growth assets	316.5	293.5	118.1	110.0	34.8	36.7	-	_	469.4	440.2
Corporate and government bonds	70.6	68.7	43.0	40.9	16.5	15.3	3.6	3.5	133.7	128.4
Property	37.6	27.6	-	_	6.1	6.5		_	43.7	34.1
Other	41.0	47.7	23.9	21.6	4.5	2.8	0.1	0.4	69.5	72.5
Fair value of assets	465.7	437.5	185.0	172.5	61.9	61.3	3.7	3.9	716.3	675.2

MOVEMENT IN NET DEFINED BENEFIT LIABILITY - ALL SCHEMES

	Defined benefit obligation		Fair value of scheme assets		Net def benefit lie	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Opening position as at 1 April* Included in the income statement	(761.6)	(764.2)	675.2	660.5	(86.4)	(103.7)
Current service cost of defined benefit scheme Past service cost Interest (cost)/income	(11.4) (1.3) (19.5)	(11.9) - (20.3)	(1.4) 17.4	(0.5) - 17.5	(12.8) (1.3) (2.1)	(12.4) - (2.8)
Amount recognised in the statement of comprehensive income (SOCI)	(32.2)	(32.2)	16.0	17.0	(16.2)	(15.2)
Actual return less expected return on pension scheme assets Experience (loss)/gain arising on scheme liabilities	- (0.9)	(2.3)	35.6 -	5.1	35.6 (0.9)	5.1 (2.3)
Remeasurement (loss)/gain due to financial assumpion changes Remeasurement gain due to demographic assumption changes	(42.6) 11.2	16.1 2.9	_	-	(42.6) 11.2	16.1 2.9
Cash flows	(32.3)	16.7	35.6	5.1	3.3**	21.8
Contributions Benefits paid	(2.8) 29.4	(2.7) 20.8	18.9 (29.4)	13.4 (20.8)	16.1	10.7
Impact of asset ceiling	(0.7)	(0.9)	-	-	(0.7)	(0.9)
Closing position as at 31 March	(800.2)	(762.5)	716.3	675.2	(83.9)	(87.3)

^{*} The opening position excludes the impact of the asset ceiling
** The movement of £3.3m in addition to the £0.2m change in asset ceiling results in a total movement of £3.5m through the SOCI.

for the year ended 31 March 2019

28. RETIREMENT BENEFITS CONTINUED

MOVEMENT IN NET DEFINED BENEFIT LIABILITY – GMPF SCHEME

	Defined benefit obligation			value ne assets	Net defined benefit liability	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Opening position as at 1 April Included in the income statement	(483.5)	(489.4)	437.5	435.2	(46.0)	(54.2)
Current service cost of defined benefit scheme	(4.4)	(4.6)	-	-	(4.4)	(4.6)
Past service cost Interest (cost)/income	(1.0) (12.4)	(12.8)	- 11.2	- 11.4	(1.0) (1.2)	(1.4)
Amount recognised in the statement of comprehensive income (SOCI)	(17.8)	(17.4)	11.2	11.4	(6.6)	(6.0)
Actual return less expected return on pension scheme assets Experience (loss)/gain arising on scheme liabilities	(0.7)	(2.3)	28.9	1.0	28.9 (0.7)	1.0 (2.3)
Remeasurement (loss)/gain due to financial assumpion changes Remeasurement gain due to demographic assumption changes	(23.4) 4.1	9.1	-	-	(23.4)	9.1 0.9
Cash flows	(20.0)	7.7	28.9	1.0	8.9	8.7
Contributions Benefits paid	(1.2) 18.6	(1.2) 16.8	6.7 (18.6)	6.7 (16.8)	5.5	5.5
Closing position as at 31 March	(503.9)	(483.5)	465.7	437.5	(38.2)	(46.0)

The scheme liabilities have a duration of approximately 16 years.

MOVEMENT IN NET DEFINED BENEFIT LIABILITY - MAG (STAL) SCHEME

	Defi benefit o		Fair valu		Net defined benefit liability	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Opening position as at 1 April	(195.0)	(189.2)	172.5	161.4	(22.5)	(27.8)
Included in the income statement						
Current service cost of defined benefit scheme	(6.1)	(6.2)	(0.6)	(0.3)	(6.7)	(6.5)
Past service cost Interest (cost)/income	(0.1) (5.0)	(5.2)	- 4.5	- 4.4	(0.1) (0.5)	(O.8)
	(11.2)	(11.4)	3.9	4.1	(7.3)	(7.3)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	-	6.0	3.6	6.0	3.6
Experience (loss)/gain arising on scheme liabilities	(0.1)	(O.3)	-	-	(0.1)	(0.3)
Remeasurement (loss)/gain due to financial assumpion changes Remeasurement gain due to demographic assumption changes	(14.4) 6.2	5.2 0.1	-	- -	(14.4) 6.2	5.2 0.1
	(8.3)	5.0	6.0	3.6	(2.3)	8.6
Cash flows						
Contributions	(1.3)	(1.2)	8.6	5.2	7.3	4.0
Benefits paid	6.0	1.8	(6.0)	(1.8)	-	_
Closing position as at 31 March	(209.8)	(195.0)	185.0	172.5	(24.8)	(22.5)

The scheme liabilities have a duration of approximately $25\ \text{years}.$

28. RETIREMENT BENEFITS CONTINUED

MOVEMENT IN NET DEFINED BENEFIT LIABILITY - EMIA SCHEME

	Defined benefit obligation		Fair value of scheme assets		Net de benefit	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Opening position as at 1 April	(80.1)	(82.5)	61.3	59.9	(18.8)	(22.6)
Included in the income statement						
Current service cost of defined benefit scheme	(0.9)	(1.1)	(0.6)	(0.2)	(1.5)	(1.3)
Past service cost Interest (cost)/income	(0.2) (2.0)	(2.2)	1.6	- 1.6	(0.2) (0.4)	(O.6)
	(3.1)	(3.3)	1.0	1.4	(2.1)	(1.9)
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	-	_	0.6	0.6	0.6	0.6
Experience (loss)/gain arising on scheme liabilities	(0.1)	0.3	-	-	(0.1)	0.3
Remeasurement (loss)/gain due to financial assumpion changes Remeasurement gain due to demographic assumption changes	(4.7) 0.9	1. <i>7</i> 1.9	-	-	(4.7) 0.9	1. <i>7</i> 1.9
	(3.9)	3.9	0.6	0.6	(3.3)	4.5
Cash flows						
Contributions Benefits paid	(0.3) 4.6	(0.3) 2.1	3.6 (4.6)	1.5 (2.1)	3.3	1.2
Closing position as at 31 March	(82.8)	(80.1)	61.9	61.3	(20.9)	(18.8)

The scheme liabilities have a duration of approximately 20 years.

MOVEMENT IN NET DEFINED BENEFIT LIABILITY - AVPS SCHEME

	Defined benefit obligation		Fair value of scheme assets		Net de benefit	efined liability
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Opening position as at 1 April	(3.0)	(3.1)	3.9	4.0	0.9	0.9
Included in the income statement						
Current service cost of defined benefit scheme	-	-	(0.2)	_	(0.2)	_
Past service cost Interest (cost)/income	_ (0.1)	- (O.1)	0.1	- 0.1	-	-
	(0.1)	(0.1)	(0.1)	0.1	(0.2)	_
Amount recognised in the statement of comprehensive income (SOCI)						
Actual return less expected return on pension scheme assets	_	_	0.1	(0.1)	0.1	(O.1)
Experience (loss)/gain arising on scheme liabilities Remeasurement (loss)/gain due to financial assumpion changes Remeasurement gain due to demographic assumption changes	(0.1) -	0.1 -	-	- - -	(0.1) -	- 0.1 -
	(0.1)	0.1	0.1	(0.1)	_	_
Cash flows						
Contributions Benefits paid	0.2	- 0.1	- (0.2)	- (O.1)	-	-
Closing position as at 31 March	(3.0)	(3.0)	3.7	3.9	0.7	0.9

The AVPS has a surplus of £0.7m (2018: £0.9m). This surplus has not been recognised in line with 'IFRIC 14' as the surplus cannot be recovered by reducing future contributions.

for the year ended 31 March 2019

28. RETIREMENT BENEFITS CONTINUED

HISTORY OF EXPERIENCE GAINS AND LOSSES

	GM	IPF	MAG (STAL)	EM	IA	AV	PS	Tot	al
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Difference between actual and expected returns on assets amount	28.9	1.0	6.0	3.6	0.6	0.6	(0.1)	(0.1)	35.4	5.1
% of scheme assets	6.2%	0.2%	3.2%	2.1%	1.0%	1.0%	(2.6%)	(2.6%)	4.9%	0.8%
Experience (loss)/gain on liabilities amount	(0.7)	(2.3)	(0.1)	(0.3)	(0.1)	0.3	-	_	(0.9)	(2.3)
% of scheme liabilities	0.1%	0.5%	0.0%	0.2%	0.1%	(0.4%)	-	_	0.1%	0.3%
Total amount recognised in SOCI % of scheme liabilities	8.9 (1.8%)	8. <i>7</i> (1.8%)	(2.3) 1.1%	8.6 (4.4%)	(3.3) 4.0%	4.5 (5.6%)	-	- -	3 .3** (0.4%)	21.8 (2.9%)

The estimated amount of contributions expected to be paid to the schemes during the financial year to 31 March 2020 is £15.2m (2018: £15.3m).

SENSITIVITY ANALYSIS

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

	GMPF	MAG (STAL)	EMIA	AVPS	Total
	2019	2019	2019	2019	2019
	£m	£m	£m	£m	£m
0.5% increase in real discount rate 0.5% decrease in real discount rate	(42.2)	(26.4)	(8.1)	(0.3)	(77.0)
	48.1	31.2	9.3	0.4	89.0
0.5% increase in rate of RPI inflation 0.5% decrease in rate of RPI inflation	47.8	30.9	6.8	0.4	85.9
	(39.7)	(23.4)	(5.1)	(0.3)	(68.5)
0.5% increase in the salary increase rate 0.5% decrease in the salary increase rate	8.5 (8.1)	11.4 (10.8)	-	N/A N/A	19.9 (18.9)
l year increase in life expectancy	17.4	6.1	3.0	0.1	26.6
l year decrease in life expectancy	(17.4)	(6.1)	(3.0)	(0.1)	(26.6)

29. DEFERRED TAXATION

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

	Accelerated capital allowances	properties and operational assets carried at deemed cost	Retirement benefit obligations	Fair value acquisition adjustment	Short-term timing differences	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2018	111.4	74.0	(14.8)	34.2	0.6	205.4
(Credit)/charge to income	(1.5)	3.9	-	(2.3)	4.2	4.3
(Credit) to equity	_	_	0.6	-	-	0.6
Deferred Tax on acquisitions	_	-	_	0.6	-	0.6
At 31 March 2019	109.9	77.9	(14.2)	32.5	4.8	210.9
At 1 April 2017	111.8	85.3	(17.8)	38.6	(0.7)	217.2
(Credit)/charge to income	(0.4)	(11.3)	(0.7)	(4.4)	1.3	(15.5)
(Credit) to equity	_	_	3.7	-	-	3.7
At 31 March 2018	111.4	74.0	(14.8)	34.2	0.6	205.4

Deferred tax assets and liabilities have been offset in the disclosure above. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2019	2018
	£m	£m
Deferred tax liabilities	(225.1)	(220.2)
Deferred tax assets	14.2	14.8
	(210.9)	(205.4)

In addition the deferred tax liability from the acquisitions during the year, Looking4Parking and SkyParkSecure, is £0.6m (2018: £nil) bringing the net deferred tax liability for the Group to £210.9m comprising deferred tax assets of £14.2m and deferred tax liabilities of £225.1m.

30. OTHER NON-CURRENT LIABILITIES

	2019 £m	2018 £m
Accruals and deferred income Capital-based grants	3.5 15.3	4.7
Capital-based grains	18.8	12.4

31. SHARE CAPITAL AND SHARE PREMIUM

		Ordinary shares of £1 each		
	Number of shares	Share capital £m	Share premium £m	Total £m
ssued, called up and fully paid At 31 March 2019	316.7	316.7	687.2	1,003.9
At 31 March 2018	316. <i>7</i>	316.7	687.2	1,003.9

for the year ended 31 March 2019

32. RESERVES

		Retained earnings £m
At 1 April 2018		516.7
Remeasurement of retirement benefit liabilities		3.5
Deferred tax on remeasurement of retirement benefit liabilities		(0.6)
Foreign exchange movement		0.5
Result for the year		143.4
Dividends paid in the year		(174.7)
As at 31 March 2019		488.8
	2019	2018
	£m	£m
Reconciliation of movements in shareholders' funds		
Opening shareholders' funds	1,520.6	1,542.0
Total recognised income for the year	146.3	127.8
Foreign exchange movement	0.5	-
Dividends paid in the year	(174.7)	(149.2)
Equity shareholders' funds as at 31 March	1,492.7	1,520.6
33. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES		
	2019	2018
	£m	£m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	155.4	225.8

The Group has performance bonds and other items arising in the normal course of business amounting to £3.0m at 31 March 2019 (2018: £1.3m). As part of its investment in Airport City the Group has agreed to pay an equity contribution up to a maximum of £42m if required.

34. OPERATING LEASE ARRANGEMENTS

At 31 March 2019 the Group had commitments under non-cancellable operating leases which expire as follows:

	2019 Land	2019 Other	2018 Land	2018 Other
	£m	£m	£m	£m
Expiring within one year	5.6	8.4	3.0	8.1
Expiring in more than one year but within five years	22.8	29.0	11.4	28.1
Expiring in over five years	251.8	125.3	60.7	122.9
	280.2	162.7	<i>7</i> 5.1	159.1

In preparation for the adoption of IFRS 16 in the financial year ending 31 March 2020, the Group has reviewed their operating lease commitments in place. The review identified elements of contingent rent amounts within the 2018 accounts. These figures have been recalculated to exclude the contingent rent amounts in accordance with the requirements of IAS17.

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

34. OPERATING LEASE ARRANGEMENTS CONTINUED

The Group has a commitment in respect of a land lease with The Council of the City of Manchester (MCC), a related party as described in note 35. The amount payable on the ground rent leases is a base fee of £2.8m (2018: £1.0m) which is included within the table above and increasing with inflation linked to CPI. The increase in ground rent lease in the year is predominantly due to a change of use of part of the leased land which resulted in a rental charge to be incurred by the Group. The main lease with MCC is variable based on turnover and rental per sq foot with no base fee or minimum commitment, and therefore is not included in the table above. The amount charged to operating profit across all leases with MCC in the year was £13.2m (2018: £11.3m). The lease expires in 2085.

As noted above, the Group also has a commitment in respect of an electricity distribution agreement with UK Power Networks (formerly EDF Energy Plc). The total amount payable on the lease is a base fee of £8.1m (included within the table above and increasing with inflation), plus a volume and recharge element adjusted annually for inflation. The total amount charged to operating profit in the year was £10.9m (2018: £10.5m). The lease expires in 2083.

35. RELATED PARTY TRANSACTIONS

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.

TRANSACTIONS INVOLVING THE COUNCIL OF THE CITY OF MANCHESTER AND THE OTHER COUNCIL SHAREHOLDERS

The Council of the City of Manchester ('MCC') is a related party to Manchester Airports Holdings Limited as MCC owns 35.5% of the share capital of the Company.

As at 31 March 2019 the amount of loans outstanding owed to MCC by the Group was £207.5m (2018: £83.2m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2018: £nil) to MCC during the year and paid interest of £16.5m (2018: £10.0m).

As at 31 March 2019 the amount of loans outstanding owed to the other nine councils (each of which is a related party to Manchester Airports Holdings Limited by virtue of its shareholding) by the Group was £180.9m (2018: £79.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2018: £nil) to the other nine councils during the year and paid interest of £14.8m (2018: £9.5m).

Included in external charges are charges for rent and rates amounting to £25.1m (2018: £27.0m) and other sundry charges of £0.3m (2018: £0.6m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

TRANSACTIONS INVOLVING IFM

Industry Funds Management (IFM), through its subsidiary, is a related party to Manchester Airports Holdings Limited as IFM owns 35.5% of the share capital of the Company. During the year, the Group was party to the following transactions with IFM.

As at 31 March 2019 the amount of loans outstanding owed to IFM by the Group was £213.7m (2018: £89.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2018: £nil) to IFM during the year and paid interest of £17.2m (2018: £10.7m).

TRANSACTIONS INVOLVING ASSOCIATE

As at 31 March 2019 the amounts owing were £nil (2018: £nil) and amounts owed were £nil (2018: £0.1m). Net assets of £nil (2018: £4.7m), comprising freehold land, were sold to the associate by the Group during the year.

for the year ended 31 March 2019

36. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2018 £m	Cash flow £m	Other non-cash movements £m	2019 £m
Cash at bank and in hand Cash on short term deposit	20.0	12.5		32.5 -
Cash and cash equivalents disclosed on the statement of financial position Overdrafts	20.0	12.5	-	32.5 -
Total cash and cash equivalents (including overdrafts) Current debt Non-current debt	20.0 - (1,346.8)	12.5 - (485.1)	- (0.3)	32.5 - (1,832.2)
Net debt	(1,326.8)	(472.6)	(0.3)	(1,799.7)

37. POST BALANCE SHEET EVENTS

On 9 May 2019 the Group issued a £350m bond with a coupon rate of 2.875% and a legal maturity date of 30 September 2044.

Company financial statements

ACCOUNTING POLICIES

Manchester Airports Holdings Limited (the 'Company') is a company limited by shares and incorporated and domiciled in England.

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

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

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

- statement of cash flows and related notes;
- key management personnel compensation;
- related parties; and
- reconciliation of the number of shares outstanding from the beginning to the end of the period.

Furthermore, as the consolidated financial statements of Manchester Airports Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

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

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

MEASUREMENT CONVENTION

The financial statements are prepared on the historical cost basis.

FUNCTIONAL CURRENCY

The Company's functional and presentation currency is the pound sterling.

INVESTMENTS IN SUBSIDIARIES

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

AMOUNTS OWED TO SUBSIDIARY UNDERTAKINGS

Intercompany balances are stated at historic cost.

INTEREST PAYABLE

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

Statement of financial position

for the year ended 31 March 2019

		2019	2018
	Note	£m	£m
ASSETS			
Non-current assets			
Investments	3	2,253.1	2,253.1
		2,253.1	2,253.1
CURRENT ASSETS			
Trade and other receivables	4	467.7	467.7
		467.7	467.7
LIABILITIES			
Current liabilities	5	(732.9)	(544.2)
NET CURRENT ASSETS/(LIABILITIES)		(265.2)	(76.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		10070	0.17/ /
TOTAL ASSETS LESS CORRENT LIABILITIES		1,987.9	2,176.6
NET ASSETS		1,987.9	2,176.6
Capital & reserves			
Share capital	6	316.6	316.6
Share premium		687.2	687.2
Retained earnings		984.1	1,172.8
TOTAL EQUITY		1,987.9	2,176.6

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

The financial statements on pages 125 to 130 were approved by the Board of Directors on 4 July 2019 and signed on its behalf by:

Charles T. Comist

Sir Adrian Montague CBE Chairman, MAG **Charlie Cornish**Chief Executive, MAG

Statement of changes in equity

for the year ended 31 March 2019

	Share capital £m	Share premium £m	Profit and loss account £m	Total £m
Balance at 1 April 2018	316.6	687.2	1,172.8	2,176.6
Total comprehensive expense for the year Result for the year	-	_	(14.0)	(14.0)
Transactions with owners recorded directly in equity Dividends paid	-	_	(174.7)	(174.7)
Balance at 31 March 2019	316.6	687.2	984.1	1,987.9

Statement of changes in equity

for the year ended 31 March 2018

	Share capital £m	Share premium £m	Profit and loss account £m	Total £m
Balance at 1 April 2017	316.6	687.2	863.1	1,866.9
Total comprehensive income for the year Result for the year	-	_	458.9	458.9
Transactions with owners recorded directly in equity Dividends paid	-	_	(149.2)	(149.2)
Balance at 31 March 2018	316.6	687.2	1,172.8	2,176.6

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

Notes to the financial statements

for the year ended 31 March 2019

1. AUDITOR'S REMUNERATION

Amounts receivable by the Company's auditor and the auditor's associates, in respect of services to the Company and the Company's subsidiaries, have not been disclosed as the information has been disclosed on a consolidated basis as noted on page 96.

2.LOSS ON ORDINARY ACTIVITIES AFTER TAXATION OF THE COMPANY

As permitted by Section 408 of the Companies Act, the Company is exempt from the requirements to present its own profit and loss account. The result attributable to the Company is a loss of £14.0m (2018: profit of £458.9m) before payment of dividends.

3. INVESTMENTS

At 31 March 2019	2,253.1
Cost and net book value: At 1 April 2018	2,253.1
	Subsidiary undertakings £m

4. TRADE AND OTHER RECEIVABLES

	2019 £m	2018 £m
Reconciliation of movements in shareholders' funds	467.7	467.7
	467.7	467.7

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

5. TRADE AND OTHER PAYABLES

	2019	2018
	£m	£m
Reconciliation of movements in shareholders' funds	(732.9)	(544.2)
	(732.9)	(544.2)

6. CALLED UP SHARE CAPITAL

		2019	2018
	Number (m)	£m	£m
Issued, called up and fully paid			
Ordinary shares of £1 each	316.6	316.6	316.6
		316.6	316.6

In addition to 316.6m non-voting ordinary shares, the Company has also issued 10 A and 10 B shares, which carry equal voting rights but do not carry any rights to receive dividends or distributions. Non-voting ordinary shares carry equal rights to receive dividends and distributions.

7. SUBSIDIARY UNDERTAKINGS

Proportion of nominal value of issued shares held by:

Name of undertaking	Description of shares held	Group	Company	Principal activity
Agency of the North Limited ²	Ordinary £1 shares	100%	Company	Holding company
Airport Advertising Limited ²	Ordinary £1 shares	100%		Non trading
Airport City (Asset Manager) Limited ^{1, 2}	Ordinary £1 shares	70%		Property holding company
Airport City (General Partner) Limited ^{1, 2}	Ordinary £1 shares	70%		Property holding company
Airport City Limited Partnership ^{1, 2}	Ordinary £1 shares	70%		Property holding company
sirport City Management Company (South) Limited ^{1, 2}	Ordinary £1 shares	100%		Property management company
irport City (Manchester) Limited ^{1, 2}	Ordinary £1 shares	100%	100%	Property holding company
irport City (Manchester) Investments Limited ^{1,2}	Ordinary £1 shares	100%	100%	Property holding company
irport Petroleum Limited ²	Ordinary £1 shares	100%		Non trading
<u>'</u>	Ordinary £1 shares		100%	
irport Services International Limited ²		100%	100%	Holding company
ainsdown Limited ³	Ordinary £1 shares	100%		Property holding company
ast Midlands Airport Core Property Investments Limited ²	Ordinary £1 shares	100%		Non trading
ast Midlands Airport Nottingham Derby Leicester Limited ²	Ordinary £1 shares	100%		Intermediate holding company of East Midlands International Airport Limited and Bournemouth International Airport Limited
ast Midlands Airport Property Investments (Hotels) Limited ²	Ordinary £1 shares	100%		Investment property holding company
ast Midlands Airport Property Investments (Industrial) Limited ²	Ordinary £1 shares	100%		Investment property holding company
ast Midlands Airport Property Investments (Offices) Limited ²	Ordinary £1 shares	100%		Investment property holding company
ast Midlands International Airport Limited ⁴	Ordinary £1 shares	100%		Airport operator
· 	9% cumulative redeemable preference shares	100%		
MIA Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
poking4Parking Limited ²	Ordinary £1 shares	100%		Trading company
Manchester Airport Aviation Services Limited ³	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Finance Holdings Limited ²	Ordinary £1 shares	100%	100%	Investment holding company
Manchester Airport Group Finance Limited ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Funding Plc ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Investments Limited ²	Ordinary £1 shares	100%		Investment holding company
Manchester Airport Group Property Developments Limited ²	Ordinary £1 shares	100%		Property development company
Manchester Airport Group Property Services Limited ²	Ordinary £1 shares	100%		Property management company
NAG Investments Assets Limited ³	Ordinary £1 shares	100%		Holding company
MAG Airport Limited ²	Ordinary £1 shares	100%		Trading company
Nanchester Airport Group US Holdings Inc *,6	Ordinary \$0.01 shares	100%		Investment holding company
Manchester Airport Plc ³	Ordinary £1 shares	100%		Airport operator
Manchester Airport Property Investments (Hotels) Limited ²	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Industrial) Limited ²	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Property Investments (Offices) Limited ²	Ordinary £1 shares	100%		Investment property holding company
Manchester Airport Ventures Limited ²	Ordinary £1 shares	100%		Intermediate holding company for Airport Advertising Limited and Airport Petroleum Limited
MAG Investments US Limited ²	Ordinary £1 shares	100%		Investment holding company
MAG Overseas Investments Limited ²	Ordinary £1 shares	100%	100%	Investment holding company
MAG US Lounge Management LLC *,6	N/A	100%		Non trading
MAG US Parking Management LLC *,6	N/A	100%		Non trading
MAG US Terminal Management LLC *,6	N/A	100%		Non trading
MAG DC Pension Trustee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee

Proportion of nominal value of issued shares held by:

Name of undertaking	Description of shares held	Group	Compa	ny Principal activity
MAG Pension Trusteee Limited ²	Ordinary £1 shares	100%	100%	Pension trustee
Ringway Developments Plc ²	Ordinary £1 shares	100%		Property holding company
Ringway Handling Limited ³	Ordinary £1 shares	100%		Non trading
Ringway Handling Services Limited ³	Ordinary £1 shares	100%		Non trading
Simmerdown Limited ²	Ordinary £1 shares	100%		Holding company
Skyparksecure Limited ²	Ordinary £1 shares	100%		Trading company
Stansted Airport Limited ⁵	Ordinary £1 shares	100%		Airport operator
Travel Parking Group Limited ²	Ordinary £1 shares	100%		Holding company
	7% cumulative redeemable preference shares	100%		Non trading
	Ordinary £1 shares	100%		
Worknorth II Limited ³	7% cumulative redeemable preference shares	100%		Non trading

1. These reflect the Group's 70% investment in Airport City shown within the Group financial statements as an investment in associate.

The registered office addresses for each of the above companies are listed below.

- 2. Olympic House, Manchester Airport, Manchester, M90 1QX
- 3. PO Box 532, Town Hall, Albert Square, Manchester, M60 2LA
- 4. Building 34, East Midlands Airport, Castle Donington, Derby DE74 2SA
- $5. \quad \text{Enterprise House, Bassingbourn Road, Stansted Airport, Essex, CM24 1QW} \\$
- 6. 251 Little Falls Drive, Wilmington, Delaware, 19808, United States of America

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

IMPORTANT INFORMATION

Cautionary Statement: The Annual Report and Accounts contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast.

TERMS USED

Unless expressly stated otherwise, the 'Group', 'MAG', 'Manchester Airports Group', 'MAHL' or 'the Company' means Manchester Airports Holdings Limited and its subsidiary undertakings

